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CONCORD Background Note

“ The Future of the European Common Agricultural Policy and Development ”

September 2010

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The objective of this Background Note is to encompass the diversity of views and positions of CONCORD member organisations and to provide guidance and advises for policy and advocacy work on the institutional process for the revision of the Common Agricultural Policy (CAP) from the 2nd semester 2010 onwards.

This Note should be read in parallel with the Position of the CONCORD European Food Security Group (EFSG) on the future of the CAP. This Position Paper frames the principles and recommendations of the CONCORD EFSG to the EU about the orientations that the CAP reform should adopt with a view to promotes European food security and sustainable farming in a globally responsible manner and not violate the right to food of the world's poorest. Or in other words, to test the EU's willingness to translate the principle of Policy Coherence for Development and its obligations under the Lisbon Treaty into practice.

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1. The objectives of the CAP

The first major reforms of the Common Agricultural Policy (CAP) were agreed in 1992 in parallel with the trade negotiations that led to the World Trade Organisation (WTO)'s creation in 1995. Their purpose was to reduce agricultural surpluses and stockpiles and to open up the European Union's agriculture to world markets. Under successive waves of reform, the previous system of intervention prices and product-specific (or 'coupled') subsidies was gradually replaced by direct payments to farmers.

Under the last set of reforms in 2003, the administration and even certain choices of policy were devolved to the Member States. This was not done for reasons of principle but largely because no consensus was reached during the reform negotiations; and it played into the hands of those who would weaken or even dismantle agricultural policy altogether. Moreover, the 12 new Members admitted since 2003 do not yet have access to the full range of agricultural policies. In particular, small farmers there (as elsewhere) receive very little from the CAP. There is therefore considerable variety now among the measures actually used by the 27 members, leading to a fragmentation of this area of EU policy.

The policy reform of 2003 was meant to cover a period of ten years. The CAP's budget was frozen until 2013, by which time further reforms to the CAP were to be decided, as well as a new Multi-annual Financial Framework (the EU budget framework for 2014-20, sometimes called the 'Financial Perspectives'). It was also expected that new global rules for agricultural trade would be in place, after the completion of the WTO's Doha Round of negotiations. That outcome is now far from certain, but preparations have continued for changes in the CAP. The first of these was a set of proposals from the European Commission, called a 'Health Check', which led to a political deal among Member States in November 2008. More recently there has been a public consultation, which closed with a conference in Brussels in July 2010.

The review of the Financial Framework is planned for completion before 2013. This means that the funds available for agricultural and rural policies could be determined before the content of those policies is agreed. The budgets might also be devolved to the member states. Meanwhile there is huge pressure inside the EU institutions and in some Member States to cut back the CAP's budget. The Commission might want to move rural development expenditure from it into the infrastructure budget, which would put further pressure on the amounts spent. As one commentator wrote,

Politicians are keen to spend greater amounts on issues such as climate change, research and development, creating jobs and growth - and ... this seems more justifiable to the taxpayer... The CAP faces a budget-driven reform for the period after 2013.¹

Food security and the production-oriented tradition of most agricultural policy, including the CAP, can be contrasted with the Commission's reform aims of 'quality' and 'competitiveness'. The direction of the reforms can be seen in the topics of four workshops chosen by the Commission on the first day of the Brussels consultative conference in July 2010:²

1. Food security

¹ Waite (2009). Roger Waite is the editor of Agra Facts, a newsletter on EU agriculture policy.

² The conference programme may be found at <http://ec.europa.eu/agriculture/cap-post-2013/conference/programme.pdf>

2. Future of rural society
3. Environment and provision of public goods by agriculture
4. Quality, diversity, health.

These start with the most elementary, requirement of traditional agricultural policy, as laid down in the Treaty of Rome,³ and end with the central point of the Commission's policy of 'competitiveness', as it has now become. Since the end of the Cold War the EU has become more outward-looking, and the CAP has ceased to emphasise European food security but is becoming geared to international competitiveness, including exports to developing countries.⁴ As we shall see later in this Note, a certain idea of 'quality' European produce lies at the centre of this. Many critics say that the 'decoupling' of agricultural subsidies - making them apply to farmers generally rather than being attached to specific products - aids this strategy in enabling the EU's 'high-quality' (and high-cost) farm produce to remain price-competitive on international markets.

Agricultural policy touches a wide range of people in Europe and elsewhere. Each group concerned has its own 'stake' in the CAP and its reform, with different interests and different degrees of influence over the process. These include:

- European farms and farmers of all sorts - large-scale commercial farms, family farms, company-owned farms, former collective farms, smallholdings, hill farms - with poor soils and high costs; livestock, cereal, fruit, vegetable and poultry farms; industrialised, input-intensive farms; 'factory' farms; organic farms; owner-occupied and tenant farms, and so on. Most farms will be in more than one of these categories;
- Agribusiness: input suppliers, trading firms, food-processing companies, retailers large and small;
- Members of the public with no occupational interest in food or agriculture, in their capacities as food consumers, voters and taxpayers;
- The farmers, consumers, exporters and importers of countries outside the EU, including developing countries, and those countries' governments;
- Trade unions - those representing agricultural workers in particular;
- Consumer organisations;
- Environmental groups, defending animal rights, biodiversity or soil and water quality, or opposing climate change, promoting rural landscapes, and numerous other aspects of nature;
- Landowners;

³ Title II, Arts. 38-47. Art. 39, para. 1 reads (with emphasis added):

'The objectives of the common agricultural policy shall be:

'(a) to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, in particular labour;

'(b) thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture;

'(c) to stabilise markets;

'(d) to assure the availability of supplies;

'(e) to ensure that supplies reach consumers at reasonable prices.'

⁴ See Goodison (2010), p. 8.

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- Each Member State also has a 'national' interest, connected with its own agricultural tradition, the size of its agricultural population, whether the country has a surplus or deficit in food production, when and on what terms it joined the EEC or EU.

Within Europe, developing countries' interests weigh most strongly on the third group above - members of the public, who are often moved to press their politicians to act with decency and fairness towards others, rather than pursue a narrow view of European or sectional self-interest.

2. CONCORD's principles

This Note reviews several papers, written by CONCORD member organisations and others, which cover all aspects of the European Union's agricultural policy, many of them strictly internal to Europe. Most of the papers were selected for review by the CONCORD staff but some by the author of the Note. As the purpose is to define a position paper on the CAP reforms for CONCORD, the main concern is to reflect CONCORD's existing policy positions as well as those of individual member NGOs or coalitions. CONCORD's positions were written down most recently in the 'CONCORD Background Paper on Trade, Agriculture and Development' of March 2010. Another paper, 'The Food Price Crisis: What needs to be done', from October 2008, is also relevant.⁵

Among the positions taken in the 2010 Trade paper, the following seem to be the most relevant to the debate on the CAP (with key words picked out in bold type):

- CONCORD demands greater policy coherence towards the developing world from the European institutions and its Member States.
- Development objectives in trade require policy space for developing countries.
- Justice in trade negotiation is not based on reciprocity between developed and developing countries.
- Potential impacts should be carefully assessed before policy-making.
- A world trade regime should address commodity dependence, price fluctuations, over production, and consider social and environmental impacts. It should ... aim primarily to ... manage [trade] respecting the principles of human and social rights to achieve sustainable development for all. It should consider the building of regional markets.
- Agricultural trade policies must improve access of small holders and women farmers to sustainable agricultural inputs.
- Dumping must be stopped and food aid should be distanced from dumping.

Another requirement is that, 'Trade policy must be consistent with women's rights, gender justice and women's empowerment.' However, this is difficult to actualise in trade policies and few of the other papers reviewed went into any details on it.

Also worthy of note are the U.N.-guaranteed economic and social rights around the world; it has been argued that according to the International Covenant on Economic, Social and Cultural Rights (ICESCR), EU Member States are duty-bound to respect the Right to Food in other countries.⁶ In its desired list of policies, the European Food Declaration identified the Right to Food as the first requirement:

The new Common Agriculture and Food Policy:

1. considers food as a universal human right, not merely a commodity.

⁵ The CONCORD papers are attached as Appendices, on pp. 34 and 38 respectively.

⁶ Graham et al. (2010) point out that all signatory states to the ICESCR, 'individually and through international cooperation', must respect, protect and fulfil the right to food to the maximum of their available resources (p. 69).

2. gives priority to growing food and feed for Europe and changes international trade in agricultural products according to principles of equity, social justice and ecological sustainability. The CAP should not harm other countries' food and agriculture systems.⁷

The second of the requirements just cited may be summed up in the phrase, 'Do no harm'. Policy coherence demands that other EU policies should not obstruct these goals. This is perhaps the most important consideration of all when examining European policy in relation to developing countries.

Likewise, as independent states developing countries should have the right to choose the agricultural model that suits them best, including ones that give precedence to national and regional markets over world markets. These principles are summed up for many development NGOs (as well as farmers' organisations) in the call for 'food sovereignty'.⁸ This includes producing primarily for local and regional markets, giving primacy to family and small farms. According to Via Campesina, 'Food sovereignty not only confers rights, it also implies a duty to not damage agricultural or food economy in other regions of the world.'⁹ Food sovereignty is not named in the CONCORD paper on trade but it is in several of those by CONCORD members. However, CONCORD's paper makes related points in its emphasis on developing countries' policy space.

Another important principle lies in the numerous roles that agriculture plays - its 'multi-functionality', which the International Assessment of Agricultural Knowledge, Science and Technology for Development (IAASTD) defined like this:

The concept of multifunctionality recognizes agriculture as a multi-output activity producing not only commodities (food, feed, fibres, agrofuels, medicinal products and ornamentals), but also non-commodity outputs such as environmental services, landscape amenities and cultural heritages.¹⁰

⁷ European Food Declaration (2010), p. 2.

⁸ Food sovereignty 'gives people and the EU the right to define their agricultural and food policy based on peoples' [sic] needs and their environment rather than according to the rules of international trade as laid down by "free" trade ideology' (« donne à la population et à l'UE le droit de définir sa politique agricole et alimentaire à partir des besoins de la population et de son environnement et non à partir de règles du commerce international écrites dans une idéologie « libre-échangiste »), according to Via Campesina (2010E), p. 2 and (Via Campesina [2010F], p. 2).

⁹ Via Campesina (2010E), p. 2. In French: « La souveraineté alimentaire n'apporte pas qu'un droit, mais aussi un devoir, celui de ne pas porter atteinte aux économies agricoles et alimentaires des autres régions du monde. » - Via Campesina (2010F), p. 2.

¹⁰ IAASTD (2008), p. 4. The 58 countries which signed the IAASTD report include seven EU members: Finland, France, Ireland, Poland, Romania, Sweden and the United Kingdom.

