Glossary of CAP terms

The common agricultural policy - A glossary of terms

European Commission – Directorate-General for Agriculture and Rural Development – 2012

A

Active farmer: In the context of the CAP reform proposals of October 2011, an active farmer is a farmer

- whose annual amount of direct payments represents more than 5% of the total receipts he obtained from non-agricultural activities in the most recent fiscal year and
- who carries out on his agricultural area a minimum activity to be established by the member state provided that his agricultural area is mainly an area naturally kept in a state suitable for grazing and cultivation.

Acquis communautaire: This is a French term meaning, essentially, 'the EU as it is' – in other words, the rights and obligations that EU countries share. The 'acquis' includes all the EU's treaties and laws, declarations and resolutions, international agreements on EU affairs and the judgments given by the Court of Justice. It also includes actions that EU governments take together in the area of justice and home affairs and on the Common Foreign and Security Policy. 'Accepting the acquis' therefore means taking the EU as you find it. Candidate countries have to accept the 'acquis' before they can join the EU, and make EU law part of their own national legislation.

Afforestation: This is the planting of trees for the purpose of creating woodland or forest. In the context of the common agricultural policy, the term refers to measures, co-financed by the European Union, to encourage new woodland development with a view to its beneficial effects for the environment.

African, Caribbean and Pacific countries (ACP countries): These are the African, Caribbean and Pacific states that are associated with the **European Union** under the Cotonou Agreement (previously the Lomé Agreement). There are 79 states in the group which represents more than 650 million people. All members of the group – with the exception of Cuba – are signatories to the Cotonou Agreement which defines the relationship between the ACP countries and the European Union in the area of trade and cooperation. The principal objective of this agreement is to reduce poverty by means of political dialogue, development aid, economic liberalisation and trade.

The trade provisions of the Cotonou Agreement are being replaced by the Economic Partnership Agreements. These new arrangements provide for reciprocal trade agreements, meaning that not only the EU provides duty-free access to its markets for ACP exports, but that ACP countries also provide duty-free access to their own markets for EU exports.

Agenda 2000: Agenda 2000 was a strategy paper, adopted by the European Commission in 1997. It is significant because it set out the main political, economic and social issues that confronted the European Union at the beginning of the 21st century and put forward a strategy to respond to those issues. The principle issue was that of the enlargement of the Union, comprising 15 countries at the time, towards Central and Eastern Europe.

The paper proposed a reform of the Union's policies and a new financial framework for the period 2000-2006. It consisted of three parts:

- the first addressed the question of the European Union's internal operation. It proposed a reform of the common agricultural policy and of the economic and social cohesion policy;
- the second proposed a reinforced pre-accession strategy;
- the third consisted of a study of the impact of enlargement on the policies of the European Union.

In 1999, the European Council, meeting in Berlin, agreed to the proposals. The subsequent legislation, which gave legal effect to the proposals, was adopted later the same year.

Agreement on Agriculture: in the context of international trade, this term refers to an agreement made in 1994 whereby countries, firstly, restricted the amount of support that they granted to their farmers and, secondly, opened up their countries to more agricultural trade.

This agreement was made between the countries that took part in the Uruguay Round of trade negotiations. This was the eighth round of multilateral trade negotiations conducted within the framework of the General Agreement on Tariffs and Trade. The round concluded in 1994 with the signature of the Final Act of the Uruguay Round. The

Final Act comprised a number of Agreements and Decisions, including the Agreement on Agriculture. It also included the provisions that set up the **World Trade Organisation**.

The Agreement on Agriculture brought agricultural trade and, for the first time, domestic agricultural policy, more fully under international rules and obligations. Specifically the agreement provided for reductions in tariffs, export subsidies and trade-distorting domestic support to farmers, while having regard to **non-trade concerns** and the situation of developing countries.

Agricultural activity: in the context of the CAP reform proposals of October 2011, for the purpose of granting direct payments to farmers, agricultural activity means

- the rearing or growing of agricultural products including harvesting, milking, breeding animals and keeping animals for farming purposes;
- maintaining the agricultural area in a state which makes it suitable for grazing or cultivation without any particular preparatory action going beyond traditional agricultural methods and machinery;
- or carrying out a minimum activity to be established by member states on agricultural areas naturally kept in a state suitable for grazing or cultivation.

Agricultural advisory groups: these are groups of representatives of organisations from civil society. The organisations include professional associations and other non-governmental organisations which are involved in farming, the rural economy, food production, the environment, consumers' protection and other related matters. There are some 30 such groups and they meet with the services of the Commission several times a year. They play an advisory and consultative role – they are not involved in the drafting or approval of legislation.

Agricultural area: any area taken up by arable land, permanent grassland or permanent crops.

Agricultural products: means the products listed in Annex I to the Treaty on the Functioning of the European Union, with the exception of fishery products, but including cotton.

Agri-environmental indicators (AEIs): Agri-environmental indicators track the integration of environmental concerns into the Common Agricultural Policy at EU, national and regional levels.

In 2006, the European Commission adopted 28 such indicators to assess the interaction between the CAP and the environment and to serve the following purposes: to provide information on the state of the environment in agriculture; to understand and monitor the linkages between agricultural practices and their effects on the environment; to provide contextual information, particularly concerning the diversity of the EU's agri-ecosystems; to assess the extent to which agricultural and rural development policies promote environmentally-friendly farming activities and sustainable agriculture and, lastly, to provide information for the global assessment process of agricultural sustainability.

Agri-environmental measures: these are measures to protect and improve the environment, to maintain the countryside in good condition and to encourage extensive farming. Agri-environmental measures have to go beyond the requirements of **cross compliance** (i.e. beyond the exigencies of the statutory management requirements and of the good agricultural and environmental conditions).

Within the context of the rural development rules for the period 2007-2013, agri-environmental measures fall within Axis 2 of the rural development measures (i.e. measures to improve the environment and the countryside).

Farmers can chose to implement agri-environmental measures and if they do so, they are reimbursed the extra costs on the grounds that they are farming in a manner that delivers additional public goods and services (**agri-environmental payments**).

Agri-environmental payments: these are payments made to farmers who undertake **agri-environmental measures**.

Animal welfare: the well-being of farm animals. European Union rules specify that animals should enjoy the following freedoms:

freedom from hunger and thirst, freedom from discomfort, freedom from pain, injury and disease, freedom to express normal behaviour and freedom from fear and distress. Other things being equal, the fact that farmers are obliged to respect these standards when rearing their animals, means that the cost of producing milk, meat and other animal products in the European Union is higher than in countries where such standards do not apply.

Arable Crops: in the context of the common agricultural policy , arable crops consist of the following: cereals (such as wheat, barley, oats, rye, maize, sorghum), oilseeds (soya beans, rape seed and sunflower seed), protein crops (peas, beans and lupins), flax and hemp.

Article 68: Within the context of the 2009-2013 rules regarding the Common Agricultural Policy, this refers to Article 68 of Regulation 73/2009. This regulation provides the general rules for direct payments to farmers. However, member states may consider that, because of specific farming conditions, or in order to address environmental and animal welfare issues, or to improve the quality and marketing of agricultural products, it is necessary to grant an additional, specific support to farmers. Article 68 provides the scope and conditions applying to such specific support.

A member state may spend up to 10% of its 'national ceiling' on Article 68 measures. The national ceiling is the amount of money within the EU budget that is allocated to a member state for direct payments.

Axes of rural development policy: With a view to adapting the CAP for the period 2007 – 2013, the European Union adopted a revised rural development policy in September 2005. It came into effect at the beginning of 2007. The policy is structured around three core objectives each of which has a corresponding axis.

