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# Objectives and instruments for a European Common Agricultural Policy after 2013

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***Purpose of this text***

*Europe is divided over the future of its CAP and its objectives. While some countries plead for continued deregulation, 22 countries request that a "regulatory framework" be maintained. They call for "a strong common agricultural and nutritional policy which takes into account diversified food models, the defence of revenues for farmers and the environmental aspects" (Call of Paris, December 10, 2009). This text looks to stimulate the debate at Belgian and European levels and proposes the construction of a common vision for the future CAP can through dialogue among producer organisations, development organisations, environmental and consumer groups.*

## What lessons have been learned from agricultural policies implemented up to now?

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### The CAP and its liberal reforms (1992-?)

Since 1992, successive reforms of the Common Agricultural Policy (CAP) have been built on the postulate, defended by the WTO during the Uruguay Round (1995), that liberalisation of international trade will increase the effectiveness of the markets and lead to overall improvements for farmers and consumers.

The implementation of these reforms since 1992, shows that the CAP no longer has as its objective to increase productivity, but instead to increase "competitiveness", or to gain market shares inside as well as outside of Europe.

#### **Two mechanisms of liberalisation were implemented to accomplish this:**

- Successive reduction of guaranteed prices and progressive alignment of internal prices with international prices, the objective being to render European products more competitive and to facilitate exports without subsidies.
- Elimination of variable import levies, replacing them with reduced fixed tariffs.

#### **Different measures were implemented to compensate for and go along with effects of liberalisation:**

- Direct aid to producers, which only partially compensates for planned price reductions.
- Removal of lands from cultivation in the form of set aside and designated fallow lands (1992-2008).

The "Mid-term" reforms (2003) and "Health Check" (2008) pursued this approach of dismantling instruments of agricultural markets management and regulation.

Simultaneously direct aid was at first partially then almost completely decoupled from production and subject to certain conditions<sup>1</sup>.

The decision to eliminate completely dairy quotas in 2015 was confirmed in 2008. It looks to align the common dairy market organisation with other markets already reformed (cereals, etc.).

## Assessment and lessons

- In Europe the growth of the average size of farms, in tandem with the reduction of the number of family farmers continues apace. This poses more urgently than ever the question of agricultural renewal for coming generations in a number of member states<sup>2</sup>.
- Disengagement by the state in a liberalised trade context translates into a failure to protect and develop adequate agricultural policies and into growing power of food production businesses in the supply chain.
- International prices have become a reference, due to increasing openness of the markets. However these do not at all reflect the realities for the great majority of producers. They reflect rather the situation of a specific category of producers inside particular countries, who can produce at lower costs.
- Today, most European farmers cannot survive solely from the sales of what they produce. Indeed, prices do not correspond to the adapted remuneration for the farmers' work as they have been disconnected from the rise in production costs. Neither do they integrate costs related to environmental factors nor higher European food safety standards. Producers are thus essentially dependent upon aid furnished through single payment schemes (SPS).
- Despite efforts by producers and reinforced legislation, for a number of years, biodiversity, and water and soil quality have continued to decline along with other important environmental indicators.
- International agricultural commodity prices have never been so unstable. The innate volatility of these markets is aggravated by the elimination of regulatory mechanisms (interventions, stocks...), and encourages speculation. The last two years have seen wide fluctuations in commodity prices, with high increases followed by very low decreases. Higher prices exclude populations from the poorest countries, generally extremely dependent for their access to alimentation, and can provoke hunger riots such as those experienced in 2008. These higher prices also restart inflation, profitable neither for farmers nor consumers. Lower prices, on the other hand, prevent farmers from being able to live decently from their labours (milk crisis, cereals...) and accelerate the rural exodus. Moreover these lower prices are not automatically passed through and reflected in what consumers pay for these products. Price instability is moreover prejudicial to agricultural investment and installation of younger farmers.
- Because agricultural demands are relatively rigid, a slight variation in volume implies an important variation in price. This explains why systems which control volume of production prove to be largely more efficient and less costly than other types of compensatory measures (such as "guarantees") activated "after the fact."
- The system of farm income payments is threatened in the framework of negotiations with the WTO (in case of non-renewal of the "peace clause"). Yet this tool remains indispensable since prices are no longer sufficiently cover costs. Without regulatory mechanisms, the volatility of the markets and economic uncertainty continue to grow, which is prejudicial to producers and consumers, and indirectly to the environment.