3. What is at stake?

This is the main section of this Note and is written under six headings, which represent what might be considered as the main starting points of the various papers read by the author. The sub-sections will refer to the internal EU issues briefly and then concentrate on North-South aspects. The headings are:

- i. Food security and local production
- ii. Food and nutrition
- iii. Farmers' incomes and employment
- iv. Rural development
- v. Climate change, the environment and animal welfare
- vi. Equity between Member States.

The aim of 'policy coherence for development' calls for consistency between all EU policies that can affect countries in the South. As the European Public Health Alliance has noted,

European policy coherence for development is a legal obligation under the Lisbon Treaty. Article 208 of the Treaty states that: "Union development cooperation policy shall have as its primary objective the reduction and, in the long term, the eradication of poverty. The Union shall take account of the objectives of development cooperation in the policies that it implements which are likely to affect developing countries."¹¹

Consistency should also require that practices which the EU itself pursues (for example, actively managing its agricultural import trade) should be available for developing countries to use too.

- i. Food security and local production

Internal

Food security requires the arrangement of secure supplies of food, accessible at reasonable prices to all people, including the economically worst off. In spite of the requirements of the Treaty of Rome,¹² it was estimated that in 2005 about 78 million Europeans, or 16 per cent of the EU's population,¹³ were below the poverty threshold, and therefore at peril of inadequate nutrition if food prices were beyond their reach.

After 20 years of CAP reforms, there is at least rhetorically some return to seeing the CAP's basis as lying in food security. It is still early to say what this will mean for actual policy. However, the notion was reinforced at the European Parliament in an amendment from the

¹¹ www.epha.org/a/3995, with emphasis in the original (August 2010). See also: CONCORD (2009), Spotlight on Policy coherence for development.

¹² To ensure the availability of supplies, which should reach consumers at reasonable prices - see Footnote 3.

¹³ According to the European Anti-Poverty Network, citing the European Commission. See www.poverty.org.uk/summary/eapn.shtml#note4 (September 2010).

European People's Party to the George Lyon own-initiative report on 'the Future of the CAP after 2013'¹⁴, which added a new para. 6 recalling:

that agriculture has always been a producer of public goods, or of what in today's context may be called 'first-generation' public goods ... food security and food safety, and ... the high nutritional value of agricultural produce, which should continue to constitute the primary *raison d'être* for the CAP...¹⁵

Public support for agriculture, when it is aimed at stabilising rural life, has been described as 'providing agriculture production as a part of public services.'¹⁶

Vis-à-vis the South

As regards developing countries, it became fashionable under globalisation to argue that not all their food has to be produced domestically, since world markets can provide for a country's needs as long as it has sufficient export revenue to pay for the imports. And in the era of globalisation poor countries' food imports have grown rapidly. For example, between 1990 and 2005 sub-Saharan Africa's net imports of wheat and paddy rice increased from 4.6 million to 14.5 million and from 4.7 million to 11.4 million tons respectively.¹⁷ The United Nations now lists 77 countries as Low-Income Food-Deficit Countries (LIFDCs): more than one-third of all the world's states.¹⁸

However, the idea of relying on world markets for food security was blown apart by the increase in global cereal prices in 2007-08. This convinced many more people that local production is essential, under the remit of a domestic agricultural policy. It also reinforced the case for maintaining agricultural activity throughout the EU, as stated in the Lyon Report, which was adopted by the European Parliament on July 8th, 2010 and insisted

...that the maintenance of farming activity across the whole of Europe is fundamental in order to maintain diverse and local food production, secure rural socio-economic dynamism and jobs, particularly in the context of the current economic crisis, and prevent the threat of land abandonment.¹⁹

Two national development platform organisations consider that the EU needs 'autonomy' in vegetable proteins for animal feed, for the sake of overall food independence.²⁰ A group of German NGOs argues that this would benefit small farmers in supplier countries such as Brazil and Argentina:

The EU currently imports almost 80 percent of its protein feed... EU imports of soy, pulses and oil seeds for the production of concentrated feed, but also more recently the massive import of energy crops for the biofuels industry, are normally sourced from large-scale farms overseas and squeeze out the smallholding food producers. Therefore, the future contribution from our agriculture must also include a reduction in our demand for

¹⁴ Adopted on 21st June 2010.

¹⁵ Lyon (2010), para. 6.

¹⁶ Brno Declaration, March 23rd, 2010 (signed by agricultural organisations from nine EU Member States in East and Central Europe), p. 2, para. II.5.

¹⁷ Lines (2008), p. 122, Table 7, which cites the FAOSTAT database.

¹⁸ There is a list of the LIFDC countries at www.fao.org/countryprofiles/lifdc.asp (September 2010).

¹⁹ Lyon (2010), para. 40.

²⁰ PFSA (2010E and 2010F), p. 6; Coordination SUD (2008), p. 4.

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feedstuffs and biofuels from developing countries, so that the freed-up production capacity can be used to improve food security for their own peoples.²¹

A similar case has been put in terms of international human rights law with respect to the acquisition of African agricultural land by non-Africans:

The right to adequate food encompasses the right to feed oneself through cultivating the food directly... the right to feed oneself includes the right to control one's own resources.²²

The onus for achieving this is put on the EU and European investor countries:

The competition of African governments for incoming cash from abroad and the current way in which investment agreements and contracts are negotiated leave African states not much room to protect the rights of the affected communities, even if they wanted to do so (which may not always be the case). EU member States must therefore regulate international land acquisition and related investment activities. This refers first of all to European Transnational Corporations (TNCs) and Investment Funds in their activities overseas. Moreover, it requires regulatory measures of the EU at the multilateral level involving other investor countries.²³

All of these questions are important for relating the CAP to developing countries' agriculture. The CAP reforms are generally presented to the European public as favouring rural development and the environment by giving farmers money to use for those purposes, but they have been criticised by others for introducing a disguised form of agricultural dumping into international trade. This is because direct payments enable the EU to continue to export produce at prices below production costs. This was done previously through openly declared export 'refunds' (or subsidies), but now mainly by means of direct payments. In the WTO the most influential players (the United States and the EU) had pleaded that direct payments were not really subsidies that could distort market outcomes.

The CAP's influence on poor countries' agriculture is often negative as a consequence of these forms of dumping. This damage can occur in various ways. Exports from the EU, especially subsidised items such as wheat and dairy products, can undercut the prices of domestic produce. Subsidies also give EU produce an unfair advantage over tropical countries' own exports, whether sold within the EU or in third-country markets.

One question is whether EU policy should apply only to produce that is geographically and climatically natural for the EU. Consider crops such as sugarbeet (which competes with lower-cost sugarcane), cotton, bananas and rice - or indeed tobacco. The CAP's biggest domestic subsidies have tended to go to precisely those crops - sugarbeet, cotton, tobacco, bananas and rice.²⁴ In the case of sugar - 'a product where developing countries have a clear comparative advantage due to lower production costs'²⁵ -

In the EU sugar sector direct aid payments would appear to have sustained a higher area under sugar beet than would have been the case in the absence of such payments.

Following a series of good harvests this has given rise to a substantial volume (24% in 2009) of out-of-quota sugar beet production. The 27 January 2010 EU decision to export an additional 500,000 tonnes of out-of-quota sugar has proved highly controversial, since

²¹ Environment & Development Forum (2010), p. 4.

²² Graham et al. (2010), p. 66.

²³ Ibid., p. 70.

²⁴ See Lines (2009), p. 23.

²⁵ IIS (2009), p. 61.

it was followed by a sharp slump in world market sugar prices (a 32% decline in raw sugar prices and 26% decline in white sugar prices between 1 February and mid March). This, it can be argued, has served to reduce substantially the earnings on ACP sugar sold at world market prices.²⁶

It is noteworthy that the EU's dairy and sugar sectors, having two of the most powerful processing industries, have benefited from the most EU dumping and its highest protection:

It is absurd that the two products which have generated the most dumping - dairy products and sugar ... should have been not only the ones benefiting from the highest protection, eliminating all imports except for tariff quotas conceded to certain countries, but also the only products that have production quotas. But these were fixed at levels far too high, 10 per cent above domestic needs for milk and 30 per cent for sugar.²⁷

²⁶ Goodison (2010), p. 22 (emphasis in the original). 'ACP' stands for 'African, Caribbean and Pacific'.

²⁷ « Il est ... absurde que les deux produits ayant généré le plus de dumping - produits laitiers et sucre ... aient été non seulement ceux bénéficiant de la protection la plus élevée, éliminant toute importation hors des quotas tarifaires concédés à certains pays, mais aussi les seuls produits ayant des quotas de production. Mais ils ont été fixés à des niveaux bien trop élevés, de 10% supérieurs aux besoins intérieurs pour le lait et de 30% pour le sucre. » Berthelot (2010), p. 20 (translated by the present author).

ii. Food and nutrition

Many CONCORD members propose that the EU should develop an integrated set of policies for both food and agriculture together. It should have a CAFP (Common Agriculture and Food Policy), as the European Food Declaration proposed.²⁸

However, people understand food policy in different ways. Some say it means extra support for organic production, origin markings and full labels, and promoting the consumption of fruit and vegetables and whole grains through education.²⁹ This is similar to the Commission's 'quality for competitiveness' ideas, which will be discussed later. Others emphasise placing the regulation of the food industry - including dairy firms - under the same policy roof as agriculture. There is also growing concern about nutrition within Europe, with some health advocates saying that agriculture policy must play a part in it by encouraging the most nutritious foods, especially fruit and vegetables, to be supplied at more favourable prices. The suggestion is that more active intervention is needed to encourage the production of nutritious foods,³⁰ pointing out that the present system actually encourages an inferior diet:

Time and time again studies show that people's choice of food is largely determined by price and availability... the stark mismatch between CAP support and healthy eating recommendations is a heavy hint that we could spend much better from the point of view of public health. So, it has been estimated that CAP support amounted to just 3.4 percent of the market value for fresh fruit and vegetables, compared with 30.9 percent for cereals ... and 26.5 percent for beef and veal...³¹

There is widespread popular awareness across Europe of the close link between food problems and agriculture. Modern agriculture can only be understood in relation to farms' suppliers as well as the food-processing companies, traders and supermarkets that they sell to. There are issues along the supply chains both within the EU and in relation to developing countries. In some places there is an acute inequality of power, for example bananas, sugar, fruit and vegetables in North-South trade.³² Abusive practices and unfair marketing by European food corporations have an impact on developing countries as well as European farmers. Policy for one directly affects outcomes for another, for example through its influence on relative prices.