Axis 1: improving the competitiveness of the agricultural and forestry sector. This axis comprises measures to improve knowledge and innovation, measures to improve the quality of farm products and two transitional measures for the new Member states, these being assistance for semi-subsistence farms and producer groups.

Axis 2: improving the environment and the countryside. This axis comprises measures to encourage sustainable farming and forestry and to promote high standards of animal welfare. Farmers may receive payments to compensate them for farming in a manner which generates public goods – for instance, farming in a manner that preserves biodiversity, farming in mountainous areas (thereby maintaining rural society), etc. These payments are known as **agri-environmental payments**.

Axis 3: improving the quality of life in rural areas and helping the diversification of the rural economy. This axis comprises measures which encourage farmers to diversify into non-agricultural activities, measures to improve the quality of life in rural areas and measures concerning local development. This axis helps to promote micro-enterprises, rural tourism, basic services and village renewal.

In addition to these three axes there is fourth one which promotes the **Leader** approach.

B

Basic Payment Scheme: this is a new term, arising within in the context of the CAP reform proposals of October 2011. Under the 2007-2013 rules, farmers receive direct financial support in the form of a Single Payment. In contrast, under the October 2011 proposals for the reform of the Common Agricultural Policy, it is proposed that the Single Payment is replaced by one or other of two alternatives: either a payment under a Small Farmer Scheme or a payment composed of up to five elements (termed 'layers') of which the Basic Payment Scheme is one such element.

It is proposed that the Basic Payment is paid at a flat rate per hectare and is payable to all farmers, with the exception of those farmers in regions / member states that have decided to apply the Small Farmer Scheme.

Biodiesel: is a biofuel, liquid in form and derived from plants such as sunflower, oilseed rape and groundnut.

Biodiversity: the variability among living organisms from all sources, including terrestrial, marine, and other aquatic ecosystems and the ecological complexes of which they are part. It includes diversity within species (genetic diversity), between species (species diversity), and between ecosystems (ecosystem diversity).

Bioenergy: this is energy that is derived from biological matter (ie plants and animals) but which has not undergone any geological process (cf. fossil fuels). Sources of bioenergy may be solid (eg wood, straw), liquid (eg biodiesel, bioethanol) or gaseous (methane).

Bioethanol: is a biofuel, liquid in form and produced by the fermentation of carbohydrates. A variety of materials contain carbohydrates that can be fermented to produce bioethanol, such as cereals, milk (lactose), potatoes, sugar beet, sugarcane and wine.

Biofuel: this is a fuel that is produced by a biological process (as opposed to a geological process). Biofuels can be in a solid, liquid or gaseous form. Wood, biodiesel and bioethanol are examples of biofuels.

Biogas: is a biofuel, gaseous in form. It is produced by the anaerobic fermentation of animal manure.

Biomass: is all living matter plus all matter that was living but is in the process of decay. When the term biomass is used in an agricultural context, it may carry a more restricted meaning. It may mean plant matter that can be used as a source of energy.

In its agricultural context, therefore, biomass may include wood, crops, algae, agricultural and forest residues, sewage, manure, industrial by-products and municipal solid waste.

Boxes: Under the terms of the **Uruguay Round Agreement on Agriculture**, the measures that a member uses to support its agricultural sector are categorised into one or other of the following boxes:

- green box - this is domestic support that is not linked to either the quantity of farm products that a farmer produces or to the prices at which he sells them. As such, this type of support is deemed not to distort international trade, or to do so to a very small degree. This type of support was excluded from reduction commitments under the Uruguay Round Agreement on Agriculture;

- blue box - these are payments by governments to farmers, made within the context of a programme which limits the amount that farmers produce. This type of support was excluded from reduction commitments under the Uruguay Round Agreement on Agriculture;
- amber box - these are measures of domestic support other than the measures classified as blue or green. The level of support provided by these measures (which is called the Aggregate Measurement of Support) had to be reduced under the Uruguay Round Agreement on Agriculture.

C

Capping: in the context of the CAP reform proposals of October 2011, capping refers to the limitation of support that any individual farm may receive from the **Basic Payment Scheme**. The funds "saved" under this mechanism stay in the Member State concerned and are transferred to the Rural Development envelope, to be used by farmers for innovation and investment and by **European Innovation Partnership** operational groups.

Clearance of accounts: this is a procedure, operated by the Commission, to ensure that the member states carry out, in a proper manner, their responsibilities concerning payments made under the common agricultural policy. The procedure includes an annual financial clearance of the accounts of each paying agency and a multi-annual conformity clearance regarding the conformity of the transactions within EU rules.

Climate change: change in the world's climate. According to the Intergovernmental Panel on Climate Change (IPCC), set up in 1988 by the World Meteorological Organisation and the United Nations Environment Programme, the climate of the Earth is changing due to a higher concentration of certain gases in the atmosphere. The gases in question are known as 'greenhouse gases.'

Co-decision: known since the entry into force of the Treaty of Lisbon as the 'ordinary legislative procedure', co-decision is a term that describes the main procedure by which the European Union makes law. Briefly, the procedure is as follows: after a wide consultation with stakeholders, the European Commission draws up a proposal for a law. It then submits its proposal, on the one hand, to the Council of the European Union and, on the other hand, to the European Parliament for their consideration and eventual assent.

The co-decision procedure is, therefore, a procedure which requires the assent of both the European Parliament and the Council of the European Union for a proposal to become a law. Co-decision expresses the principle of the parity of the European Parliament and the Council of the European Union. It means that neither institution can adopt legislation without the assent of the other.

In the context of the common agricultural policy, proposals for legislation, which are drawn up by the European Commission, need the agreement of both the Council of the European Union and the European Parliament in order to become law – meaning that the co-decision procedure is required for all agricultural legislation (see **Ordinary Legislative Procedure**)

Coexistence: Coexistence refers to the presence, within the same area of land, of crops grown in different ways (i.e. crops grown in a conventional manner, crops grown according to the principles of organic farming and crops grown from seeds that have been genetically modified). There are a number of legal obligations with regard to the labelling and/or purity standards that apply in these situations.

Common agricultural policy (CAP): This is the set of legislation and practices adopted by the European Union to provide a common, unified policy on agriculture. It aims to ensure that agriculture can be maintained over the long term at the heart of a living countryside.

The European Union is obliged by law to have an agricultural policy. The aims are set out in Article 39 of the Treaty on the Functioning of the European Union and are as follows:

- an increase in agricultural productivity by means of technical progress and the rational development of agricultural production,
- a fair standard of living for the agricultural community,
- the stabilisation of markets for farm products,
- food security (i.e. ensuring that there is always a supply of food),
- food affordability (i.e. that the price of food is at a level that people can afford).

Common market organisation (CMO): A common market organisation is a set of measures that enables the European Union to manage, to a greater or lesser degree, the markets for agricultural products within its own territory. Markets are managed by altering the supply and demand for agricultural products from the situation that would pertain if markets were entirely "free". The purpose of market management is to stabilise markets (in terms of quantity offered and purchased and the price at which transactions take place) and thus to ensure, on the one hand, that farmers do not suffer from excessively low prices and, on the other, that consumers have a secure supply of food at reasonable prices.

Until 2007, the European Union operated 21 common market organisations which together covered around 90% of the output of farms.

In a bid, however, to make things simpler, the European Union has amalgamated these 21 common market organisations into a single set, known as the single common market organisation.