**Sans mécanismes régulateurs, la volatilité des marchés et l'incertitude économique s'accroissent ce qui est préjudiciable aux producteurs et aux consommateurs, et indirectement à l'environnement .**

<sup>2</sup> At the present time, only 8% of farmers are under the age of 35 years and more than half of the active farming population is older than 55 years (reference Eurostat).

## What orientations for the future CAP?

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### The WTO and the European Commission

The World Trade Organization (WTO), along with other large international institutions, still maintains today its objective of eliminating the final remaining rules and protections, considered as obstacles to trade. Their desire to "further liberalise in order to produce more at the lowest price" remains, despite nutritional, climatic, financial and economic crises.

The European Commission does not take into account the imperfections and deficiencies of agricultural markets. It follows its own logic of "positioning itself as a competitive player on the world market", proposes to abandon remaining regulatory instruments and threatens to reduce the budget of the future CAP.

#### ➔ **For the PFSA**

-> Against this logic of competition and deregulation we oppose one of solidarity and regulation based on the principle of food sovereignty. Greater market share cannot be considered the sole objective. The principle according to which you have to "liberalise more to produce more" constitutes, from our point of view, a real danger for aggravating the volatility of agricultural commodity prices such as has occurred during recent months.

-> We ask that the states and groups of states be equipped with strong agricultural policies which guarantee sufficient food of quality, assure a fair price to producers, permit the environment to be preserved, and favour agricultural production destined primarily for local and regional markets.

-> These expectations cannot be managed by the markets alone. They require instruments of orientation. The PFSA considers peasant and family farms as the most appropriate agricultural model for realising these societal goals. Thus it must be at the heart of agricultural and agricultural policies and strategies which support more autonomous systems of production.

## Objectives of the CAP

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### Why is a CAP needed?

Society has multiple expectations from a Common Agricultural Policy (CAP). Thus the policy needs constantly to keep in view, in its objectives, interests of farmers together with the "collective" interests of European citizens as a whole. It also needs to take into account the specificity of agricultural markets and the great diversity of conditions of production known at the European level.

The CAP can only be effective and coherent if it envisions the accomplishment of all the objectives stated below.

## Agricultural and food objectives of the CAP

### ➔ For the PFSA

- > The CAP should permit the guarantee of strong food autonomy so as to assure its own food security for the agricultural products it can produce. This would be a "strategic" objective for the EU, responsible for covering the needs of 500 million European consumers, while at the same time limiting as much as possible dependence on international markets.
- > The CAP should maintain and develop agricultural activity throughout Europe. To accomplish this, it should ensure remunerative agricultural commodity prices for all producers. These prices should reflect the value of agricultural labour as well as all production costs, including costs incurred for the preserving and/or restoring environmental quality and respect for the sanitary norms in force at the heart of the European space. In light of the current situation, further compensatory aid is necessary. Nevertheless, and generally speaking, the PFSA desires that the system of compensatory price supports evolve in such a way as to permit support in priority for agricultural labour, while taking into account environmental aspects and specific handicaps in certain European regions.
- > The CAP should support and favour agricultural production destined for local markets, localising of transformation and short chains of distribution.
- > The CAP should offer consumers food that is appropriate, of quality and at accessible and stable prices.

## Environmental objectives of the CAP

Farming has improved its environmental impact since the introduction of more restrictive regulations and proactive policies which compensate farmers for environmental services. However, certain indicators such as biodiversity continue to decline.