There is also at times a lack of policy coherence at member state level, which an integrated EU food and agriculture policy could overcome. For example,

The statistics ... reveal a disparity between government policies. Consumers are urged to eat more fruit and vegetables, yet 90% of fruit eaten here [the UK] is produced overseas with the area put down to vegetables in the UK down by nearly 25% since 1997. This gap between UK production and consumption is not just due to consumer tastes for exotic, non-native fruits or to improvements in productivity per acre [hectare] meaning less land is needed to grow the same amount of vegetables - as production volumes have fallen for many indigenous British fruits and vegetables.³³

The health advocate quoted above remarked:

²⁸ European Food Declaration (2010).

²⁹ Groupe PAC 2013 (2010), pp. 11-12.

³⁰ See Lines (2009), pp. 15 and 18-20.

³¹ Marsh (2007). The author is Associate Director of the U.K.'s National Heart Forum.

³² Goodison (2010), p. 34.

³³ Soil Association (2009), p. 6 (emphasis added).

Many consumer groups advocate scrapping the CAP altogether... This may not be in the best interest of Europe's public health: a market-led food economy might promote the production and consumption of cheap energy-dense foods, high in fat, salt and sugar...

The challenge for reform is ... to use [the CAP] to support healthy eating in ways that are in keeping with sustainable development. The market and regulation simply won't meet that challenge alone.³⁴

So relative prices would have to be altered in order to improve health outcomes; implicitly, this requires recoupling policy to products in some fashion. But Marsh argues that so little research has been done in this area that the first priority must be for the Commission to carry out 'a proper Health Impact Assessment'.³⁵

On the other hand, in Belgium the Platform for Food Sovereignty (PFSA) argues that the major role played by dairy products in human nutrition 'explains why many governments have intervened in support of dairy production in the past, and continue to do so today.'³⁶ In the same way, good nutrition is at the basis of food security concerns in developing countries. For reasons of consistency, the same should apply in the EU. The links between these two were seen as far back as 1943, at the conference which led to the creation of the Food and Agriculture Organisation. The conference concluded:

The work of the Conference emphasized the fundamental interdependence of the consumer and the producer. It recognized that the food policy and the agricultural policy of the nations must be considered together: it recommended that a permanent body should be established to deal with the varied problems of food and agriculture, not in isolation, but together.³⁷

³⁴ Marsh (2007).

³⁵ Ibid.

³⁶ PFSA (2008), p. 1.

³⁷ Final Act of the U.N. Conference on Food and Agriculture, May-June 1943, www.worldfooddayusa.org/?id=16367 (September 2010). The 'permanent body' was later established as the U.N. Food & Agriculture Organisation (FAO).

iii. Farmers' incomes and employment

Internal

Partly as a consequence of the CAP reforms, the prices received by European farmers have fallen. This has lowered input costs for their direct customers, but not necessarily the prices paid by final consumers since the middlemen's margins have increased. The reforms therefore had the effect of transferring subsidies from the farmers to food-processing companies, traders and retailers. Between 2005 and 2007 average farming incomes in Germany were only half of the national average.³⁸ Direct payments make up some of the resulting gap. The impact of the 2007-08 food price increases on this was limited because the prices of major inputs (oil, oil-based chemicals and mineral fertilisers) went up even faster than those of the main crops. Throughout the EU this process affects farm workers too, including migrants from developing countries, whose working conditions and work safety can be appalling. However, liberalisation has also had similar effects on farm incomes in other parts of the world, but without any financial compensation to farmers from governments.

The weakening and eventual replacement of market intervention has also increased the instability of prices, both those paid by consumers and those received by farmers.

For small farmers it is all aggravated by the fact that assistance granted under the CAP favours large-scale industrial agriculture and agribusiness. In the words of APRODEV,

The current CAP is built on area payments based on historical productivity. Hence, large scale farmers in highly productive areas as well as the highly competitive European food industry receive most support whereas small scale farmers in less fertile regions - where environmental services are often of major importance - receive less. This explains why the CAP is being perceived to be biased in favour of big scale farming, industrialised agriculture, and agro-business.³⁹

Policy should instead give preference to small farms and family farms, in both the EU and the global South. Major difficulties have indeed arisen for the transfer of farms to young farmers, such that agricultural renewal has fallen low - just as it has in many developing countries. Land must remain affordable if agriculture is to survive.

Many farmers' organisations would prefer it if farmers were able to live mainly from selling their produce, rather than the public purse. For example, a group of German organisations, including the ABL small farmers' association and Agrar Koordination as well as several development and environment NGOs, wrote: 'The CAP reform must create framework conditions so that in future farmers will receive fair prices for their products and will no longer be so reliant on subsidies.'⁴⁰

Vis-à-vis the South

A former EU Agriculture Commissioner, Mariann Fischer-Boel, has warned that ending direct payments would lead many EU farmers to technical insolvency.⁴¹ Some argue that the real

³⁸ Environment & Development Forum (2010), p. 4.

³⁹ APRODEV (2010), p. 3.

⁴⁰ Environment & Development Forum (2010), p. 6, para. 3 (emphasis in the original). This is also the position of Via Campesina: see Via Campesina (undated), p. 2, or Via Campesina (sans date), p. 2.

⁴¹ Goodison (2010), p. 21.

aim of CAP reform is to provide financial safety nets that will prevent price declines from undermining EU agricultural production, and as a result it keeps EU production at higher levels than it would be otherwise. This risks displacing adjustments to market changes from Europe to developing countries.⁴² It reduces international prices and will lead to lower production outside the EU, including the poorest and most food-insecure countries. It is therefore another form of hidden dumping which would not be permitted in industrial trade. Not just export subsidies but direct payments are implicated, at least for products that might be exported to the South.

Some propose intervening in the markets to ensure that EU farmers receive decent incomes. For Via Campesina, the achievement of fair, stable farm prices requires:

Supply management and regulation of agricultural markets, and instruments that create transparency throughout the food chain and limit the profit margins of processing industry and distribution. In order to deal with possible surpluses in specific climatic situations, minimum farm prices should be established.⁴³

This may be accompanied by direct payments with an upper limit determined by the number of people actively working on the farm, to be awarded only

...on one hand to small-scale sustainable farms whose production and social and environmental role is recognised, and on the other hand to sustainable farms in less-favoured agro-climatic areas where production costs are higher.⁴⁴

A group of French environmental and development NGOs shares this point of view, and wants to re-legitimise the CAP by providing direct payments only in exchange for services rendered:

Such a re-establishment [of the CAP] would allow it to move from a logic of historical rights to a contractual logic of remuneration for environmental services supplied by farmers, with employment-linked criteria attached (weighted according to the numbers of employees and size of farms).⁴⁵

These organisations would accept that if all of that makes European agricultural products too expensive to export to developing countries, then so be it. Whatever measures may be used to increase farmers' incomes, the critical issue is to isolate them from international trade so as not to hamper food production in other countries. In general, developing countries - especially the poorest of them - need to reduce their food imports, so as to return towards the food self-sufficiency that was normal among them before the years of Structural Adjustment. Then they will be able to spend their foreign exchange revenue on imports required for future development, rather than food. This can sometimes be achieved with quite simple measures. For example, Russian agriculture benefited greatly from a huge rouble devaluation in 1998, which at first enabled domestic farms to win back the markets for dairy, poultry and other produce in big Russian cities from imports from the EU and

⁴² See Goodison (2010), pp. 10, 18, 21 and 23.

⁴³ Via Campesina (2010E), p. 3. In French: « La maîtrise des productions et la régulation des marchés agricoles, la transparence le long de la filière alimentaire, la limitation des marges de la transformation et de la distribution. Pour faire face aux excédents conjoncturels climatiques de production, des prix agricoles minimums devraient être établis. » - Via Campesina (2010F), p. 3.

⁴⁴ Ibid. In French: « d'une part aux petites exploitations justifiant d'un rôle social et environnemental, d'autre part aux exploitations durables des régions défavorisées agro-climatiquement, qui ont des coûts de production plus élevés. »

⁴⁵ « Cette refondation permettrait de passer d'une logique de droits historiques à une logique contractuelle de rémunération des services environnementaux fournis par les agriculteurs, en y associant des critères liés à l'emploi (pondération en fonction du nombre d'actifs et de la taille des exploitations). » - Groupe PAC 2013 (2010), p. 7 (translated by the present author).

elsewhere. In due course it then enabled the country to become a major exporter of cereals for the first time since the 1920s. On the other hand, it has been estimated that between the 1960s and 1980s the USSR paid out about 9,000 tonnes of gold for the import of grain, meat, butter and other agricultural products. As a Russian commentator put it, by spending so much on food imports 'Moscow was in effect financing the development of agriculture in other countries, instead of its own.'⁴⁶ With this in mind, the framers of European policy must recognise, in PFSA's words, that

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

- just as is required by Art. 39 of the Treaty of Rome, quoted in footnote 1 above.⁴⁷ Developing countries should be enabled to develop their own agricultural production, rather than use scarce foreign currency to develop that of Europe.

⁴⁶ Volkogonov (1995), p. 339.

⁴⁷ PFSA (2010E), p. 5. In French: « L'objectif de la PAC n'est pas de « nourrir le monde » (ou de répondre au « défi démographique » avancé par certains pour justifier ce point de vue) mais bien d'assurer la sécurité d'approvisionnement de l'Europe » - PFSA (2010F), p. 5.

iv. Rural development

Rural Development is generally understood in the CAP debate to include agro-environmental measures as well as those for rural economic development, such as building roads or creating jobs outside agriculture. Three years ago Teresa Caverio of Intermón Oxfam wrote that the reforms need to 'redistribute CAP funding to support job creation in rural areas and sustainable ecological production in the EU.'⁴⁸ But others have argued that the 'Second Pillar', which does this part of the CAP's work, is not needed at all:

There is no justification for splitting the CAP into two pillars, with the one [Pillar 2] striving to undo the damage to employment and the environment caused by the other [Pillar 1].⁴⁹

As this indicates, there is controversy about the very place of agriculture in Europe's rural development. The Lyon report at the European Parliament professed a belief 'that viable farming businesses are fundamental to sustaining thriving rural communities as they generate employment and services at local level',⁵⁰ while a paper written for Vredeseilanden argued that a vibrant rural economy is based on agriculture, and that is what needs reviving:

Throughout Europe agriculture should remain the heart of the rural economy and rural development must be built on it. Where agriculture has failed to play this part in recent times, it is usually a consequence of insufficient incomes for farmers. It is food and agriculture policy that needs to put that right, not other measures. Otherwise there is a serious risk that there will not be enough young people entering farming to replace the large numbers whose working lives are reaching an end.⁵¹

These are therefore contentious issues within the EU but their immediate relevance to developing countries' interests is not apparent. Where they do have an impact is through the nature of the measures which the EU will use. These are discussed in the next sub-section and in Section 4 below.