Common Monitoring and Evaluation Framework of Rural Development Programmes (CMEF): This provides a single framework for the monitoring and evaluation of all rural development interventions for the programming period 2007-2013. It establishes a means for improving performance of the programmes, ensuring the accountability and allowing an assessment of the extent to which the objectives have been achieved.

Compensatory allowances: Introduced in 1975, these are payments to farmers in those areas where there are natural handicaps. Such areas are known as '**less favoured areas**'. They include mountainous areas and areas where there are specific environmental difficulties. In these areas, farmers are in a less favourable competitive position because farming is more costly - for instance, the cost of collecting milk is greater in the hills and mountains than in lowland areas where diary farms are likely to be closer to the dairy and bulk transport of milk by road is cheaper.

The purpose of compensatory allowances is to ensure that land remains in farming and that these areas are not de-populated. Compensatory payments are paid to farmers on the condition that they respect the rules of **cross-compliance**.

Compensatory payments form part of the menu available under axis 2 of the rural development programmes and, in keeping with all rural development measures, they are co-financed by the member state. (The other main measures under axis 2 are **agri-environmental measures**).

Cross-compliance: To receive **direct payments** and some other forms of financial support under the common agricultural policy (such as **compensatory allowance** and **agri-environmental payments**), farmers are required to respect certain rules. This requirement is known as cross-compliance. There are two components of these rules: **statutory management requirements** and **good agricultural and environmental conditions**.

The rules themselves concern food safety, animal health, plant health, the condition in which farmland is maintained, the environment and animal welfare. If farmers do not respect these rules then they may not receive all of the **direct payments** to which they are otherwise entitled.

Customs duty: The amount of money that a person or firm has to pay to the government when importing (import duty) or exporting a good (export duty).

There are several types of customs duty depending on the method of calculation. One type is an ad valorem duty which is expressed as a percentage of the value of the good on which it is applied (for instance 5% of 100 euro = 5 euro). A second type is a specific duty which is expressed as, for instance, 10 euro per tonne, 20 euro per head or 30 euro per hectolitre.

The term 'customs duty' is synonymous with the term 'tariff' and the two terms are often used interchangeably.

D

Decoupling: Introduced by the 2003 reform of the common agricultural policy, decoupling is the removal of the link between the receipt of a direct payment and the production of a specific product. Prior to this reform, farmers received a direct payment only if they produced the specific product to which the direct payment was associated. It meant that the profitability of producing a product (cereals, beefmeat…) did not depend only on the amount of money for which the farmer could sell the product in the market, but also on the amount of the direct payment that was associated with that particular product.

Inter alia, the 2003 reform decoupled many direct payments from production and this process was continued in the 2009 ‘Health Check’.

Member states are, however, permitted to continue to couple a small number of direct payments to production (for instance the suckler cow premium in France and the sheep and goat premium in some member states). The reason is to support the continued production of particular products and to avoid land falling out of farming in vulnerable regions.

The overall effect of decoupling has been to move the agricultural sector more towards the free market and to give farmers greater freedom to produce according to market demand.

Degressivity: In the context of the CAP reform proposals of October 2011, degressivity refers to the reduction of support that any individual farm can receive. The support payment will be reduced by 70% for the tranche €250 000-300 000; by 40% for the tranche €200 000-250 000, and by 20% for the tranche €150 000-200 000. The upper limit will be €300 000 per year (see **capping**). The greening payment is exempt from degressivity and is not included in the calculation of the tranche.

In order to take employment into account, the holding can deduct the costs of salaries in the previous year (including taxes & social security contributions) before these reductions are applied.

De Minimis Rule: in the context of agriculture, the term de minimis has two meanings:

1. This is the rule of the World Trade Organisation that a developed country is not required to reduce:

- its support for a particular product where the value of the support is less than 5% of the total value of production of the product
- its overall support for farm products where the value of support, over all products, is less than 5% of the total value of agricultural production.

The corresponding figure for a developing country is 10%.

2. In the context of the common agricultural policy and the granting by a member state of 'state aid' to its farmers, the de minimis rule permits such payments to be made without prior notification to the European Commission on the condition that, in any one year, the payment per farm does not exceed € 5000.

Direct payments: These are payments made directly to farmers in order to support their incomes. Direct payments are in contrast to price support which supports the prices at which farmers sell their products in the market (and is therefore not paid directly to farmers).

Direct payments were introduced on a significant scale following the 1992 reform. That reform reduced the level of price support. To prevent a corresponding fall in the incomes of farmers, direct payments were introduced. With the 2003 reform, direct payments were decoupled from production (see **decoupling**).

Dispute Settlement Body: this is the body within the World Trade Organisation that is ultimately responsible for the settling of disputes that arise between countries in the field of international trade. It consists of all the countries that belong to the WTO.

In the first instance, the Dispute Settlement Body delegates the settling of disputes to a 'panel.' If a country wishes to appeal against a decision of a panel, it submits its appeal to the Dispute Settlement Body which then delegates the appeal to the ‘appellate body.’

The Dispute Settlement Body determines the rules as to how panels and the appellate body should function.

Doha Development Agenda (DDA): The Ministerial conference of the World Trade Organisation, which took place in Doha, Qatar in November 2001, launched a round of multilateral negotiations concerning trade. These negotiations are known as the Doha Development Agenda. The same Ministerial conference also set the agenda and the timetable.

E

Early retirement scheme: Farmers who are above a certain age and who have decided to stop farming may receive payments under an early retirement scheme. The purpose is to encourage the replacement of elderly farmers by younger farmers, these being, in principle, in a better position to improve the economic viability of farms.

Ecological Focus Area: in the context of the reform proposals of October 2011, the Commission proposed that it should become compulsory that every farm in the European Union claiming direct payments via the Basic Payment Scheme shall have a certain share of its agricultural land (7%) composed of areas whose benefits for the environment, for the improvement of biodiversity and for the maintenance of attractive landscapes are proven (such as landscape features, buffer strips, afforested areas, etc).

Energy crops: energy crops are crops that are grown for energy, rather than for food or fibre. They include oilseeds crops (e.g. oilseed rape, soya, sunflower), cereals (e.g. wheat, barley, maize, rye), sugar beet, sugar cane and perennial crops (e.g. miscanthus, short rotation coppice, eucalyptus).

Erosion of Preferences: The negotiations that are taking place in the framework of the **Doha Development Agenda** aim at a reduction in the level of non-preferential duties. If the negotiations succeed, non-preferential duties will be reduced but preferential duties will remain the same. As a result, the margin of preference in favour of developing countries will fall. This is known as erosion of preferences.

Euro: The official currency of 17 of the European Union's member states, which together make up the euro area. It was introduced in 1999.

The following member states have chosen to adopt the euro: Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain.

Euro banknotes and coins have been in circulation since 1 January 2002 and are a part of daily life for the 330 million Europeans living in the euro area.

European Agricultural Fund for Rural Development (EAFRD): This fund was created in September 2005 and came into operation at the beginning of 2007. It replaced the Guidance Section of the **European Agricultural Guidance and Guarantee Fund** and that part of the Guarantee Section from which some of the rural development measures had been funded. It is the single source of funding from the **European Union** for rural development.

European Agricultural Guarantee Fund (EAGF): This fund was created in September 2005 and came into operation at the beginning of 2007. It replaced the Guarantee Section of the **European Agricultural Guidance and Guarantee Fund**. It provides funding for

- direct payment to farmers
- the management of the agricultural markets
- a number of other purposes such as veterinary and plant health measures, food programmes and information activities.

