



Press release

OPERA



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## CAP Reform: Managing agricultural markets towards stabilization

Report presented in Brussels today

Brussels, 14<sup>th</sup> March 2011- Today the independent agricultural think-tank and Research Centre OPERA\* ([www.opera-indicators.eu](http://www.opera-indicators.eu)) presented the paper *"Agricultural Market Stabilization System – policy instruments to be included in the CAP"*. This policy recommendation paper developed with the contribution of renowned agricultural economists around Europe describes a policy approach to develop a system for the stabilization of the European agricultural markets. The paper is a contribution from the scientific community to the process of building a new CAP for Europe after 2013. The launch of the paper has been hosted by the Forum for the Future of Agriculture 2011 ([www.forumforagriculture.com](http://www.forumforagriculture.com)).

The need for market stabilization has been demonstrated by the high price volatility registered in the agricultural markets during 2007/2008 and again in 2010. The sentiment of insecurity associated with volatility has been re-enforced by the recent milk crisis as well as the future prospects for food prices over the next 20-30 years.

### **The context: Reform of the Common Agricultural Policy**

Based on the realities and the commonly accepted facts surrounding the agricultural market volatility OPERA proposes pragmatic and applicable system of instruments which can positively affect market stability.

The report identifies five main directions for policy action: review of existing CAP market instruments; production stabilization mechanisms; price and income stabilization instruments; market transparency and structural measures.

### **Stabilization is important and it shall be achieved**

The objectives established for the CAP have been always strongly connected with the concept of market stability. Now the Reform of the CAP implies new policy solutions to address the issue of agricultural markets volatility.

*"We want to contribute to the discussion on how we could help create the conditions to drive competitiveness, maintain market stability, promote environmental sustainability and drive constructive collaboration to ensure economic stability for European agriculture"* said Ettore Capri, the Director of the OPERA Research Centre.

In the foreword to the paper, Paolo De Castro, Chairman of the Committee for Agriculture and Rural Development of the European Parliament, clarifies how important it is "to thoroughly debate on meaningful and efficient solutions to reach the stabilization goals within the next CAP. Shaping the new policy to deliver food security for consumers, provide farmers with a reasonable income, and society with public goods it is a duty for scientist and policy makers alike."

### **The stabilization of agricultural prices and incomes**

The OPERA recommendation states that price fluctuations in agricultural markets have their role in sending relevant signals to consumers and farmers. However, extreme volatility can create major difficulties not only for individual business but also for an entire sector.

In the report, OPERA suggests the use of safety net mechanisms to protect against exceptionally low prices as one of the solutions to address extreme price volatility. In case of high prices, supply cannot be adjusted in a short period of time. However, stimulating increases in productivity and the **uptake of technology as a continuous process** can create the premises to build the necessary productive capacity to reduce the time needed to adjust production to demand.

Structural policies like stimulating innovation play a key role in responding to volatility. The EU should therefore invest more in generating sustainable new technologies and stimulating their rapid uptake in agricultural production. The tools provided by technology can help to protect farmers from the variability of yields due to elements like climate change, pests and diseases.

The experts pointed out how **stimulating cooperation**, vertically and horizontally in the food chain, has positive effects in reducing price on the markets and income volatility at farm level.

In normal market conditions, farmers should be encouraged to use existing and new risk management instruments like insurances; hedging; mutual funds or long term contracting in order to further reduce risks and therefore volatility of their income.

To reduce volatility is often a synonym of improving farmers' capacity to adapt to changing market conditions. An improved transparency system is needed to expand and enhance the quality and accuracy of the data collected and made publicly available on market prices at all levels of the food chain.

The recommendation consolidates the contribution of a number of experts from around Europe. They have been gathered in a dedicated OPERA working group which has been active since 2010 to produce the recommendation.

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**The report can be downloaded on [www.OPERA-indicators.EU](http://www.OPERA-indicators.EU)**

**About OPERA**

*(\*): OPERA is a think tank and a Research Centre of the Università Cattolica del Sacro Cuore, Milan, Italy, a major European private university.*

*It is an independent, non-profit scientific organization, committed in supporting the successful implementation of the agri-environmental measures within the European legislation.*

*The working group members who contributed to the development of this paper are: Prof. Giovanni Anania, University of Calabria; Prof. Gabriele Canali, Università Cattolica del Sacro Cuore; Prof. Alan Matthews, Trinity College Dublin; Prof. Konstadinos Mattas, Aristotle University Of Thessaloniki; Russell Mildon, Former Director for market management DG AGRI; Prof. Daniele Rama, Università Cattolica del Sacro Cuore; Stefan Schepers, Hon. Director General European Institute Public Administration; Prof. Harald von Witzke, Humboldt University Berlin and Alexandru Marchis, OPERA.*