⁴⁸ Caverio (2007).

⁴⁹ Boussard and Trouvé (2010), p. 4.

⁵⁰ Lyon, G. (2010), para. 47.

⁵¹ Lines (2009), pp. 13-14.

v. Climate change, the environment and animal welfare

Internal

As French NGOs have argued, there can be no food security in the long run without environmental security.⁵² The various papers refer to a colossal number of environmental problems that require attention in agriculture. For example, the European Food Declaration calls for policy that:

- respects the local and global environment, protects the finite resources of soil and water, increases biodiversity and respects animal welfare.
- guarantees that agriculture and food production remain free from GMOs and fosters farmers' seeds and the diversity of domestic livestock species, building on local knowledge.
- stops promoting the use and the production of industrial agrofuels and gives priority to the reduction of transport in general.⁵³

The most important issue is agriculture's contribution to climate change: its widespread reliance on fossil fuels and its generation of greenhouse gases from other sources too, for example the methane emissions of ruminant animals. It can also mitigate climate change, such as in the use of grasslands for livestock to graze, instead of buying in feed for them or giving the land over to arable crops. It has been argued that the best insurance against climatic and environmental risks is agricultural diversification.⁵⁴ This has long been understood by smallholder farmers in developing countries, but under market pressures its force is weakening there too.

An unresolved question among those wanting to reduce agriculture's damage to the environment is: what environmental measures should be required of farmers as 'best practice' by law, and what should the CAP encourage them to do with the use of subsidies? A report written by a group of international environmental NGOs⁵⁵ wants no more untargeted expenditure like the Single Payment Scheme but a series of five subsidised agro-environment schemes instead. It argues that the CAP should pay farmers to provide public goods, adding specially high premia for 'high natural-value' (or low-input) and organic production.⁵⁶ But others argue that it is perverse to pay people in this way - bribe them, in effect - in order to prevent them from damaging the environment: it is the opposite of the 'polluter pays' principle. They maintain it would be better to impose necessary environmental norms ('best practice') on all farms by law, at a higher standard than is required at present:

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 the watchfulness of governments together with the compliance principle.⁵⁷

⁵² « Il n'y aura pas de sécurité alimentaire mondiale à terme sans sécurité environnementale. » - Groupe PAC 2013 (2010), p. 9.

⁵³ European Food Declaration (2010), items 6-8, p. 2.

⁵⁴ Groupe PAC 2013 (2010), p. 4.

⁵⁵ Bird Life et al. (2010), p. 17.

⁵⁶ Ibid., pp. 21-31.

⁵⁷ « La PAC nécessite également que l'essentiel des bonnes conditions agricoles et environnementales (BCAE) s'inscrivent dans un cadre légal dont le respect serait garanti par la vigilance des pouvoirs publics conjointement au principe de conditionnalité » - PFSA (2010E), p.4 and (2010F), p. 4.

A system based on legal requirements rather than subsidies would still permit some rewards for farmers who go beyond the norm:

If prices are guaranteed to a level covering production costs, subsidies should only be given to producers who have higher production costs because they work in less favoured areas, to those who achieve more in the field of sustainability than is required by the basic rules, possibly to farmers working on very small farms, and similar exceptions. Strict environmental and animal health rules enforced by European laws should be required of all farmers.⁵⁸

The question is about the balance between these two principles. The environmental NGOs would accept a greater amount of binding legislation if the CAP's budget was going to be reduced.⁵⁹

Vis-à-vis the South

How the EU achieves environmental standards within its own borders will not in itself be of much interest to CONCORD. But a relevant question is that of the agricultural and food standards which affect developing countries' trade with the EU. Standards are at the centre of the 'quality' approach to agricultural competitiveness, and many of them are intended to satisfy European public demands, such as those to reduce the use of pesticides or improve animal welfare. Others reflect purely commercial considerations established by the supermarkets, for example the exact shape, size and appearance of fruit and vegetables. It will be very important to watch closely the policies pursued to achieve these various forms of 'quality' for the indirect consequences they may have for developing countries and their farmers. Goodison suggests that the ACP countries should be concerned (among many other things) by the following issues on fruit and vegetable supply chains:

...the growing role of private voluntary standards; the cost increasing effects of stricter SPS [sanitary and phytosanitary] and food safety rules, (specifically the consequences of the pesticide review which will remove 75% of traditional plant protection products from the [European] market).⁶⁰

For his part, Lines points to ambiguity in the word 'quality' and prefers not to use it:

'Quality' means something different when used by agribusiness and the supermarkets. They mean by it a food's marketing characteristics, not any inherent virtue in it, for example:

- a high ratio of final price to the cost of raw materials...;
- ease of transport and storage in warehouses, and an ability to be displayed on shop shelves for long periods;
- regular, unblemished appearance.⁶¹

However, a strong requirement for 'quality' standards for all food consumed in Europe is vehemently defended, in the strongest language seen anywhere in these papers, by the European Commission and the mainstream agricultural lobby, including writers who have sympathetic things to say on other issues. The European Parliament's Lyon Report recalls:

⁵⁸ Boussard and Trouvé (2010), p. 4.

⁵⁹ Bird Life et al. (2010), p. 17.

⁶⁰ Goodison (2010), p. 35.

⁶¹ Lines (2009), p. 15.

...that EU farmers produce food to the highest safety, quality and animal welfare standards and should be rewarded for doing so; believes that imports from third countries should, respecting WTO rights and obligations, meet the same requirements to ensure fair competition and guarantee that consumers can make an informed choice.⁶²

Meanwhile, at the Commission's consultation meeting in July 2010 it is reported that the largest agricultural lobby called for 'customs penalties' against products from countries which do not share the same health, labour and environmental constraints as European agriculture.⁶³ Three years ago two MEPs - one of them a Dutch Liberal, the other a Hungarian Socialist - both made similar points at a CAP conference in France:

Our [EU] laws on the environment are actually extremely strict and involve an enormous, incomprehensible bureaucracy... While our farmers must put up with these constraints, the door is left open to any old produce from the rest of the world, grown under very different conditions.⁶⁴

and:

It's very surprising, but I completely agree with Jan. Concerning the WTO negotiations, I am categorical: I will never sign an agreement with that organisation which does not include respect for European veterinary, phytosanitary and environmental criteria. Because it's a big disadvantage for our competitiveness on the global scale.⁶⁵

However, the other side of this argument represents such standards as new non-tariff barriers, in effect displacing the tariffs and quotas which the EU has removed from many developing countries' exports to it during the WTO negotiations. Goodison put it like this:

What is clear is that in a context where ACP exporters enjoy duty free-quota free access to the EU market, these non tariff market entry issues are likely to take on increasing significance. This is the case both in terms of ensuring continued access to the EU market and ensuring the costs of maintaining access do not undermine the commercial attractiveness of the EU market.⁶⁶

Goodison specifies which agricultural sectors are most sensitive to this:

There is ... a core group of export products which are directly affected by the process of CAP reform... These products are: sugar, bananas, cut flowers, fruit and vegetables, cotton, rice and beef.

⁶² Lyon, G. (2010), para. 39.

⁶³ « Tout au plus, comme l'a souligné son collègue du COPA-COGECA, est-il nécessaire de maintenir des 'pénalités douanières' sur les produits des pays n'ayant pas les mêmes contraintes sanitaires, sociales et environnementales que l'UE » - Berthelot, J. (2010), p. 5 (emphasis in the original).

⁶⁴ « Nos lois sur l'environnement sont en effet extrêmement strictes et entraînent une bureaucratie énorme, incompréhensible... Alors que nos agriculteurs doivent faire avec ces contraintes, la porte est ouverte pour n'importe quel produit du reste du monde, élaboré dans des conditions très différentes. » - Jan Mulder MEP, in Agrobiosciences (2007), p. 21 (translated by the present author).

⁶⁵ « C'est très étonnant, mais je suis tout à fait d'accord avec Jan. Concernant les négociations au sein de l'OMC, je suis catégorique: jamais je ne signerai avec cette organisation un accord qui n'intègre pas des critères européens, vétérinaires, phytosanitaires et environnementaux. Car c'est là un grand désavantage pour notre compétitivité à l'échelle mondiale. » - Csaba Sándor Tabajdi MEP, in Agrobiosciences (2007), p. 21 (translated by the present author ; emphasis in English added).

⁶⁶ Goodison (2010), p. 32 (emphasis in the original).

He adds that ACP production of livestock products, basic cereals and protein crops could also be affected by the impact of EU policies.⁶⁷ UNCTAD too has expressed concern over this for many years, making a distinction between formal 'market access' and actual 'market entry':

Market access difficulties are compounded by market structure issues, as well as by trade policy and technical instruments such as tariffs, quotas, tariff rate quotas, anti-dumping measures, technical regulations and standards, SPS measures and different rules of origin... the issue is that if you have 100 per cent market access but no market entry, you will not be able to sell anything. But the reverse is also true. The problem is that the latter is not seriously taken into consideration in WTO trade negotiations.⁶⁸

According to the U.N.'s Special Rapporteur on the Right to Food, standards required on international markets can prejudice the realisation of the right to food within developing countries by helping to increase the size and concentration of land holdings:

The tendency towards trade liberalization in agriculture results in pressure to concentrate land in the hands of large agricultural producers who are better connected to the global markets and who can more easily meet the volume and standards requirements for export, thus creating new threats to the security of land tenure for smallholder [sic] farmers.⁶⁹

It is surely reasonable to invoke the principle of 'Do no harm' in order to resist EU measures that would make developing countries' existing exports harder to achieve. This is where the standards issue comes in. Environmental standards need to be improved in poor countries, as they do throughout the world. But if developing countries have the right to protect, at least where agriculture and food are concerned, why should the EU not also claim that right for the benefit of the 'quality' of the food that Europeans can buy? There are three possible reasons why not. First of all, the principle of 'Do no harm' suggests they should be avoided in all instances where they could make it harder for developing countries to maintain existing export markets. Secondly, it has long been accepted - and, at least in principle, it is still a rule of the WTO - that developed countries' trade with developing countries should be based on 'non-reciprocity', favouring developing countries. As seen in Appendix 1 (paragraph 3 on p. 34 below), this is one of CONCORD's trade principles. The U.N.'s Special Rapporteur made the strongest case for it:

The idea of a 'level playing field', even after the removal of trade-distorting measures, is meaningless given the huge differences of productivity levels between least-developed countries and developed countries. These differences are the result of more than 150 years of planned protection in industrialized countries, followed by subsidized liberalization. Such differences must be recognized in trade agreements.⁷⁰

Finally, on any product that the EU exports non-tariff barriers of this sort should surely be no more acceptable than are conventional tariffs or quotas, especially if direct payments or other subsidies are also received.