European Agricultural Guidance and Guarantee Fund (EAGGF): This was the fund which financed the common agricultural policy but which, in 2005, was replaced in 2005 by i) the European Agricultural Fund for Rural Development and ii) the European Agricultural Guarantee Fund.

European Innovation Partnership (EIP): in the context of the reform proposals presented in October 2011, the European Innovation Partnership on "Agricultural Productivity and Sustainability" for the period from 2014-2020 aims to address probably the two most fundamental challenges faced by European agriculture in the early 21st century – how to increase production and productivity in order to respond to the significant growth in global food demand (caused by population growth, changes in dietary patterns and the slowdown in productivity growth); and how to improve sustainability and resource efficiency (e.g. inputs of water, energy, fertilisers and pesticides) and address environmental issues (such as biodiversity loss). In short, it will address the challenges of "not only how to produce more, but also how to produce better".

European Union (EU): A group of twenty-seven democratic European countries - its member states - committed to working together for peace and prosperity. The member states have set up common institutions to which they have entrusted some of their sovereignty. This allows the member states to consider matters of joint interest and to make decisions in a democratic matter at the European level. These decisions are then laid down as binding and enforceable law.

Everything But Arms (EBA): The Everything But Arms agreement is a preferential trading agreement which has been granted to 49 **least developed countries** by the European Union. It has been granted within the framework of the **Generalised System of Preferences** of the European Union. Under the terms of the agreement, all products (including agricultural products, but excluding weapons and arms) are granted duty-free and quota-free access to the market of the European Union.

Export Competition: This is a term used in the context of trade negotiations that includes all forms of financial incentives or assistance that are provided by governments for the export of products from their countries. It includes the following: export subsidies, export refunds, export credits and insurance, tax breaks, government-backed privileges and regulatory benefits that support trading enterprises that belong to the state, and lastly, use of food aid for commercial purposes, rather than for purely humanitarian purposes. Under the terms of the **Uruguay Round Agreement** on Agriculture only scheduled export subsidies are subject to control and reduction.

Export credits: In the context of the rules of the World Trade Organisation, these are forms of support provided by governments to their exporters. They include direct credits/financing, refinancing, interest-rate support, export credit insurance and guarantees, deferred invoicing and any other form of involvement, direct or indirect, provided by the government.

Export refunds: Export refunds are paid by the European Union to trading companies that are selling certain agricultural goods in third countries. The refund normally covers the difference between the internal EU price and the world market price.

Extensification: To farm 'extensively' is to use a relatively low level of inputs. For instance a farmer who produces cereals can be said to farm 'extensively' if he applies relatively low quantities of fertiliser or pesticides. A farmer who produces beef can be said to farm 'extensively' if he keeps relatively few cattle on his land.

Extensification refers to measures, partially financed by the European Union, which encourage farmers to farm extensively. Such measures fall within the rubric “agri-environment measures” under axis 2 of the rural development programmes.

F

Farm Accountancy Data Network (FADN): The Farm Accountancy Data Network provides data on the financial and economic aspects of farming in the member states of the **European Union**. Each year a sample of farms is selected, which is representative of commercial farms, and these farms provide data on their costs of production, their revenues from sales and other aspects of their farming operations. The data enable the European Union to monitor the income situation of farmers and to examine the effects of policy.

Farm advisory systems: These are services provided by the member states to assist farmers, firstly, to identify and implement improvements in farm management performance with regard to statutory regarding public, animal and plant health, environmental and animal welfare standards, and secondly, to maintain their land in good condition.

Farmer: in the context of the common agricultural policy, a farmer is an individual (or group of individuals e.g. partnerships, companies, and other legal structures through which a business is conducted) whose holding is situated with the territory of the European Union and who exercises an agricultural activity.

Financial discipline mechanism: This is a mechanism for ensuring that the expenditure under the provisions of the **common agricultural policy** does not exceed the limits specified in the **European Union** budget.

Financial perspective: Another term, most commonly used over the period 1988-2006, for the **Multiannual Financial Framework.**

First generation biofuels: biofuels made from cereals, sugar and oilseeds. In Europe, the most significant first generation biofuel is biodiesel made from oilseed rape.

Food safety: This term refers to the extent to which food is safe to eat. The term is sometimes confused with **food security** which refers to the extent to which food is available - i.e. whether it is physically available and can be bought at a price that people can afford.

Food security: This term means the availability and affordability of food - in other words whether it is physically available and, if so, whether people can afford to buy it. The term is sometimes confused with that of **food safety** which refers to the extent to which food is safe to eat.

Article 39 of the Treaty on the Functioning of the European Union states that the **common agricultural policy** must ensure, among other things, that food is available at affordable prices.

G

General Agreement on Tariffs and Trade (GATT): The General Agreement on Tariffs and Trade dates from 1944. It was both an agreement concerning international trade and an organisation set up to administer the agreement. Since 1995 the organisational part has been replaced by the World Trade Organisation.

Generalised System of Preferences (GSP): The Generalised System of Preferences scheme is an arrangement, within the context of the World Trade Organisation, whereby a developed country is permitted to apply lower rates of tariff on imports from developing countries.

All members of the World Trade Organisation have agreed that when it comes to applying tariffs on imports they will treat each other in a like manner. In other words, if country A applies a 10% import tariff on imports coming from country X, then it will similarly apply a 10% import tariff on like goods coming from country Y. This rule has become known as the "most favoured nation" rule.

However, in the late 1960s it became clear that if developing countries were to make economic progress, developed countries should apply, on imports of goods from those countries, a lower tariff. This concept - known as "preferential tariffs" - was put forward by the meeting of the United Nations Conference on Trade and Development which took place in New Delhi, India in 1968.

But this concept was in contradiction to the "most favoured nation" rule. To make it legally possible for developed countries to apply preferential tariffs, the members of the **World Trade Organisation** (at that time the General Agreement on Tariffs and Trade) decided that developed countries could be granted a waiver from the “most favoured nation” rule.

The first waivers were granted in 1971 and the European Union introduced its GSP the same year. The initial waivers were valid for a period of 10 years. By means of the "Enabling Clause" of 1979, they are now valid for an indefinite period.

Under the Generalised System of Preferences of the European Union, there are three types of arrangement:

- the general arrangement – which applies to all beneficiary countries.
- the special incentive arrangement for sustainable development and good governance (the "GSP+") provides additional benefits for countries implementing certain international standards in human and labour rights, environmental protection, the fight against drugs, and good governance (GSP+ beneficiary countries).
- the special arrangement for the least-developed countries (LDCs), also known as the "Everything But Arms" (EBA) initiative, provides the most favourable treatment of all.

Genetically modified organism (GMO): The term 'genetically modified organism' is any organism, with the exception of the human being, in which the genetic material has been altered in a way that does not occur naturally by mating and/or by natural recombination.

Good Agricultural and Environmental Condition (GAEC): To be eligible for direct payments, farmers are obliged to maintain their land in 'good agricultural and environmental condition.' This concept includes the following: the protection of soil against erosion, the maintenance of soil organic matter and soil structure, and the safe-guarding of wildlife habitats. It is the member states – not the European Union – which decide the exact specification of these parameters.

Greening: in the context of the CAP reform proposals of October 2011, greening refers to the further enhancement of the environmental sustainability of farming in the European Union. More specifically, it is proposed that 30% of the national ceilings for direct payments is paid to farmers on the condition that they fulfil certain mandatory measures that are beneficial to the climate and the environment. Three such measures are foreseen, viz:

- maintaining permanent grassland ;
- crop diversification (a farmer must cultivate at least three crops on his arable land with no one crop accounting for more than 70% of the land, and the others at least 5% of the arable area);
- maintaining "ecological focus areas" of at least 7% of farmland (excluding permanent grassland) – i.e. land left fallow, terraces, landscape features, buffer strips and afforested areas.

