



Indiana & The European Union

Agriculture

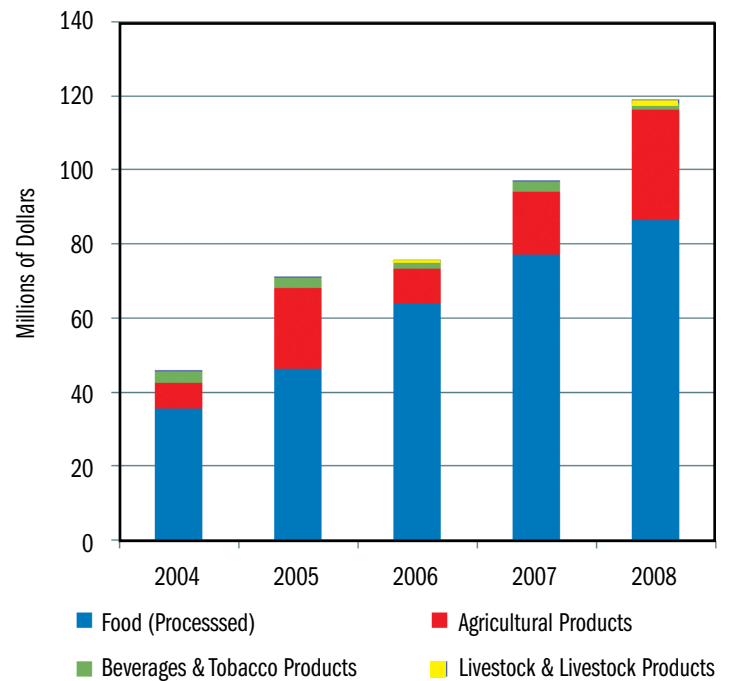
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The 27 members of the European Union (EU27) are the second-largest international market for Indiana agriculture, worth almost \$119 million in 2008. These exports accounted for 16% of Indiana's total agricultural exports in 2008, which is the largest percentage of any of the five states in the Great Lakes region.

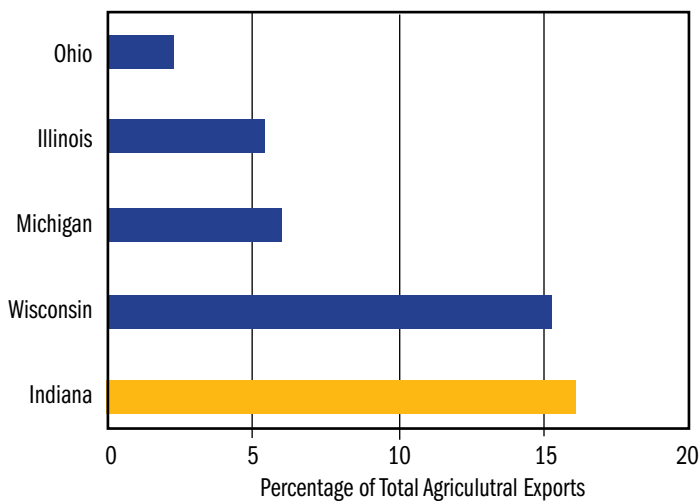
For Indiana to increase its agriculture exports to any EU country, it is important to understand the EU's role in European agricultural policy. The EU sets tariffs on agricultural imports for all member states through the "common commercial policy," so American farmers deal with only one tariff regime across the EU. In addition, the EU represents all 27 countries in international trade negotiations, both at the World Trade Organization (WTO) and bilaterally with the United States. For example, the U.S. sued the EU itself at the WTO for its moratorium on genetically modified products, not the individual member states.

The EU is also responsible for agriculture subsidies to farmers across the EU through the Common Agricultural Policy (CAP). With a budget of €54.8 billion (approximately

Indiana's Agricultural Exports to the EU



Regional Agriculture Exports to the EU



\$71 billion), CAP represents about 41% of the 2009 EU budget. Enshrined in the founding treaty of the European Economic Community (the predecessor of the EU) in 1957, the CAP's original goal was to ensure a stable food supply for its member states. The CAP went through major reforms in 1999 and 2003, as production and subsidies were decoupled. Farmers now receive a fixed sum, regardless of the quantity produced. In addition to direct aid, the CAP was restructured to include stronger rural development components to improve EU farm competitiveness, environmental protection, and the diversification of rural economies.

As a result, farmers in the EU still receive funds from the EU, but they no longer produce huge food surpluses. Instead, the 500 million residents of the EU now represent the world's largest food importer, offering a huge market for agricultural products.

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Source: World Institute for Strategic Economic Research