

Agriculture, society and the CAP: *history and new challenges*

Niek Koning



Why we cannot manage without market regulation

- **Price instability**

- *Inelastic demand and external turbulence*
- *Leapfrogging of investment and prices*

- **Oversupply**

- *From the 19th century, fossil fuels & technical science have opened a vast room for increasing farm output*
- *Farmers are caught in a treadmill that generates chronic overproduction*

- **In the future new scarcity?**

- *Depletion of room for raising farm output that was opened by the Fossil Fuel Revolution (depletion of land, water, phosphate, room for breeding higher yielding varieties by manipulating architecture and growth patterns of plants)*
- *Competition from feed and bio-fuels/materials*
- *Soft landing requires timely investment (in meat substitutes, biorefinement, algae , reduction of yield gaps, raising plant metabolic efficiency, etc.)*

Initial CAP

- **Parity aim**
- **Primacy of price policy**
- **Structural policies to accelerate scale enlargement**
 - *Cheapening food as wage good & cooling overheated industrial labour markets*
 - *Mansholt's grand dream of social modernization*
- **Little supply management**
- **Trade policy problems:**
 - *Unlimited export subsidization (contra GATT article XVI) → mounting surpluses*
 - *Rotterdam loophole*

Struggles in the 1980s-90s

- **What kind of farm structures?**

- *Young upward farmers demanding support for developing their farms*
- *Other young farmers resisting the 'rat race'*
- *Small farmers resisting favouring of large farms*
- *New countries demanding their share of structural support*
- *Citizens demanding biodiversity & landscape conservation*

- **Which solution for surpluses?**

- *Arable sector: "close Rotterdam loophole"*
- *Critical farmers: "introduce supply management"*
- *Agro-industry: "adjust dumping methods"*
- *Neo-liberal economists (& some development NGOs) : "stop market intervention"*

Mercantilist ploys

- Uruguay Round: EU-US dumping conflict 'solved' by imposing reduction in price support *while exempting direct payments*
- Direct payments as new mercantilist weapon...
 - *Continued exporting below cost of production*
 - *US acreage reduction program abandoned, EU milk quotas phase-out*
- ...but in the EU sold as a social/green policy
 - *'cross compliance' and 'modulation' to entice greens and social democrats (MacSharry & Fischler reforms)*

Dismantling the CAP?

- **Eurocrats caught in neoliberal group think**
- **Post-2013 budget will be meagre**
 - *Governments want to reduce their debt after the crisis*
- **More competition for budget resources**
 - *West European farmers want payments to uphold their incomes*
 - *Hill farmers want payments to remain viable*
 - *Eastern European farmers want their share of payments*
 - *Citizens want fulfilment of social/green promises*
 - *(N.B.: Neoliberals hope that this competition will ‘lock in the reform’)*
- **‘Safety net’ will be low**
 - *Deficiency payments will only defend a very low price floor*
 - *Future markets can reduce price risk, not price instability*
 - *Insurance requires heavy subsidization (smart countervailing payments)*

Effects of CAP dismantling

- **New round of scale enlargement in favoured regions**
 - *Further reductions in cost price are possible*
- **Agricultural stagnation in other regions**
 - *No margins left for investment*
- **Few farmers will invest in sustainable production methods**
- **Timely investment to allow a soft landing if food scarcity would increase is not ensured**

Another policy is possible...

- Impose sustainability requirements by minimum norms rather than cross compliance
- Make prices remunerative for normal farmers, use direct payments *only* for less favoured regions & green services
- Control production and trade volumes through supply management
 - *More flexible systems and more farmer participation needed*
 - *EU should work for complementary regulation at the international level*
- Balance food and energy markets

...but can only be realized by a broad coalition

An effective coalition requires give-and-take

- *Hill farmers should accept production controls*
- *Other farmers should give up direct payments*
- *Environmentalists should stop supporting the cross-compliance squeeze*

Or more concretely:

Via Campesina, European Milk Board, Coordination Rurale, Friends of the Earth, etc. should stop fighting each other and cooperate