H

Health Check: an adjustment of some aspects of the common agricultural policy that took place in 2009.

The common agricultural policy was substantially reformed in 2003. However, in due course, a number of further challenges arose, such as the simplification of the way that direct payments were administered, giving farmers more help to lower carbon emissions and to adjust their farms to the effects of climate change, and increasing further the influence on market signals on the cropping and production decisions of farmers.

The Commission published a Communication on these issues in November 2007. This was followed by a period of public consultation which lasted six months. In May 2008, the Commission transmitted its legislative proposals to the Council. After discussion and modification, the Council regulations, of which there were three, were published in January 2009 and entered into force the following month. The adjustments brought about by these regulations are known as the Health Check of the common agricultural policy.

Inter alia, the Health Check abolished arable set-aside, increased milk quotas gradually leading up to their abolition in 2015, and converted market intervention into a market safety net. It also increased modulation, whereby direct payments to farmers were reduced and the money transferred to the European Agricultural Fund for Rural Development. This allowed farmers to better respond to a number of new challenges, including climate change, the need for better water management, the protection of biodiversity and the production of green energy.

Holding: a holding means all the units used for agricultural activities and managed by a farmer situated within the territory of the same member state.

I

Import quota: an import quota is a quantity of a good that a country's importers may import.

Instrument for Pre-accession Assistance (IPA): This came into force on 1 January 2007, bringing all pre-accession support into one single, focussed instrument.

It replaced the 2000-06 pre-accession financial instruments, these being PHARE, ISPA, SAPARD, the Turkish pre-accession instrument, and the financial instrument for the Western Balkans (CARDS).

IPA covers the countries with candidate status (as of April 2012 these being Iceland, the former Yugoslav Republic of Macedonia, Montenegro, Serbia and Turkey) and potential candidate status (Albania, Bosnia and Herzegovina and, thirdly, Kosovo according to United Nations Security Council Resolution no 1244).

IPA has five components: transition assistance and institution building (which principally involves institution building measures with accompanying investment), cross-border cooperation, regional development, human resources development and rural development.

Integrated Administration and Control System (IACS): this is an obligatory system used by member states to control the direct payments to which farmers are entitled. Specifically, IACS ensures that the payments are made correctly, that if irregularities are found to have occurred then they are followed up, and that any amounts unduly paid are recovered.

Intervention buying: When market prices for certain agricultural products fall below a predetermined level, the public authorities of the member states intervene to stabilise the market by purchasing surplus supplies, which may then be stored until the market price increases and then returned to the market for sale, exported to a third country or disposed of in an alternative way.

L

Leader: The term 'Leader' is a French acronym meaning Liaison Entre Actions de Développement de l'Economie Rurale (in English: 'Links between actions for the development of the rural economy').

It is a community-led local development method for mobilising and developing rural communities through local public-private partnerships ('Local Action Groups'). It is designed to help rural people, groups and enterprises to consider the potential of their area and to encourage the implementation of integrated and innovative local development strategies.

Leader Axis: under the programming period 2007-2013 the rural development programmes funded by the European Agricultural Fund for Rural Development have a specific axis to use the Leader method with a dedicated budget. The Leader axis consists of three measures (local development strategies; transnational and inter-territorial cooperation; running costs, animation and acquisition of skills).

Least developed countries (LDCs): These are countries where incomes are very low. According to the United Nations there are at present around 50 least developed countries in the world.

Less Favoured Area (LFA): an area in which farmers are entitled to financial compensation due to a natural handicap (such as high altitude, difficult climate or poor soil). Farmers in the hills and mountains and in areas with another natural handicap are at a competitive disadvantage compared to other farmers. In acknowledgement of this fact and with a view to maintaining farming in these areas since the 1970s, the European Union has provided farmers in these areas with financial compensation, in the form of 'compensatory allowances.'

Levy: In the context of the common agricultural policy, the term levy may be used in three senses:

- a payment by farmers into a fund for a specific activity such as the promotion of the sale of farm products within and outside the European Union,
- a payment by farmers to a government in return for receiving particular services, such as the control of animal diseases,
- a payment by milk farmers whose volume of sales of milk has exceeded their individual production limit (known as an individual milk quota). In this latter sense, the farmer pays a penalty for selling a quantity of milk in excess of his milk quota. This levy, commonly known as 'super levy,' is paid to the European Union. Milk quotas were introduced in 1984 to curb the structural surpluses that had arisen in this sector.

Land use, land use change and forestry (LULUCF): These are both a source of and a sink for greenhouse gases. The term is defined by the United Nations Climate Change Secretariat as "A greenhouse gas inventory sector that covers emissions and removals of greenhouse gases resulting from direct human-induced land use, land-use change and forestry activities."

LULUCF has impacts on the global carbon cycle and as such these activities can add or remove carbon dioxide (or, more generally, carbon) from the atmosphere, contributing to climate change.

M

Margin squeeze: when the cost of inputs (fertiliser, fuel, labour, etc) increases and the price of outputs falls, farmers are said to suffer a margin squeeze.

Market access: This term refers to the extent to which an exporting country has access to the markets of an importing country. Market access may be restricted if, for instance, an importing country has introduced import tariffs and/or tariff quotas.

Market support: also known as price support, market support aims at ensuring that the price at which a farmer sells a good in the market place does not fall below a certain minimum level.

Market volatility: also known as **price volatility**, this refers to a relatively high level of fluctuation of prices of agricultural goods in the market. A high level of price volatility can cause difficulties for farmers: if they cannot be sure of the level that prices will be in the future, they may be reluctant to invest in their farms. If farmers do not invest in their farms, there is a risk that farm productivity and technical efficiency will fall.

Milk quotas: limitations on the volume of milk that farmers can place on the market (or sell directly to consumers). Milk quotas were introduced in 1984 to stem the ever-increasing production of milk which was greatly in excess of the requirements of the population. In order to maintain a minimum guaranteed price to milk farmers, the European Union had been obliged to purchase the structural surplus from the market. The milk had been converted to milk powder and butter and these were either stored or sold with subsidies to consumers within or outside the European Union.

These arrangements had became very expensive and in 1984 the EU introduced milk quotas for all its milk farmers. The result was that the inexorable rise in milk production was finally brought under control.

Although milk quotas were initially brought it for a period of five years, they have been renewed and are still in place. However, they are due to come to a definitive end in 2015 (see also **levy**).

Modulation: This is a compulsory system of progressive reduction of direct payments allowing a transfer of funds from Pillar 1 (European Agricultural Guarantee Fund) to Pillar 2 (European Agricultural Fund for Rural Development). In order to achieve a better balance between policy tools designed to promote sustainable agriculture and those designed to promote rural development, modulation was introduced during the CAP reform of 2003.

In 2003, it was stipulated that direct payments for farmers (after a franchise of € 5000) would be decreased by 3%, 4% and 5% respectively for 2005, 2006, 2007 and the following calendar years.