### ➔ For the PFSA

- > The CAP should thus, with the help of other European policy measures, continue to participate actively in the restoration of the environment (water, ground, and air quality), in biodiversity and in the fight against global warming, notably by reducing greenhouse gas emissions.
- > The CAP requires equally that the main elements of good agricultural and environmental conditions (GAECs) be written in a legal framework. Its respect will be guaranteed by watchfulness of governments together with the compliance principle.
- > Adoption of modes of production more favourable to the environment constitutes a key measure for responding to environmental challenges. This will involve in particular redressing the balance of support for grassland, oilseeds<sup>3</sup>, and pulses.
- > Voluntary and regulatory measures should be implemented in a well-balanced manner at the European level to achieve restoration of environmental quality. This framework furnishes some justification for farm aid and protection measures for the markets.

<sup>3</sup> Development of oilseeds/pulses allows a limitation of recourse to fertilizers by the fixing the level of atmospheric nitrogen and thus contributing to the reduction of greenhouse gas effects.

## Objectives of responsibility in relation to countries outside Europe

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The CAP should integrate a dimension of responsibility in relation to producers in other countries, a growing responsibility in the context of ever more liberalised trade. This presupposes that policies put in place in Europe do not destabilise the internal markets of other countries and in particular, of developing countries where family farmers comprise an important part of the active population.

### ➔ **For the PFSA**

- > EU exports should be based upon prior agreements which manage exchanges (of products) between states or groups of states and cannot be based upon export subsidies. They should in no way cause a negative impact on agriculture for importing states. This approach is currently not used by the WTO.
- > Orientation of the CAP towards "increasing market shares to respond to increasing world demand" is paradoxical insofar as facts show that the great majority of production is traded (historically and still today) in the intra-European market.
- > It is not the objective of the CAP to "feed the world" (nor to respond to the "demographic challenge" advanced by some to justify this perspective) but to ensure secure food supply for Europe (article 36 of the Treaty of Rome). The objective to "feed the world" furthermore runs counter to the will of Southern farmers organisations who demand to feed their own population themselves but who also insist on becoming more involved in defining agricultural development policies in their regional and sub-regional political areas.
- > Furthermore, as a large importer of agricultural products, the EU should promote regulated import mechanisms, as for example is already the case with certain preferential trade agreements. These will contribute to remunerative and stable prices for the exporting countries, without prejudicing the stability of the internal market.

## Instruments of the CAP (means)

None of the above named objectives of the future CAP can be dissociated from one another. In order to reach them together, the CAP should be equipped with coherent and complementary tools. Among these, we insist that the debate over regulatory tools take first priority. Without that, it would be illusory to imagine that all of the above objectives could be attained. The question of providing adequate budgetary means as a function of, and to the needed degree, of these objectives appears to us equally primordial.

### A. Tools for market regulation

It is imperative that the EU preserve elements that are indispensable to market regulation.

#### ➔ For the PFSA

- > An indicative price needs to be restored based on European production costs, from which should flow border measures (i.e. appropriate customs tariffs, with adjustments of different tariffs to adequate levels).
- > The question of the renewed autonomy of the EU in vegetable proteins needs to take priority. Indicative prices should be used to reinforce production of crops most lacking.
- > Dynamic supply management mechanisms need to be implemented including:
  - Control of the level of production adapted to actual demand, overseen by governments.
  - Control of imports and exports. Exports should be based on prior agreements (by product) between "cooperating" states or groups of states, and not be based on export subsidies. The PFSA emphasizes that the principle of food sovereignty at the European level does not mean the end or the prohibition of exports or imports. These are possible provided that they do not have negative impacts on food importing states.
  - Maintenance of sufficient regional and sub regional food stocks. These stocks must be supervised by governments with the participation of all involved actors.
- > European legislation on competition is needed which restores the balance of power between the different actors in the food distribution chain, and permits producers to organise so as to reinforce their marketing power.
- > The PFSA estimates, however, that possible creation of organisations of producers or of inter-professional organisations serves as no substitute for regulation of volume (adapted to the demand) at the European level. These are coexisting and complementary instruments.

