Health Check of CAP: year 2013 perspectives and responses to the food price crisis

Irmı Salzer
ÖBV-Via Campesina Austria
Agrarbündnis Austria
European Farmers Coordination (CPE)
Health Check of the CAP – what is at stake?

- Adapt the CAP after its reform 2013
- Respond to new challenges: climate change, food prices crisis, speculation
- Direct the CAP into the right direction for the time after 2013 (next budget period)
- Legitimation of CAP
Principles of „original“ CAP

• GATT asked to combine agricultural protection with supply management
• CAP concentrates on protection with little supply management (exception: milk, sugar beets)
• Price support by intervention storage and intervention prices
• Import tariffs and export subsidies
• Structural policies: “unviable” farms should close
Results of CAP until early 90s

- Lack of supply management led to surpluses
- Export subsidies led to dumping and ruined the economies of many (developing) countries
- Increased dumping also resulted in increasing costs to the European treasury
EU expenses for the common agricultural policy, 1980-2002

Source: Data European Commission (Lapperre 2006/Koning 2007)
Direct payments – disguised dumping

• To reduce costs for dumping and meet US demands, support prices were lowered
• To compensate the loss, EU introduced direct payments
• Milk quotas introduced in 1984 because of farmers’ pressure – reduced surpluses in the dairy sector
• Similar system for grains was impeded by grain trade and big grain farmers
• US and EU call the shift to direct “decoupled” payments ‘liberalization’
• Direct payments are more expensive for governments – only rich countries with few farmers can afford
Evolution of EU expenses for arable agriculture, 1980-2002
Health Check- a step towards more „liberalisation“

• Direct payments:
  – Full decoupling to a series of sectors from 2010 (except suckler cows, sheep, goats)
  – Abolition of energy crop premium
  – Set-aside entitlements abolished, become normal entitlements
  – Lower payment limitations introduced – 1 ha or € 250 (Eastern European countries?)
  – Extend financing of revised Article 69 (Target measures to economic/environmental disadvantages in certain regions/sectors)
Health Check- a step towards more „liberalisation“ (2)

• Market measures:
  – Increase milk quotas by 1% annually from 2009 to 2013
  – Intervention stopped for all grains except bread wheat,
  – Durum wheat intervention and that for rice and pig meat abolished
Health Check - no substantial cut for big farms´ subsidies

- Commission proposed substantial cuts for big farms´ subsidies (e.g. 45% for more than 300 000 €)
- Lobbying of industry and big farmers was successful
- Progressive modulation instead of ceilings

<table>
<thead>
<tr>
<th>Thresholds (in €)</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 5 000</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>5 000 to 99 999</td>
<td>2%</td>
<td>4%</td>
<td>6%</td>
<td>8%</td>
</tr>
<tr>
<td>100 000 to 199 999</td>
<td>5%</td>
<td>7%</td>
<td>9%</td>
<td>11%</td>
</tr>
<tr>
<td>200 000 to 299 999</td>
<td>8%</td>
<td>10%</td>
<td>12%</td>
<td>14%</td>
</tr>
<tr>
<td>Above 300 000</td>
<td>11%</td>
<td>13%</td>
<td>15%</td>
<td>17%</td>
</tr>
</tbody>
</table>
Health Check –
Wrong answers to global and European problems

- Removal and weakening of supply control
- Few instruments to promote ecological shift of EU agriculture
- No substantial re-distribution of direct payments (15% of the farms get 85%, 82% of the farms get less than 5000 €, and 46% less than 500 €)
- Further decoupling foreshadows the abolition of direct payments
„Real“ responses to the food price crisis, to climate change etc. would be…(1)

- Market regulation by effective supply management instruments and minimum stocks
- Support for small and sustainable family farms and coupling payments to the amount of labour
- Re-distribution of payments (ceilings and minimum fixed sum for small farms)
- Powerful and attractive instruments to promote ecological production systems (long-term set aside in high value areas for biodiversity, organic farming, etc.)
„Real“ responses to the food price crisis, to climate change etc. would be…(2)

• Removal of historical reference
• No use of the second pillar to intensify / to restructure the production
• Peasant-based instead of corporate-led food production
• Priority to domestic food production – import tariffs and duties to avoid dumping
• Export control instead of export subsidies
The time for food sovereignty has come!