Subsequently it became clear that the agricultural sector was facing a number of new challenges (climate change, bio-energy, better water management, etc.) which had to be tackled in the framework of the rural development policy. However, the financial perspective for the period 2007 to 2013 did not provide for the necessary financial means to reinforce the rural development policy. Under these circumstances, it was decided to finance a large part of the rural development needs for the new challenges through further modulation. Therefore, in the framework of the 2009 Health Check reform, the modulation system was significantly changed. The main change was the introduction (from 2010 budget year onwards) of the following modulation rates:

- The first € 5.000 received by a farmer to be exempt from modulation,
- Any amount in excess of € 5.000 to be reduced by 7%, 8%, 9% and 10% for the budget years 2010, 2011, 2012 and 2013 respectively.
- An additional reduction of 4% to be applied on amounts exceeding € 300.000.

Most Deprived Persons: the European Union has run a food distribution programme for the most deprived persons in the Union since 1987, when the Council adopted rules for releasing public intervention stocks of agricultural products to member states wishing to use them for this purpose. The food is generally provided to non-governmental organisations working in direct contact with the most deprived members of the society.

Most Favoured Nation treatment (MFN) : Within the context of the World Trade Organisation, Most Favoured Nation treatment means that all countries have to treat each other in the same way. In other words, when a country grants an advantage to another country, then it must give the same advantage to all the others. The purpose of this principle is to ensure that there is no discrimination between countries – i.e. that all are treated equally. This principle is laid down in Article 1 of the **General Agreement on Tariffs and Trade** 1994 as well as in other agreements.

Multiannual Financial Framework: Multiannual spending plan for a period of seven years that translates the Union's policy priorities into financial terms. It sets

- limits on European Union expenditure over a fixed period and thus imposes budgetary discipline,
- annual maximum amounts (called ceilings) of commitments for the main categories of expenditure (called headings) and an overall payments ceiling.

The Multiannual Financial Framework is now set out in an Interinstitutional Agreement, adjusted each year to take account of the movements of gross national income. It may be revised by agreement between the signatories.

The term Multiannual Financial Framework should not be confused with the financial framework included in legislative co-decisions which fixes an amount for a particular programme during its life.

In June 2011, the European Commission presented its proposal for the Multiannual Financial Framework for 2014-2020. At the time of writing (April 2012) these are under discussion in the Council and the European Parliament.

Multifunctionality: The complementary roles that farming plays within society, over and above its role as a producer of food. It is the provision of public goods such as food security, sustainable development, the protection of the environment, the vitality of rural areas and the maintenance of an overall balance within society between the incomes of farmers and the incomes of people in other occupations.

N

National ceiling: This is the maximum value of all payment entitlements that can be allocated, by member state and by year. The concept of national ceiling was introduced in the 2003 reform.

National reserve: Within the context of the CAP, the term 'national reserve' has three different meanings:

a) In relation to the Single Payment Scheme, member states must create 'national reserves' , using part of their national ceilings. These amounts are to be used for allocating payment entitlements, mainly to new entrants to farming in the event that they have not acquired payment entitlements when they acquired their land.

b) In relation to the milk sector, the term refers to a reserve of milk quota that can be allocated by member state governments to farmers who wish to start up in milk production.

c) In relation to the wine sector, the term refers to a reserve of planting rights that can be allocated by member states.

National treatment: This is the principle, applying to trade and investment matters, whereby a country grants the same treatment to both its own nationals and to the nationals of other countries. Article III:4 of the **General Agreement on Tariffs and Trade** 1994 requires that imported goods be treated no less favourably than like goods produced by the country itself. In other words, the GATT 1994 requires that signatory countries extend national treatment to all other signatory countries.

Natura 2000: This is a network of protected areas of particular ecological value based on two main EU directives: the habitats directive and the birds directive. To date, some 25 000 sites have been so designated. Many of the sites are on farms in which case the farmer is obliged to respect certain practices so that the ecosystem is protected.

Natural constraint area: in the context of the October 2011 proposals for the reform of the common agricultural policy, a natural constraint area is an area of agricultural land in which farming is constrained and made difficult by geography, topology, climate and other natural phenomena. In such areas it is important to maintain and support farming to prevent land being abandoned and the number of farmers falling. It is therefore proposed that farmers in such areas are entitled to specific financial support.

Non-Trade Concerns (NTC) : The **Uruguay Round** Agreement on Agriculture provides significant scope for governments to pursue important "non-trade" concerns such as animal welfare, food security, environmental measures, structural adjustment, rural development and poverty alleviation.

O

Ordinary legislative procedure: also known as '**co-decision**', this is a legislative procedure which requires that both the Council and the European Parliament gives their assent for a legislative proposal to become a law.

In the context of agriculture, prior to the entry into effect of the Lisbon Treaty in December 2009, legislative proposals did not require the assent of the European Parliament to become law – it was sufficient for only the Council to give its assent. But since December 2009, no proposal concerning agriculture can become law unless both the Council and the European Parliament give their agreement. This has meant that the European Parliament now has a very significant role to play in agricultural matters (see also **co-decision**).

Organic farming: Organic production is an overall system of farm management and food production that combines best environmental practices, a high level of biodiversity, the preservation of natural resources, the application of high animal welfare standards and a production method in line with the preference of certain consumers for products produced using natural substances and processes. The organic production method thus plays a dual societal role, where it on the one hand provides for a specific market responding to a consumer demand for organic products, and on the other hand delivers public goods contributing to the protection of the environment and animal welfare, as well as to rural development.

Outermost regions: There are seven outermost regions: Guadeloupe, French Guyana, Martinique and Réunion (the four French overseas departments), the Canaries (Spain), and the Azores and Madeira (Portugal). Because they are part of a member state, they are also part of the European Union.

P

Partial decoupling: The 2003 reform of the **common agricultural policy** introduced **decoupling** of **direct payments** as the general rule. However, within the framework set by the Council, member states were able to chose to keep, to a certain extent, some of their direct payments coupled to production.

Payment entitlements: these are entitlements, held by farmers, to financial support within the context of the single payment scheme.

The single payment scheme was introduced by the 2003 reform of the common agricultural policy with the purpose of simplifying the administration of direct payments. Prior to the reform, a farmer could receive a number of specific direct payments, each one associated with a particular line of production (milk, cereals, beef...).

Following that reform, the specific direct payments have been incorporated into a single payment. The amount of this payment is equal to the number of payment entitlements multiplied by the average value of each payment entitlement (e.g. 10 payment entitlements times 200 € per entitlement = a single payment of 2000 €).

The number and value of payment entitlements was derived from the sum total of the specific direct payments that the farmer received during a reference period (2000 – 02) and the number of hectares of land that gave rise to those specific direct payments. For example, if a farmer was growing 100 ha of wheat and received, in the form of direct payments, 30 000 €, he would be granted 100 payment entitlements and the value of each would be 300 €.

To receive his single payment, a farmer needs to ‘activate his payment entitlements.’ He does this by declaring, for each payment entitlement, one ‘eligible hectare.’

To take the above example, the farmer would declare to his national authority that he has 100 payment entitlements (each worth 300 €) and that he has 100 eligible hectares (these being 100 hectares under production). Upon verification of these declarations and subject to other conditions, the farmer would receive a single payment of 100 x 300 = 30 000 €.

Peace clause: Article 13 of the **Uruguay Round** Agreement on Agriculture (the so-called "Peace clause") protected certain domestic support measures and export subsidies from being challenged under the provisions of the **General Agreement on Tariffs and Trade** 1994 and of the Subsidies Agreement. The clause has since expired.

Permanent crops: in the context of the CAP reform proposals of October 2011, the term permanent crops means non-rotational crops other than permanent grassland that occupy the land for five years or longer and yield repeated harvests, including nurseries and short rotation coppice.

