

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

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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

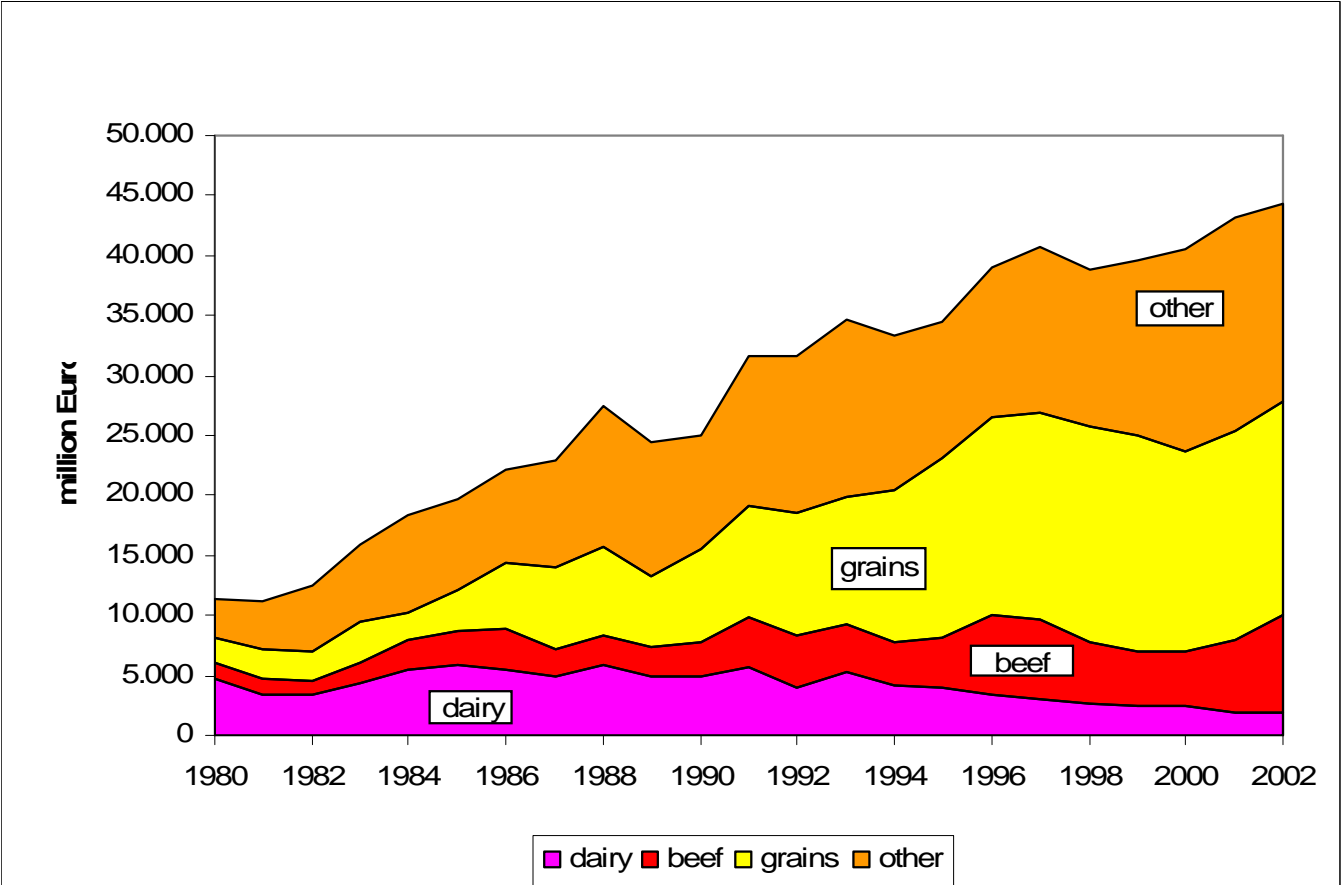
Principles of „original“ CAP

- 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

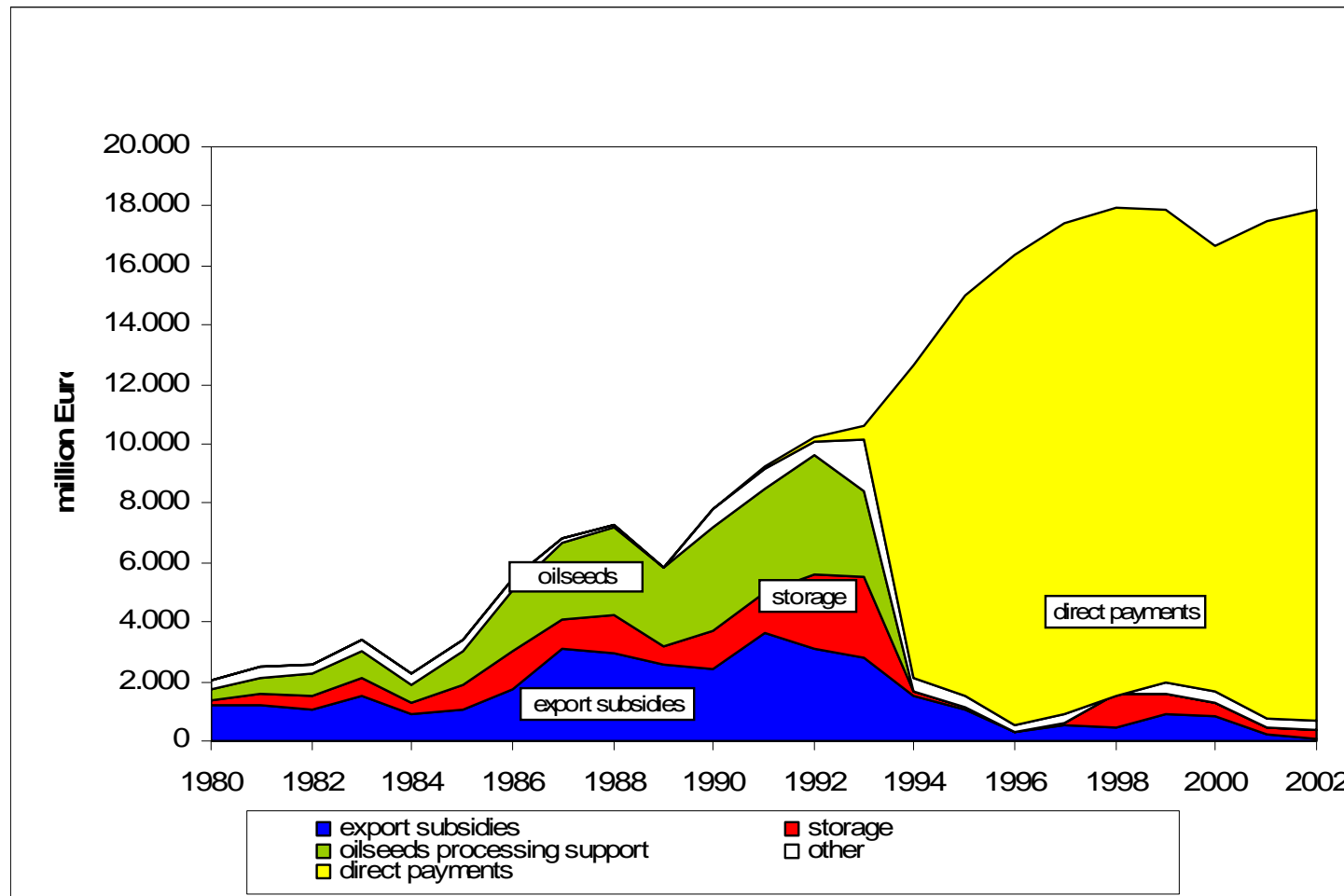


Source: Data European Commission
(Lapperre 2006/Koning 2007)

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

<i>Thresholds (in €)</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
<i>1 to 5 000</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>
<i>5 000 to 99 999</i>	<i>2%</i>	<i>4%</i>	<i>6%</i>	<i>8%</i>
<i>100 000 to 199 999</i>	<i>5%</i>	<i>7%</i>	<i>9%</i>	<i>11%</i>
<i>200 000 to 299 999</i>	<i>8%</i>	<i>10%</i>	<i>12%</i>	<i>14%</i>
<i>Above 300 000</i>	<i>11%</i>	<i>13%</i>	<i>15%</i>	<i>17%</i>

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!