So should rich countries be able to cut off entry to their markets in this way? The question needs to be taken case by case, because some of the developing countries' exports might indeed seriously harm the environment; but as a general rule it seems discriminatory, since poorer countries cannot afford to observe the same practices, or install the compliance

⁶⁷ Ibid., p. 2 (emphasis in the original).

⁶⁸ UNCTAD (2003), p. 9, para. 20.

⁶⁹ De Schutter (2009), p. 3.

⁷⁰ Ibid.

C O N C O R D B a c k g r o u n d N o t e

systems needed to back them up, as countries of the EU can. This dilemma should be raised within the EU or it will go by default and many poor countries' farmers are likely to suffer for it. On this basis, Goodison argues that an open, scientifically verifiable basis is needed for the EU's agricultural regulations, while the EU should 'include a comprehensive development dimension in its agricultural product quality policy'.⁷¹

There are also North-South aspects to biofuels practices and regulations in the EU.⁷² Making use of developing countries' land to supply the EU with biofuels can harm those countries' food security and environment. Virgin forest has been cut down to enable the production of raw materials for biofuels, such as sugarcane in Brazil and oil palms in Indonesia. Via Campesina suggests that farms can increase their own energy independence with the use of oilseed crops.⁷³

⁷¹ Goodison (2010), pp. 32-33.

⁷² CSO Monitoring 2009-2010 on Advancing African Agriculture, The Impact of Europe's Policies and Practices on African Agriculture and Food Security (June 2010), ch. 3.

⁷³ Via Campesina (2010E), p. 4, para. 9 and (2010F), p. 4, para. 9.

vi. Equity across the EU

Internal

There is a problem in the unequal distribution of CAP benefits since the 2003 reform and especially the entry of 12 new Member States shortly after that. Many people in those states feel strongly that, although they are generally poorer than the older members and they still face big problems in adapting their agriculture to the market system, the CAP gives them less. Moreover, a much larger proportion of what it does give them goes to rural development and the environment, with less going to agricultural support under the First Pillar. Over the present budgeting period, 2007-13, the Second Pillar was granted 24 per cent of the CAP total on average, but in the UK, Denmark and the Netherlands it is no more than 8 per cent. However, in Estonia, Latvia, Malta and Slovenia it is between 56 and 79 per cent of the total.⁷⁴ The variations in direct support have been described thus: 'Whereas Latvia gets less than 100 € per hectare, Greece and Malta are close to 550 €/ha.'⁷⁵

On the other hand, there is pressure to focus expenditure on the most 'competitive' regions, rather than using the budget to favour less well-off member states as was done in the past. Depending on how 'competitiveness' is defined, this seems likely to further benefit the more prosperous EU members in Western Europe rather than newer members to the east and south.

Should CAP benefits be more equitably distributed, with the most recently acceded Member States getting a larger share of them than hitherto? If so, how can it be financed? The Lyon Report complained that 'reducing direct payments under the first pillar would have devastating consequences'.⁷⁶ However, it will not be possible to maintain those payments for the EU-15 and also introduce a 'fair distribution' between old and new members, as Lyon would also require, unless the CAP budget was to be increased in amount.

The Brno Declaration states its aim as 'to eliminate differences between old and new member states' of the EU with 'the very same level of direct payments' across the whole EU-27 from 2014 at the latest: 'we strongly refuse another transition period connected with equilibration of direct payments after the year 2013'.⁷⁷ To some people, a special emphasis on the environment in the new Member States actually seems inappropriate. As a Hungarian MEP remarked,

Our agriculture is less polluting than the 15's. You should know that on average the ten new member states use just 40% of the quantity of pesticides used by the 15, and one-third of the chemical fertilisers... For us the priority isn't the environment but poverty.⁷⁸

Rural poverty is better addressed by agricultural measures than environmental payments.

Vis-à-vis the South

⁷⁴ Raad voor het Landelijk Gebied (2008), 'Comparative Analysis: CAP implementation in the EU-27 Member States', paragraph 12 ('Table Comparative Analyses 1'), www.rlg.nl/cap/analysis.html (September 2010), in 'The Implementation of the CAP and Visions of its Future Role across 27 EU Member States', Utrecht.

⁷⁵ Waite (2009).

⁷⁶ Lyon (2010), para. 46.

⁷⁷ Brno Declaration (2010), p. 2, para. II.4, and p. 3, para. III.1.

⁷⁸ « Notre agriculture est moins polluante que celle des Quinze. Sachez en effet que les dix nouveaux pays membres utilisent en moyenne 40% seulement de la quantité de pesticides qu'emploient les Quinze, et un tiers des engrais chimiques... Pour nous, ce n'est pas l'écologie la priorité, mais la pauvreté. » - Agrobiosciences (2007), p. 21 (translated by the present author).

CONCORD Background Note

This is an internal matter for the EU to decide, and it does not seem to call for an opinion from CONCORD.

4. CAP Mechanisms: Orientations for CONCORD

i. Policy tools

A conventional opposition between market-led and interventionist policies for agriculture is on display among the papers reviewed, raising issues such as price volatility, agricultural support and milk quotas. Since the US New Deal in the 1930s, agricultural policy has intervened extensively in markets in pursuit of stable prices, greater production and secure supplies. All three of these needs have come to the fore again since 2008. However, the CAP reforms since the late 1980s were based on a desire to reduce and even remove intervention mechanisms, with the goal of achieving a more flexible alignment of agricultural production to market demand.

However, quite a range of possible policy mechanisms is proposed in the various papers reviewed. At one end of the scale, Via Campesina advocates concerted market intervention in order to control production and restore agricultural prices;⁷⁹ at the other, the international environmental NGOs use mainstream economists' thinking about 'externalities' to argue that public payments should be made on a contractual basis for the 'public goods' (especially 'environmental services') that farmers provide.⁸⁰ Most CONCORD members lie somewhere between the ends of this spectrum. However, the CAP reforms hitherto have used essentially the same market-based frame of reference as the environmental NGOs.

All agree that direct payments should move from a historical to a regional payment basis. But according to the French development and environment NGOs,

The current system of income support, based on single payments, is inoperative, unfair and badly targeted for several reasons:...

- this policy is ineffective when agricultural prices are too low and largely unjustified when prices are high;
- it encourages capitalisation effects in land prices, and so feeds property speculation;
- support is concentrated on the largest farms or most intensive types of agriculture...⁸¹

Advocates of food sovereignty want to use supply management to match production with demand, in order to reduce market volatility and reverse the trend for farmers to receive low market prices.⁸² French NGOs emphasise the efficacy of milk quotas and deplore the Commission's plan to end them in 2015, while suggesting the extension of regulatory mechanisms such as quotas to other sectors that are subject to structural crises, including

⁷⁹ Via Campesina (2010E), p. 3, para. 1 of 'Our priorities', and (2010F), p. 3, para. 1 of 'Nos priorités'.

⁸⁰ Bird Life et al. (2010), p. 10, second column.

⁸¹ « ...la politique actuelle de soutien des revenus, basée sur le paiement unique, est inopérante, inéquitable et mal ciblée pour plusieurs raisons:...

- cette politique est inefficace lorsque les prix agricoles sont trop bas et largement injustifiée quand les prix sont élevés;
 - elle encourage les effets de capitalisation sur le prix de la terre, et alimente ainsi les rentes foncières;
 - les aides sont concentrées dans les exploitations les plus grandes ou les types d'agriculture les plus intensifs... »
- Groupe PAC 2013 (2010), p. 6 (translated by the present author).

⁸² 'Consensus Text of Boerenbond and VODO Working Group on Agriculture on CAP basic objectives' (2009), section C, reprinted in Vredeseilanden (2010), p. 9, and « Texte de Consensus du Boerenbond et du Groupe de Travail Agriculture de VODO sur les Objectifs de Base de la PAC », pp. 2-3; PFSA (2010E), p. 6 and PFSA (2010F), p. 6.

fruit and vegetables, and pigmeat.⁸³ Other proposed tools include intervention prices, inventory support, controls on imports and exports, and public food stocks.⁸⁴ For the milk sector, PFSA recommends that supply management should be based on collective marketing by producer organisations.⁸⁵ Lines points to a successful example of state marketing in the same sector:

It is worth considering the elimination of commercial middlemen's power altogether, for example with the use of national purchasing monopolies like the former UK marketing boards. The Milk Marketing Board [MMB], founded in 1934, restored dairy farming in the country by guaranteeing a market with assured prices, which broke the power that large dairies had built up in the 1920s. But that situation rapidly returned after the MMB was privatised (in effect, disbanded) in 1994, which enabled the dairies and then the supermarkets to force purchase prices down below economic levels.⁸⁶

The German NGOs argue that for the milk market, farmers and consumers should be 'appropriately and effectively involved in the regular calculation and establishing of production volumes.'⁸⁷ It is worth recalling that the UK's MMB was set up with 15 of its 18 national board members representing farmers, although it was a state body.

Many organisations call for a fairer distribution of value along the food chain. There are various ways to achieve this. According to Boerenbond and VODO, it will be guaranteed by strengthening the negotiating position of family farmers.⁸⁸ According to PFSA, restoring the balance of power and permitting producers to organise requires new European legislation on competition.⁸⁹ It has also been suggested that competition policy should entail the compulsory break-up of any firms with excessive market shares at either the EU or the national level, based on earlier precedents in the United States.⁹⁰ Teresa Caverio insists that the rights of migrant workers must be guaranteed,⁹¹ while Lines suggests that policies are required on land ownership (especially cross-border), farm sizes, absentee landlords and tenants, with the impact of these phenomena in the newest member states needing special attention.⁹²

In passing the Lyon Report, the European Parliament also agreed that supply management is necessary, at least in certain cases:

...in the case of some agricultural sectors which require substantial capital investment over the course of multiannual cycles of production (of milk, citrus fruits, wine, olives and fruit in general), new supply management methods need to be introduced.⁹³

It also stood for restoring the balance of power on the supply chains, calling for

measures to be taken to strengthen primary producers' ... bargaining power vis-à-vis other economic operators...; ...such developments could improve the functioning of the food

⁸³ Groupe PAC 2013 (2010), pp. 3-4.

⁸⁴ Coordination SUD (2008E), p. 4 and (2008F), p. 4; PFSA (2010E), p. 6 and PFSA (2010F), p. 6.

⁸⁵ PFSA (2008), p. 3.

⁸⁶ Lines (2009), p. 22.

⁸⁷ Environment & Development Forum (2010), p. 6, para. 4.

⁸⁸ 'Consensus Text etc.', in Vredeseilanden (2010), p. 9, and « Texte de Consensus etc. », p. 3.