Pillars of the CAP: The 'first pillar' is support to farmers' incomes. This support is provided in the form of direct payments and market measures and is entirely financed from the **European Agricultural Guidance Fund.**

The 'second pillar' is the support provided for the development of rural areas. This support takes the form of rural development programmes and is co-financed from the **European Agricultural Fund for Rural Development**.

POSEI: This is a programme that supports the incomes of farmers in the outermost regions of the European Union. It is the French acronym for the Programme d’Options Spécifiques à l’Eloignement et à l’Insularité. The programme seeks to compensate farmers for the small size of their farms, a difficult climate and the long distance to European markets.

Precautionary principle: This is an EU principle that justifies a higher level of food safety and consumer protection than that agreed in the context of international negotiations.

The principle applies mainly to the fields of food safety and consumer protection and should be considered within a structured approach to risk analysis. It is particularly relevant to risk management. The precautionary principle is not defined in the

Treaties or in other Community instruments. However, the Commission has developed guidelines for its application and has stated that the Community, like all other members of the **World Trade Organisation**, has the right to establish the level of consumer protection that it deems appropriate.

The precautionary principle covers cases where scientific evidence is insufficient, inconclusive or uncertain and preliminary scientific evaluation indicates that there are reasonable grounds for concern that the potentially dangerous effects of a good, a product or a practice on the environment or on the health of plants, animals and humans may be inconsistent with the level of protection chosen by a particular country.

Premium: The term premium usually referred to a payment per head of livestock (ewe premium, special beef premium, suckler cow premium). Following the 2003 reform, they have generally been decoupled from production and incorporated into the **single payment scheme**.

Price volatility: also known as market volatility, this refers to a relatively high level of fluctuation of prices of agricultural goods in the market. A high level of price volatility can cause difficulties for farmers: if they cannot be sure of the level that prices will be in the future, they may be reluctant to invest in their farms. If farmers do not invest in their farms, there is a risk that farm productivity and efficiency will fall.

Private storage aid (PSA): aid to private companies to undertake the storage of farm products.

The private storage of farm products enables the **European Union** to stabilise its agricultural markets. Funds for private storage are made available through the establishment of a storage contract which specifies the period of storage, the volume of product to be stored and the level of aid (i.e. the payment to the private company remunerating it for storing the product). The contract is concluded between a private company and the intervention agency of the member state concerned, within the framework of the rules of the European Union.

Producer Organisation (PO): a legally-constituted group of farmers and growers. Producer organisations are particularly important in the fruit and vegetable sector where they assist in the distribution and marketing of products and promote their higher quality. They also encourage their members to adopt good environmental practices.

Production quotas: These are limitations on the amount of a specific product that can be placed on the market. They apply to farmers producing milk and milk products and to processing companies producing sugar, isoglucose and inulin syrup. Milk quotas will continue to apply until 2015 and it is proposed that sugar quotas continue to apply until the same date.

Promotion policy: this is the promotion of farm products produced by farmers in the European Union. Products are promoted both within the European Union itself and in third countries. It is done by organising and co-financing, together with the member states and their professional organisations, promotion actions, information campaigns and trade missions. Such actions raise the public's awareness of the quality of the products.

Protected Designation of Origin (PDO): see **quality policy, quality schemes**.

Protected Geographical Indication (PGI): see **quality policy, quality schemes**.

Public goods and services: goods and services which benefit the general public but for which the producer is not remunerated through the market. Farmers provide a number of public goods, for example as regards the environment (by sound management of soil and water, maintenance of landscape features) and food security by ensuring an appropriate provision of supply.

Public storage: in order to manage the market of a particular farm product, the European Union may remove some of the product from the market and place it temporarily in storage. When the product is placed in a store owned or leased by the public authorities, the

European Union is said to have ‘withdrawn some of the product from the market and placed it in public storage.’

Q

Quality policy: 'Agricultural product quality policy' refers to a broad set of legal frameworks: marketing standards, stating the minimum requirements with which products sold in the European Union must comply, optional quality terms, showing on the label that the product is one of high quality, and three European quality systems identifying the following categories of products with a specific quality:

- agricultural products, including wines and spirits, specially linked to their geographical origin (‘Protected Designation of Origin’ PDO or ‘Protected Geographical Indication’ PGI);
- agricultural products and foodstuffs which are prepared or produced in a traditional manner (‘Traditional Speciality Guaranteed’ TSG);
- organically produced products which guarantee that European organic production standards have been met. In addition, the Commission and the EU Member States support farmers who commit to quality through rural development measures and promotion aid. In this framework, aid measures are designed to help farmers to improve the quality of production and to participate in food quality certification schemes.

Quality schemes: In the context of the common agricultural policy, the term 'quality scheme' has a specific meaning. It refers to schemes that aim at identifying products and foodstuffs farmed and produced to exacting specifications and at ensuring that consumers are not misled in thinking that a product is something that it is not. The purpose of the EU's quality policy is to help farmers to better communicate the qualities, characteristics and attributes of their agricultural products and to ensure appropriate consumer information

Three types of products are concerned:

- organic farming;

- geographical indications (protected designation of origin - PDO - and protected geographical indications): agricultural products and foodstuffs, including wines and spirits, of which the qualities are linked to a specific place - Examples include: Welsh Lamb, Lübecker Marzipan, Camembert de Normandie, Chianti wines;
- traditional specialities (traditional specialities guaranteed - TSG): food and drinks that are made according to traditional recipes - Examples include the beer Kriek and the ham Jamón Serrano.

Traditional food names can be registered as 'traditional specialities'. These are foods and drinks that are made according to traditional recipes. Food manufacturers who make and sell such products may only call them 'traditional specialities' if they have respected a specific and traditional recipe. If this is the case, then the food manufacturer may label the product a 'traditional speciality guaranteed'

Quota: see **milk quota**, **production quotas**, **import quota.**

R

Reform of the common agricultural policy: due to changes in the aspirations of citizens, social and economic conditions and the emergence of new technologies, it is necessary, from time to time, to adjust and update the common agricultural policy. This is the process of reform.

There have been many reforms since 1992. The most recent was in 2003, during the tenure of Commissioner Franz Fischler, when specific direct payment schemes were incorporated into a single payment scheme, direct payments were decoupled from production and a number of new mechanisms were introduced (such as, cross-compliance, modulation, degressivity, financial discipline, farm advisory services and good agricultural and environmental conditions).

In 2009, during the tenure of Commissioner Marian Fisher Boel, there was an important adjustment of the common agricultural policy (the Health Check). The functioning of the single payment scheme was simplified, the decoupling of direct payments was extended, the scope of cross-compliance was adjusted and set-aside was definitively abolished.

A reform generally proceeds by the following steps: the publication of a discussion paper (known as a Communication) by the European Commission, a period of public consultation with stakeholders, the general public and all other interested parties, the submission of legislative proposals by the European Commission to the Council and the European Parliament together with an Impact Assessment, the discussion by the Council and Parliament of the legislative proposals, and, finally, the adoption and publication of the reform regulations.

Rural development measures : The rural development measures (also known as the second pillar of the **common agricultural policy**) seeks to maintain the vitality of the countryside through the balanced development of rural areas. Rural areas cover 90% of the territory of the European Union and around half the population lives in them.

The policy focuses on three core objectives:

- improving the competitiveness of the farming and forestry sectors
- enhancing the environment and the countryside
- improving the quality of life in rural areas.

Corresponding to each core objective is a specific axis.