#### **For the European dairy sector:**

The PFSA recalls that dynamic supply management mechanisms by governments at the European level constitute the most fitting solution. Otherwise we had insisted and continue to insist that measures allowing for exceptions to rules of competition applicable to farming be implemented. The objective is to allow organisations of producers or inter-professional organisations to manage supply themselves and so better negotiate how they bring their products to market (Cf. "Position lait de la PFSA" - March 2008)<sup>4</sup>

<sup>4</sup> On 15 October 2009, the European Court of Auditors published a report highlighting the "major risks" posed by the liberalisation of agriculture within the EU. These include market volatility, which according to this official body could "quickly recreate surpluses." The Court also believes that "accelerated restructuring of the European dairy sector has the potential for greater geographical concentration of production and the disappearance of a large number of producers."

## Instruments of the CAP (means)

### B. Compensatory aid and specific measures of support

As has just been mentioned, the PFSA demands the implementation of effective regulatory policies which will permit farmers to obtain their income primarily through prices charged. Nevertheless, and taking into account a growing number of social and environmental demands, production costs for European farmers will remain higher than world commodity prices. Thus compensatory aid will still be needed.



#### Within this framework the PFSA supports:

- > Revising the single payment scheme (SPS) in favour of a system of compensatory aid adjusted and distributed according to price levels. This aid should thus be re-coupled to different types of production. This will imply a revision of the Agreement on Agriculture of the WTO and the current doctrine of decoupling. Maintenance of this complementary aid will allow the taking into account of social, environmental and sanitary demands known at the European level. The aid should also progressively evolve so as to support primarily agricultural labour and be capped by number of workers and land exploited<sup>5</sup>.
- > Implementation of complementary compensatory measures which allow taking into account handicaps of specific regions.
- > Agro-environmental measures financed by reinforced community budget and integrating the totality of contributions from member states<sup>6</sup>.
- > Implementation of specific support measures for certain crops and modes of production:
  - Support for grassland and oilseed crops.
  - Enhancement of agricultural production through structures controlled by producers and the development of local supply chains.
  - Development of opportunities for sustainable family farming through public markets (notably in catering businesses).

### C. Measures for protecting the environment (water, soil, biodiversity) and contributing to the fight against global warming



#### The PFSA desires:

- > Consistent handling of farmers throughout the European Union. Disparities in Europe in the definition and application of conditionality should disappear. Rules need to be clearer, harmonised and diffused so that everyone understands them well.
- > Simplification and adaptation of certain conditionality regimes, relative to the type of exploitation (for instance, artisanal production), notably regarding hygienic norms.
- > Conditional integration of norms of "good agricultural and environmental conditions" as defined and adopted at the European level.
- > Possible recourse for abuses by agencies responsible for control.
- > Favour agricultural practices and the entire chain of food distribution which work against global warming and which limit farming dependence upon fossil fuels (reduction of nitrogen fertilizers, reduction of fuel consumption through combined operations...)
- > Accompany the contribution of the agricultural sector in the fight against global warming by specific measures which take into account additional costs for farmers.
- > Environmental stakes require other tools with which certain member states in the European Union are now experimenting. The PFSA is committed to organising a debate on this subject.

<sup>5</sup> On the other hand, establishment of a minimum (floor) is not acceptable.

<sup>6</sup> For organisations which defend the environment, interest in agro-environmental measures should be reinforced by the installation of a minimal percentage of surfaces receiving environmental benefits subject to conditionality at the heart of all exploited land.