⁸⁹ PFSA (2010E), p. 6 and PFSA (2010F), p. 6.

⁹⁰ Lines (2009), p. 22.

⁹¹ Caverio (2007).

⁹² Lines (2009), p. 22.

⁹³ Lyon (2010), para. 27.

supply-chain..., enabling farmers to obtain the added value they deserve; ...these objectives may call for an adjustment or clarification of EU competition rules.⁹⁴

There is a widespread view that price volatility on international markets also needs to be tackled – more than ever after the 2008 food price crisis. In its own note on the 2008 Food Price Crisis, CONCORD proposed as a key policy response, ‘Establishment of appropriate buffer stocks to prevent too much price volatility.’⁹⁵ With respect to the milk market in particular, PFSA has proposed

the control of exports, keeping them at a level to be agreed with third (non-EU) countries as part of an international supply management approach which respects needs for the development of family farming in developing countries.⁹⁶

There are proposals to prohibit financial speculation in milk quotas⁹⁷ and futures markets, to be assisted by financing ‘a system of stocks aiming at food security and market regulation’.⁹⁸

Should the international implications of all aspects of EU policy be taken into consideration? German NGOs, lobbying for this, suggest that a separate section of the CAP itself is needed to support it:

To take their international responsibility seriously, the EU must establish international agriculture policy as an autonomous section in the Common Agricultural Policy. In international negotiations in the agricultural sector, the EU must lobby ... for human rights and trade union rights, for good governance in national policies, for setting standards which are sensitive to developing countries’ needs, and for a balanced development of world agricultural markets. The EU must provide financial assistance to the least developed countries so that they can improve their negotiation capacity in the agricultural sector... They must be supported in this effort by funds from the agriculture budget in order to meet the increasing technical and legal requirements for product quality and process standards and to be able to implement new international regulations on issues such as epidemic control, biosafety, environmental legislation, and trade policies.⁹⁹

What are the implications of all this for developing countries?

- It corresponds to a more active use of agriculture and food policy to stimulate domestic production, using the right to protect;
- EU supply management – including the control of imports – would aim to ensure there is no surplus of production to be dumped on world markets;
- Increasing the power of agricultural producers on the supply chains, and reducing corporations’ predatory power in Europe, would have a knock-on effect on similar abuses of market power perpetrated by the same and similar firms in developing countries.

⁹⁴ Ibid., para. 42.

⁹⁵ CONCORD (2008), p. 4, para. 5.1.3.

⁹⁶ PFSA (2008), p. 2.

⁹⁷ Vredeseilanden (2010), p. 22.

⁹⁸ « financer un système de stockage visant la sécurité alimentaire et la régulation des marchés, afin de prévenir la spéculation sur les matières premières et surtout interdire l'intervention de spéculateurs purement financiers sur les marchés à terme » - Groupe PAC 2013 (2010), p. 4.

⁹⁹ Environment & Development Forum on the CAP Reform (2010), p. 7, para. 12 (emphasis in the original).

ii. Trade policy

International trade relations are changing fast. The EU no longer lays claim to a 'client' group of developing countries (the Africa, Caribbean and Pacific, or ACP, group), offering them preferential access to its markets, but it faces new competitive pressures from 'emerging' countries, especially in Asia and Latin America. However, despite its free-trade rhetoric, the EU actually remains strongly committed to managed agricultural trade, its imports being tightly managed with non-tariff barriers which are 'coupled' to particular markets. It is in fact expanding preferential access through bilateral trade agreements. Goodison argues that,

Overall basic tariffs, seasonal tariffs, supplementary duties, TROs [tariff rate quotas] and minimum import prices are all variously used to manage agricultural imports, so as to ensure EU agricultural production is not fundamentally undermined by the process of reform.

Import licensing remains central to this managed trade regime... In sectors where export refunds are provided export licences form an integral part of the EU market management regime.¹⁰⁰

In certain cases, managed trade can strongly assist the development of trading partners: there is evidence that the EU-ACP arrangements have done so in the past, at least to the benefit of those ACP countries that received export quotas for sugar, for example. On the other hand, as Lines argues, 'those poor countries which rely on the export of commodities on entirely unregulated, or "free", markets tend to be among the poorest.'¹⁰¹

In 2005 the Council of Ministers promised to minimise trade distortions arising from agricultural support measures.¹⁰² In line with this, there should be no going back on the EU's promise at the WTO to end export subsidies by 2013, even if the WTO's Doha Round negotiations do not reach a conclusion before then.¹⁰³ This means no subsidies on exports, including direct payments, or associated with the 'Blue Box' at the WTO or with food aid.¹⁰⁴ For a group of European academics, it looks like this:

For achieving stable farm prices and to complement the supply management instruments above, the right for variable tariffs has to be associated with the duty not to export any product at prices below the European costs of production. This is a necessary condition for international legitimacy of the CAP and for keeping sustainable family farms in Europe, which have higher production costs than in many third countries.¹⁰⁵

The French NGOs argue:

¹⁰⁰ Goodison (2010), p. 36. Whatever may have been reformed in the CAP's agricultural subsidies, this external trade regime remains firmly coupled product by product.

¹⁰¹ Lines (2009), p. 24.

¹⁰² IIS (2009), p. 26.

¹⁰³ In a recent presentation, a senior official of DG Agriculture referred only to the 'possible' elimination of export refunds after 2013, 'subject to DDA [Doha Development Agenda] negotiations' - Mizzi (2010), slide 5. The European Parliament also decided that export refunds should be phased out merely 'in parallel with similar measures being taken by WTO partners' - Lyon (2010), para. 83.

¹⁰⁴ « Il est nécessaire de remplacer les possibilités de la boîte bleue (qui est une sorte de soutien caché aux exportations) par des possibilités de protection accrues du secteur agricoles » - REPAOC (2008), p. 14.

¹⁰⁵ Boussard and Trouvé (2010), p. 3.

...it is imperative to rapidly bring an end to all direct and indirect subsidies on exports, including support for animal feeds, among which milk and meat penalise subsistence farming in developing countries.¹⁰⁶

Vredeseilanden considers that 'export duties must be levied in order to countervail the effect of income support'.¹⁰⁷ This would in fact be the opposite of the CAP's traditional export refunds. An Irish academic report recommends compensating poor countries for harm done:

Where the losers from CAP reform are amongst the poorer countries and poorer segments of the developing-world population, there is a case that such reform should be accompanied by compensation or adjustment measures to support the poor.¹⁰⁸

But EU exports can harm developing countries even if they are not subsidised, for example in the case of chicken by-products and offcuts, which might not find a market at all if they were not exported at bargain prices to the developing world. This can damage developing countries' markets and producers - and their export prices in turn. This reinforces the case for also supporting developing countries' Right to Protect - including the use of quotas as well as tariffs (just as the EU continues to do, in fact). With a view to reinforcing policy coherence, Coordination SUD proposes monitoring of the impact of EU agricultural exports on developing countries' economies to be done jointly by DGs Development, Trade and Agriculture.¹⁰⁹

The EPAs are an attempt to set in stone a new set of relations for the benefit of European business. Negotiations for them have been dominated by DG-Trade although they deal with the ACP countries, relations with which are traditionally the domain of DG-Development. They include the 'Singapore Issues' (several further encroachments on countries' policy space, which developing countries have repeatedly refused at the WTO over a period of more than ten years) and inadequate protection against dumping and import surges. The Commission has ignored impact assessments which were done for it. Although defined at the WTO as Regional Trade Agreements, the EPAs have damaged actual regional integration in the EU's partner countries, while the 'Most Favoured Nation' clauses in them limit the reach of South-South agreements. This is a threat to genuine regional integration, especially in Africa.

A group of NGOs associated with CONCORD's Working Group on Food Security has called for independent assessments of the initialled agreements and a moratorium on EPA negotiations, before any further steps should be taken.¹¹⁰ More widely, both Via Campesina and PFSA in Belgium have called for the 1994 WTO treaty to be reconsidered.¹¹¹ The NGOs associated with the Working Group on Food Security proposed this alternative:

The EU should ... recognise UNCTAD, in conjunction with FAO, as the primary international governance institutions for agricultural trade supported by an independent international legal proceedings institute for dispute settlement.¹¹²

¹⁰⁶ « ...il est impératif de mettre un terme rapidement à toutes les subventions directes et indirectes aux exportations, y compris les aides pour les aliments destinés aux productions animales, dont le lait et la viande pénalisent les agricultures vivrières des pays en développement » - Groupe PAC (2010), p.3.

¹⁰⁷ Vredeseilanden (2010), p. 21.

¹⁰⁸ IIS (2009), p. 59.

¹⁰⁹ Coordination SUD (2008), p. 4.

¹¹⁰ European Civil Society Organisations (2008), p. 13.

¹¹¹ Via Campesina (2010E), p. 2 and Via Campesina (2010F), p. 2; PFSA (2010E), p. 7 and PFSA (2010F), p. 7.

¹¹² European Civil Society Organisations (2008), p. 25.

iii. The budget

Few of the CONCORD members' papers have much to say about the CAP's budget in general, and they say especially little about the 2014-20 Financial Framework. However, some insist that the current budget should be retained in size. The European Parliament's Lyon Report also recommended at least maintaining the current budget.¹¹³ Some also insist that agriculture and food policies must be redefined before a new EU Financial Framework is drawn up.¹¹⁴

There was a pointer to the direction that the Council of Ministers might take after an informal meeting of agriculture ministers in Annecy, France in 2009:

In broad terms, the debate highlighted that virtually all Member States still see direct aids as a significant instrument in the future CAP, but also a general acceptance that the current system of aid amounts based on historic receipts had to be simplified and changed towards a much fairer system of paying farmers for the public goods that they provide.¹¹⁵

The Lyon Report recommended fully financing all direct support from the EU budget, but also backed up 'the new Member States' justified expectation when they joined the European Union ... that CAP support would, over time, be comparable with old Member States'.¹¹⁶ It is hard to see how both of those requirements could be fulfilled simultaneously unless the CAP's budget was to be substantially increased (an unlikely event): the current budget is simply not large enough to pay for a full First Pillar for all 27 Member States.¹¹⁷

There are several warnings elsewhere not to go further in the renationalisation (or the co-financing by Member States) of CAP measures.¹¹⁸ Co-financing worries new Member States in particular, because they are already in effect co-financing direct payments, but consider they are the members which are least able to do so.

However, there is little reason for CONCORD to take any position on these internal EU budgetary issues, except possibly for a general point about the difficulty of achieving worthwhile goals from the present budget or a smaller one. Even that might be politically difficult in the political context of national budgetary restraints after the financial crisis.

¹¹³ Lyon (2010), para. 61.