To this end, a 'menu' of measures is available to the member states. They, or regions within them, choose the measures that best match their needs. The measures are then included in their national or regional rural development programmes. The main target groups of the programmes are farmers, foresters and other people and groups living in rural areas. The cost of the programmes is shared between the European Union and the beneficiary Member State. This arrangement is known as 'co-financing'.

S

Safety net mechanism: safety net mechanisms help farmers at times of market difficulties. There are, at present, two such mechanisms: public intervention and private storage aid. In the context of the CAP reform proposals of October 2011, a new safeguard clause will be introduced for all sectors to enable the Commission to take emergency measures to respond to general market disturbances – such as the measures taken during the e-coli crisis in May-July 2011.

Sanitary and Phytosanitary (SPS) Measures and Agreement: These are measures to protect human, animal and plant life or health and to ensure that food is safe to eat. The Final Act of the **Uruguay Round** Agreement on Agriculture contains the "Agreement on the Application of Sanitary and Phytosanitary Measures" which applies to all sanitary and phytosanitary measures that may have a direct or indirect impact on international trade.

SAPARD: this stands for the **s**pecial **a**ccession **p**rogramme for **a**griculture and **r**ural **d**evelopment. It was a programme that was put in place to assist the countries of Central and Eastern Europe, before they joined the European Union. It helped them to adopt the Community acquis and to modernise their farming systems.

Second generation biofuels: these are biofuels that are derived from plant material that does not have an alternative use as food (cf. first generation biofuels which are derived from material that has an alternative use as food). Second-generation biofuels are derived – through the fermentation of cellulose – from a variety of materials including waste biomass, wood and the stalks of cereals. It also includes crops grown especially for fermentation into biofuels, such as miscanthus species.

Set-aside: This was the temporary removal of farmland from production. Set-aside was introduced in the late 1980s with the objective of reducing the amount of food produced by farmers. The rationale at the time was supply control: by reducing the area used for food production the surpluses of surpluses on core markets for agricultural goods, in particular cereals, could be brought under control.

Given the relatively positive development of the agricultural markets, this measure was temporarily suspended in 2008 and definitively abolished in 2009 with the ‘Health Check’ reform.

Simplification: in the context of the common agricultural policy, this refers to the continuing work by the European Union to simplify both the policy itself and its practical implementation. Among other things, the EU has reduced the number of regulations and replaced the commodity-specific market organisations with a single organisation that covers all the commodity markets.

Single Area Payment Scheme (Saps): When direct payments were first introduced, they were calculated on the basis of the amount of each crop or the number of animals the farmer was producing. This was the principle that was applied during the 1990s to the then 15 member states. However it was considered that a simpler system, requiring less administration, could be deployed in the countries of Central and Eastern Europe (together with Cyprus and Malta) after they acceded in 2004 and, in the case of Bulgaria and Romania, in 2007. The simpler system is known as the Single Area Payment Scheme. It allows a <u>single</u> annual payment to be made to farmers on the basis of the <u>area</u> of the farm.

The scheme is available until the end of 2013.

Single Common Market Organisation (sCMO): this is the market organisation that applies to all agricultural products falling within the purview of the common agricultural policy. See **common market organisation**.

Single Payment: This is the name given to the payment that farmers receive under the **Single Payment Scheme**.

Single Payment Scheme (SPS): A central objective of the 2003 reform of the **common agricultural policy** was the **decoupling** of direct payments. To this end, the **Single Payment Scheme** was introduced under which farmers receive a decoupled Single Payment**.**

Special and Differential Treatment (STD): These are provisions, within the context of the World Trade Organisation, that allow developing countries to benefit from exceptions or special treatment. These include preferential access to the markets of developed countries without having to reciprocate i.e. without having to provide a similar level of access to their own markets to developed countries.

State aid: in the context of the common agricultural policy, this refers to financial assistance made available by a government of a member state to its farmers. However, in order to ensure a level playing field for its farmers within the European Union, in principle member states are not allowed to provide state aid to their farmers. The two exceptions to this rule are when the payments are of a low value or when they have been authorised by the Commission following an application by the member state concerned. In those cases where a member state has provided state aid to its farmers which, in the view of the Commission, undermines the principle of a level playing field, the farmers may be required to pay it back to the government.

Statutory Management Requirements (SMR): a set of conditions regarding the manner in which farmers farm their land and look after their animals.

To qualify for direct income support, farmers have to satisfy the cross-compliance conditions. There are two components to cross-compliance: the statutory management requirements and the good agricultural and environmental conditions.

The statutory management requirements are laid down in a number of EU laws and concern public and animal and plant health, wildlife and the environment and animal welfare. Unless farmers respect these laws, they may not receive all or part of the direct income support that is otherwise due to them.

Stresa Conference: This was a conference of Commission officials, national experts and representatives of farmers' organisations which decided how to accomplish the objectives of the **common**

agricultural policy as set out in Article 39 of the then Treaty of Rome (now Article 39 of the Treaty on the Functioning of the European Union). The conference was held at Stresa, on Lake Maggiore in Italy during July 1958. Its most far-reaching decision was to support agriculture by guaranteeing that the prices that farmers would receive for their products when they sold them in the market would not fall below a certain level (a mechanism known as price support or market support).

Sustainable development: The concept of sustainable development refers to a form of economic growth which satisfies society's needs in terms of well-being in the short, medium and - above all - long term. It is founded on the assumption that development must meet today's needs without jeopardising the prospects for growth of future generations.

T

Tariff: The term 'tariff' has two meanings. Firstly it means the list, book or database of charges that are imposed by a government on goods when these are imported or exported. Secondly it means the charge itself. In its second meaning, the term 'tariff' is synonymous with the term 'customs duty'.

Traditional Speciality Guaranteed (TSG): see **quality policy, quality schemes.**

Transparency: in the context of the common agricultural policy, this is an initiative taken by the European Union which requires both it and its member states to make available to the public as much information as possible regarding the implementation of the policy and its beneficiaries whilst at the same time ensuring an adequate level of protection of personal data.

Treaty: the legal foundation of the European Union takes the form of one or more international treaties concluded between its member states. The first treaty was concluded in 1951 and established the

European Coal and Steel Community (the Treaty of Paris). This was followed by two further treaties which were concluded in 1957 in Rome (one set up Euratom, the other the European Economic Community). Over time these three original treaties have been modified, supplemented and combined by means of a number of ‘amending treaties’ (for example the Maastricht Treaty, the Amsterdam Treaty and the Lisbon Treaty).

At the present time, the legal base comprises two treaties: the Treaty on European Union and the Treaty on the Functioning of the European Union. The latter provides for the common agricultural policy.

U

Uruguay Round: The 8th round of multilateral trade negotiations known as the Uruguay Round, conducted within the framework of the **General Agreement on Tariffs and Trade,** was launched in Punta del Este, Uruguay, in 1986. It was concluded eight years later in Marrakesh in 1994, with the signature of the Final Act of the Uruguay Round. This adopted a number of individual Agreements and Decisions, including the **Agreement on Agriculture**, as well as provisions that set up the World Trade Organisation.

W

World Trade Organisation (WTO): The World Trade Organisation is an intergovernmental organisation. As of May 2012, 153 countries belonged to it - i.e. some three quarters of the countries of the world. The preamble of the document that established the organisation states that the countries that belong to it recognise that they should work towards raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, and expanding the production of and trade in goods and services, while allowing for the optimal use of the world's resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment and to enhance the means for doing so in a manner consistent with their respective needs and concerns at different levels of economic development.

The WTO is an autonomous organisation, meaning that it is not part of the United Nations. Neither does it have any formal relationship or legal agreement with it.