### **Policy coherence at the heart of the EU**

In relation to "biofuels" the PFSA notes that farming must primarily fulfil its food production function, before becoming an energy source. That is why the PFSA calls for regulation of production and import of "biofuels", such that the production of energy does not reduce the level of food self-sufficiency either in Europe or in other countries. European objectives for incorporating agro-fuels have an impact on deforestation, food sovereignty and the volatility of prices in numerous Southern countries. It also calls for contingent European production of "biofuels", so that it serves only to complement food production. The PFSA also recommends putting in place the means for research, promotion and dissemination in order to use less energy for agricultural production and food processing.

Regarding genetically modified organisms (GMO), the PFSA notes that they address problems neither of farmers in Northern countries, nor of those in Southern countries, nor the problem of world hunger. The GMOs don't satisfy consumers or improve revenue of farmers and they facilitate concentration of power in the multinational corporations of agro-industry. Furthermore the platform questions methods they use to force the introduction of GMOs in Europe and in Southern countries, methods which raise questions about democracy. Finally, the PFSA suggests that GMOs raise a number of environmental and public health concerns.

## **Instruments of the CAP (means)**

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### **D. Budget**

Any risk of limiting the budget for the period 2013-2020 prior to defining the objectives of the future CAP concerns us. The PFSA estimates that it is not normal to adapt a policy to an available budget rather than to attach the necessary means to policies that one wishes to implement.

The European Commission proposes to follow the path in which it is engaged by increasing the modulation for the second pillar.

=> The PFSA does not wish to go farther in the rationalisation of agricultural policy. It advocates the maintenance of global financing for agriculture in a more coherent logic that leaves the logic of pillars, that is specifically agricultural, fully European, and that takes into account employment levels on the farms.

=> The PFSA proposes thus to attribute the budgets of modulation to the first pillar and to justify them through environmental policies subject to the principle of compliance (see the environmental objectives). This approach will maintain capacity for financing of agro-environmental measures in line with the stakes, that is, at a level equal to the total community and member state financing.

=> Furthermore, measures for regulating the market should be able to release budgetary means necessary to permit the stabilising of the economic viability of farms while at the same time financing future challenges and offering more efficient responses to solve them.

## Conclusion

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Through this position, the PFSA has sought to contribute to debates taking place around the future agricultural policy appropriate for Europe. We have done so by recalling the fundamental principle which supports our actions: the defence of food sovereignty. Left to themselves, the agricultural markets alone cannot ensure this strategic objective, the food sovereignty of 500 million Europeans.

Further, the PFSA pleads that the feeding function of farming reclaim its rights and be better integrated to the challenge of sustainability. For the PFSA, negotiations relative to the future CAP after 2013 must take into account the essential value of agricultural labour, the support of more sustainable modes of production and the multiple roles that agriculture could play, notably in the preservation of the environment and maintenance of rural employment.

### **Who are we?**

*The Plate-forme Souveraineté Alimentaire brings together agricultural and rural organisations, development organisations, environmental and consumer groups:*

**ACDA**  
**ACRF**  
**ADG**  
**AEFJN**  
**AVES**  
**CAAD Belgique**  
**CNCD-11.11.11**  
**Conf. belge des betteraviers**  
**CRIOC**  
**CSA asbl**  
**Entraide et Fraternité**  
**Féd. des Jeunes Agriculteurs**  
**Féd. Wallone de l'Agriculture**  
**FIAN Belgique**  
**Frères des Hommes**  
**FUGEA**  
**Greenpeace**  
**GRESEA**  
**Inter-Environnement Wallonie**  
**Les Amis de la Terre**  
**LRBPO**  
**Magasins du Monde-Oxfam**  
**MAP**  
**Nature et Progrès**  
**Oxfam-Solidarité**  
**Pesticides Action Network**  
**Peuples Solidaires**  
**Solidarité Socialiste**  
**SOS Faim- Agir avec le Sud**  
**Vétérinaires sans frontières**

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