¹¹⁴ Via Campesina (2010E), p. 1 and Via Campesina (2010F), p. 1; 'Consensus Text etc.', in Vredeseilanden (2010), p. 8, and « Texte de Consensus etc. », p. 1; PFSA (2010E), p. 8 and PFSA (2010F), p. 8.

¹¹⁵ Waite (2009).

¹¹⁶ Lyon (2010), paras. 65 and 61.

¹¹⁷ On this question, see also the conversation (in French) between Jan Mulder MEP and Csaba Sándor Tabajdi MEP in Agrobiosciences (2007), pp. 19-22.

¹¹⁸ For example, in PFSA (2010E), p. 8 and PFSA (2010F), p. 8; Brno Declaration (2010), p. 3, para. III.2.

5. The institutional process for the reform and key dates

Final decisions on the post-2013 CAP reform are likely to be made by the end of 2012. The European Parliament adopted its first report on it in July 2010 (rapporteur: George Lyon, Member of the European People's Party, from the U-K), and in the middle of 2011 (July) the Commission will present legislative proposals. The time until then is crucial for lobbying on food and agriculture policies, and involving all the relevant stakeholders. During the decision-making process after that, the debate will be focused on the legislative instruments proposed by the Commission. Its likely tone is suggested here:

Experience from 1999 - when the 'Agenda 2000' CAP reform was agreed within the package of the 2000-2006 Financial Perspectives - suggests that Farm Ministers will try to agree to a policy reform broadly within the parameters of the proposed Financial Perspectives, but that this will then be adjusted by EU leaders when they finalise the final package.¹¹⁹

The main steps in the institutional procedure under successive EU Presidencies should be as follows:

July-December 2010: BELGIUM

- July: European Commission's consultative conference in Brussels. The results of the consultation will be used by the DG Agriculture and Rural development to prepare a communication to the Council and the European Parliament which describes the orientations and the legislation that the Commission would like to see.
- 18 November: a Communication on 'the CAP towards 2020: meeting the food, natural resource and territorial challenges of the future' is published. Information sessions to explain the communications are organized in the 27 Member States in the European Commission's Representations. A second public consultation is organized by the DG Agriculture over a two-month period.
- December: First Council debate expected in the AGRIFISH Council.

January-June 2011: HUNGARY

- Jan-Feb: the Impact Assessment report published by the Secretary-General of the European Commission; this report includes references about the development agenda.
- March: Conclusions from the Council.
- The AGRI Committee in the European Parliament prepares a report on the first communication.

July-December 2011: POLAND

- July: formal legislative proposals from the Commission for the post-2013 CAP (second communication from DG Agriculture)
- The AGRI Committee in the European Parliament prepares a report on the second communication.

January-June 2012: DENMARK

¹¹⁹ Waite (2009).

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- Negotiations on the reform are likely to be at their most intense.

July-December 2012: CYPRUS

- Expected conclusion of the Financial Framework and the CAP Reform.
- Under the new 'co-decision' procedure between the Council of Ministers and the EP, the Council is obliged to incorporate the EP's ideas into the final deal, making the decision-making process much longer and more complex. It has however been suggested that Cyprus' inexperience in the Presidency could strengthen the Commission's hand in the negotiations.¹²⁰ This might in turn lead to pressure to postpone the final decisions until the Irish Presidency that follows.

January-June 2013: IRELAND

- Full agreement on legal proposals for the CAP post-2013 is expected by the first half of 2013 at the latest.

¹²⁰ Ibid.

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Appendix

1. CONCORD Background Paper “Trade, Agriculture and Development”

CONCORD Trade WG
Draft Update 25 March 2010

Development and relief non-governmental organisations brought together in CONCORD envisage a world where a prosperous Europe enjoys an open relationship with the global community, sharing wealth and expertise to ensure that all earth’s citizens live a life of dignity and enjoy full rights to development and an adequate standard of living.

Therefore, CONCORD demands greater policy coherence towards the developing world from the European institutions and its Member States. This coherence must be based on the principles of solidarity, human and women’s rights, justice and democracy and must address the causes of poverty while promoting sustainable economic and social development.

In their daily work, NGOs and their partners see the impact of international trade and agricultural decisions on the living conditions of people in developing countries. The members of CONCORD, struggling against poverty, advocate change in the current European trade policy based on the following principles:

Strengthen the pro-poor perspective of trade policy

1. Sustainable development, poverty and hunger eradication are the main goals

A legitimate trade policy is one that contributes to sustainable development for all and fulfils the social, economic and cultural rights. The analysis of relationship between trade and poverty suggest that trade liberalisation is not in itself sufficient, and even in some cases is not at all appropriate, as an instrument for development. Moreover, policy changes in favour of better regulations of multilateral and domestic trade are necessary but not sufficient to bring sustainable development and to achieve the Millennium Development Goals. Financing and investment, as well as redistributive reforms and social inclusion measures, are also necessary to help people take advantage of trade, whether local, regional or international. There is not a sole route to sustainable development but the link of integration to the world economy and poverty reduction is unclear.

2. Trade policy must be consistent with women’s rights, gender justice and women’s empowerment

Trade policies are not gender neutral but trade policies, like any other economic policy, have a gender differential impact mainly because of the gender division of labour, in the market as well as in the household, and because of women’s and men’s different access to resources and services. At the same time gender inequalities also impact on trade. In order to design trade policies that will work for the most vulnerable groups of societies, the gender-trade nexus needs to be taken into account.

3. Development objectives in trade require policy space for developing countries

Justice in trade negotiation is not based on reciprocity between developed and developing countries. The principle of developing countries' governments intervening to safeguard and protect people's livelihoods and set their own course for growth, diversification and development should prevail over trade liberalisation, deregulation and privatisation. This principle should also be reflected in effective 'special and differential treatment' for developing countries in international trade agreements, with particular regard to agriculture given its importance for food and poverty reduction. Such agreements and International Monetary Fund and World Bank programmes, through conditionalities, should respect the policy space of each developing country for deciding its national priorities and choosing its development policy that serve the most vulnerable of their people.

4. Potential impacts should be carefully assessed before policy-making

The principle of precaution should be taken into account when applying trade reforms in developing countries as the costs are born predominantly by the poorest and most vulnerable people. This principle should be based on research. There is a need for detailed ex-ante analysis, with a gender approach, of the potential impact of trade reforms on income distribution, employment, health, environment, food security (at the individual, household and national level), gender relations and poverty reduction. It also is critical that such impact assessments look beyond the economic sectors that are directly affected to assess 'knock on' effects such as on workers in the informal economy, many of whom are women and the most vulnerable in society. There is also a need for detailed impact assessments of policies already in place in order to improve them if they impede development.

5. A world trade regime should have as priorities regulating international trade and trans-national companies

A world trade regime should address commodity dependence, price fluctuations, over production, and consider social and environmental impacts. It should not aim primarily to liberalise trade, but to manage it respecting the principles of human and social rights to achieve sustainable development for all. It should consider the building of regional markets and the development of just trade not an unfair global free market. It should provide rules not only for governments but also for companies, which should respect social and human rights and the environment. As the concentration of economical power oppresses the poor and ignores the public interests, especially human dignity, human rights and right to food, an internationally enforceable regulatory system should be set up to ensure that trans-national business companies are respecting internationally recognized conventions concerning social and labour rights, women's rights, employment, environment, health and consumer protection and fair competition.

6. Coherence between policies focused in sustainable development should be enhanced

Developed countries should make their policies (especially trade, agriculture, development and finances) coherent with their international commitments of supporting development and poverty eradication. A clear frontloaded schedule for pro-development and pro-poverty reduction alternatives to the current trade policy should be set up.

For example, agricultural trade policies must improve access of small holders and women farmers to sustainable agricultural inputs and must respond to social and environmental concerns.

The current food price crisis is less a problem of food shortage but of insufficient purchasing power. While small holders produce most of the food, they go hungry because they lack bargaining power in the global food chain. They need support to develop their full potential, improve their production methods and schemes and to sell their food at a remunerative price. A narrow focus on agro-industrial inputs of seeds and fertilisers to increase production is likely to lead to monoculture, increased concentration of land ownership, unsustainable technologies, and to increased dependency of small scale and women farmers.

Findings of the International Agricultural Assessment (IAASTD) show that technological innovations in agriculture have generally favoured large-scale producers to the detriment of small scale producers, their communities and the environment. It concludes that the way the world grows its food will have to change radically to better serve the poor and hungry if the world is to cope with a growing population and climate change while avoiding social breakdown and environmental collapse. Areas for investment and public research should focus on low-input and organic systems or biological substitutes for agrochemicals, site-specific easily adaptable cultivars and local seed systems.

Improve the international trade negotiating process

7. Trade policy formulation affecting poor people should be democratic worldwide

Trade policies increasingly deal with standards, rules and domestic regulation affecting the organisation of the economy and indeed of societies as a whole. Trade policy formulation should no longer be a sole competence of the executive in consultation with traders and the industry, but be much more open, more transparent and more inclusive. Parliaments and civil society should be more involved and given adequate capacity building support and resources to engage in trade policy formulation.

8. Trade negotiations should be fair and inclusive

International trade negotiations should be more open, transparent and inclusive for all of its participants and the general public. Justice in trade negotiation is not based on reciprocity between developed and developing countries. Weaker countries should be given the necessary capacity building support and resources to be able to engage in negotiations. Given that developing countries have more political weight at the multilateral level, preference should be given to the multilateral level however the specificity of each country should be taken in account. The principle of subsidiarity should apply to regional negotiations only for pro-development improvement and not for bypassing multilateral agreements, as is happening with the introduction of the Singapore issues in the EU-ACP trade negotiations.

Promote policy proposals delivering means for development

9. Capacity constraints in developing countries need to be addressed

Capacity constraints of developing countries need to be addressed in general, not only the lack of negotiating capacities, but also constraints in governance, database and policy formulation, or production or supply side constraints or the lack of export capacity.

10. Preference erosion in developing countries and poor people's losses must be compensated

Trade preferences enjoyed by developing countries are constantly being eroded by multilateral, bilateral or unilateral trade liberalisation involving other countries, by the introduction of new standards, such as food safety standards, or changes in policies like the EUs CAP reform. Preference erosion, and any other losses due to trade reforms, needs to be compensated by the European Union through trade measures.

11. Dumping must be stopped and food aid should be distanced from dumping

In any case, public supports should not be allowed to lead to the export of products and services at a price lower than the cost of production, unless to achieve mutually agreed non-trade concerns. Developed countries should commit to an early end for agricultural export subsidies and to stop agricultural payments that distorts local production in developing countries. To this extent, and in order to avoid hidden dumping of surpluses of exporting countries which distorts local production, all food aid, which can be a valuable means to save lives in emergency situations or other contexts of food shortages, should be based on humanitarian needs assessment. Furthermore, it should be appropriate and timely, given, where possible, in cash and supplied through local, regional and triangular purchases. Recipient countries should have the right and possibility to refuse GMO food aid.

2. The Food Price Crisis: What needs to be done

European Food Security Group
October 2008

The food prices crisis requires policy change, especially in the field of agriculture, based on the human right to food as well as short term and long term efforts in terms of aid governance.

1. Introduction

World food prices have increased significantly in the past two years, reaching record highs at the beginning of 2008. Staple food crops such as wheat, rice and maize experienced price increases of between 40 and 100% compared to two years ago¹. Net food importing countries are worst hit by the increase of food prices due to their dependency on external markets and international prices. It is estimated that food imports could cost developing countries 25% more than in 2008 than 2007 and that their food import bills will have doubled since 2000².

The dramatic increase of food prices means that millions of poor people can no longer afford or access the food they need, thereby increasing global hunger and malnutrition. According to the latest figures from the FAO, 923 million people live in extreme poverty. Only in 2007, the number of people living in poverty has increased by 75 million worldwide. This represents a real challenge in the fight against hunger and a step back in the progress towards the achievement of the MDG 1 of halving the number of hungry people by 2015.

Besides providing a short analysis of the causes of the current food price crisis and the impact they are having on the lives of the poorest, this document provides a critical outlook on the international responses already underway and sets out the main short, medium and long term policy responses necessary to tackle the crisis. The final part of the document details the calls to action by the EFSG regarding this crisis.

2. The causes of the crisis

The current situation is not the result of a sudden emergency, but rather the outcome of cumulative effects of long term trends and more recent factors, including demand and supply dynamics and responses that have caused further price increases and higher price volatility.³ Longer term factors include income and population growth (especially in industrialising countries), whereas public and private investment in agriculture significantly lagged behind. Urbanisation and low farm gate prices led to disengagement of agriculture. Recent factors include: rising energy prices (e.g. oil), which prompted demand for biofuels (e.g. in the EU and US), and significant investment in agricultural derivatives (as investors look for alternatives) These factors led to speculation on food markets, leading to even more price volatility. Yet, changes in the food demand affects also the prices, especially the changes in the food regimes in emerging countries, where the percentage of meat is growing and drives the demand for animal feed, in addition to the overall demographic increase.

¹ World Bank commodity price data

² FAO, Food Outlook, November 2007

³ High level task force on the global food crisis, Comprehensive framework for action, July 2008

Prices are expected to remain above the 2004 level due to land and water constraints, donors' and governments' underinvestment in rural infrastructure and agricultural innovation (water constraints and lack of infrastructure will constrain African farmers in reacting to the price increases by increased production), low inventories of global food stocks, lack of access to inputs, markets and weather disruptions (climate change issues are especially pertinent to any proposed agricultural response by small farmers).

While it is difficult to assess which factors contribute the most to the crisis, it is clear that the crisis is the result of failures of past policies related to the international food governance that have weakened people's ability to exercise their right to food.

For the past thirty years, the dominant policy mix for agriculture has involved highly supported agriculture in developed countries with subsidised export disposals; in developing countries underinvestment in agriculture accompanied by deregulation and the dismantling of the main agricultural instruments promoted by the Bretton Woods institutions; and trade liberalisation at international level implemented by the WTO. In many developing countries this has led to a weakened and uncompetitive agricultural sector and accelerated an exodus from rural areas.

The failure of the past international food system and governance has been recognised by French President Nicolas Sarkozy at the recent FAO high level conference on world food security when he said that: "[the strategy of the past], the one that failed, consists in providing developing countries with food at the lowest world market price. [...the strategy of the future] must lie on the development of local agricultures".

3. The response of the international community

The international community has responded to the severity of the food price crisis with a number of statements and initiatives. We have seen the constitution of the special High-Level Task Force on the Global Food Security Crisis led by the UN Secretary General which produced the Comprehensive Framework for Action (CFA, see details below), the FAO High-Level Conference in Rome in June, and the declaration by the president of the World Bank at the G8 Summit among the others. The European Union has been active: the European Commission (EC) issued a Communication in early May⁴, followed by a European Parliament resolution⁵ and most recently the EC's €1 Billion initiative ("facility for rapid response to soaring food prices in developing countries") is currently being negotiated⁶.

The European Parliament resolution on the food crisis issued in May, states that "850 million human beings go hungry each day demonstrates systematic violations of the right to food, as enshrined in international human rights law" and urged the Council "to ensure coherence of all food-related national and international policies with obligations under the right to food"⁷;

The UN Task Force's "Comprehensive Framework for Action" provides the following figures:

- "WFP is in the process of allocating an extra US\$ 755 million to operations in more than 60 countries to meet existing needs, following the generous response to its

⁴ EC COM(2008)321, Tackling the challenge of rising food prices. Directions for EU action, 5 May 2008

⁵ P6_TA(2008)0229.

⁶ COM(2008)450/5.

⁷

- recent emergency appeal. WFP's voluntary budget and newly assessed needs must be fully met.
- The FAO Emergency Initiative on soaring food prices has called for US\$ 1.7 billion in funding to provide low income food deficit countries with seeds and inputs to boost production over the next 18 months.
 - IFAD is making available US\$200 million in loans to poor farmers in the most affected countries to boost food production by providing essential inputs.
 - The World Bank is implementing a \$1.2 billion Global Food Crisis Response Program to support agriculture, social protection and policy responses to the crisis.
 - OCHA has announced it is reserving \$100 million of the Central Emergency Response Fund (CERF) for food crisis related needs this year.”

The response to the current crisis rests on a mix of short term solutions to respond to the immediate needs of an increasing number of vulnerable people going hungry, medium term solutions aiming to increase the production capacity of small-holder farmers and long term solution to support agriculture, particularly targeting small scale farmers with appropriate and locally adapted solutions, agricultural markets regulation and the right of developing countries to protect their agriculture and producers.

There are in essence three prongs to the international community's plan of action:

- Boost agricultural production by “small farmers” in poor countries.
- Rapid liberalisation measures aimed at bringing food prices down (lowering customs tariffs, prohibit export restrictions, VAT reductions, etc.) and measures to improve the functioning of world markets.
- Provide food assistance and improve social safety nets for vulnerable populations.

The EFSG wishes to highlight some of the risks related to these three areas.

4. Challenges arising from the food prices crisis

The mobilization of substantial funds and the increasing interest of the international community in agriculture are certainly to be welcomed. At the same time, they call for additional efforts in terms of governance, in order to ensure that real changes are delivered to tackle hunger in a way that reduces people's dependency and vulnerability to externalities.

In this regard, addressing the current food prices crisis is not just about providing more funds. We need to take in due consideration some of the risks deriving from the increased attention and injection of funds and manage them in an appropriate way.

Furthermore, the increased interest in agriculture is also driving an increased demand and pressure on land. The quest for higher productivity could lead to a regrouping of plots and a restructuring of the farming industry that might intensify rural exodus. The scramble for land is already perceptible in the context of biofuels production and the new high prices.

Another challenge derives from the combination of increased production with trade liberalisation measures. There are questions regarding the compatibility of focusing support on small scale farmers –a key objective- with that of greater liberalisation. Lack of local market protection may result in a failure to compete with the influx of subsidised exports from developed countries and elsewhere and inhibit small producers to increase their production. Since increased production by small scale producers is a central objective, the potential effects of liberalisation on the

market position of these farmers should be seriously taken into account. The second market-related danger is that increased price volatility will make most investments extremely risky, particularly for vulnerable small scale farmers.

The fact that the agricultural sector is receiving the attention it deserves is an excellent development, but the question of “what agriculture” to promote is still open. The proponents of a technology-driven “new green revolution” pin their hopes on production, by large-scale enterprises, of commodities for which Africa can “hope” to become “competitive” on the world market. On the other side of the fence are the advocates of the thesis that “Africa can feed itself!”⁸ if the millions of small farmers on which the continent’s economy, food security and social cohesion depend are provided with the policy and program support they require. This option would require prioritising agro-ecological smallholder food production for local and regional markets that are protected from products dumped on their markets at artificially low world market prices with which African producers cannot possibly compete.

The recently published UN International Assessment of Agricultural Knowledge, Science and Technology for Development (IAASTD) report “acknowledges that industrial agriculture has failed and GM crops do not present a solution for poverty, hunger or climate change” and confirms that “biologically diverse agro-ecological practice, especially those that are practiced sustainably by small-scale food producers, in particular women, makes agriculture more resilient, adaptive and capable of eliminating hunger and rural poverty”.

Another challenge relates to the way how the call for increased food assistance can be successfully combined with measures to support small-scale farmers.

5. Responses to address the crisis: Concord EFSG recommendations

The EFSG believes that policy responses to the food price crisis should cover three broad areas:

5.1 Measures relating to trade and agriculture policies that address some of the structural causes of the crisis

5.1.1 Countries should be afforded sufficient policy space to apply strong regional border protection measures in order to protect their agricultural sector from too much price volatility and heavy import fluxes. Developing countries should be encouraged to use additionally the existing mechanisms “special products” and special “safe guard mechanisms” in order to protect their agricultural sectors.

5.1.2 Local market development should be emphasised in trade policies, by better integrating local and regional agricultural supply and food demand and improving the fluidity of intra-regional markets.

5.1.3 Establishment of appropriate buffer stocks to prevent too much price volatility.

5.2 Increase capacity of smallholder agriculture

⁸ The slogan of a campaign promoted by the West African farmers’ platform, ROPPA.

C O N C O R D B a c k g r o u n d N o t e

5.2.1 Governance of agricultural recovery programmes. It will at the very least be essential to ensure that the “agricultural expansion” programmes are drawn up in conjunction with farmers’ organisations, and that the latter are be involved in the monitoring and follow-up of these programmes’ implementation.

5.2.2 Aid to sustainable Agriculture. The recent report of the International Assessment of Agricultural Knowledge, Science and Technology for Development [IAASTD], endorsed by 60 countries, says, “Modern agriculture has brought significant increases in food production. But the benefits have been spread unevenly and have come at an increasingly intolerable price, paid by small-scale farmers, workers, rural communities and the environment”. Support has to be directed at a different model of agriculture that can sustainably meet the needs of a growing population. Equally, what is needed are new efforts in terms of governance to ensure that the resources will benefit the farmers but also empower them. The report confirms that “biologically diverse agro-ecological practice, especially those that are practiced sustainably by small-scale food producers, in particular women, makes agriculture more resilient, adaptive and capable of eliminating hunger and rural poverty”.

5.2.3 In the short term there needs to be an emphasis on providing appropriate inputs for the next harvest.

5.3 Expand social protection and safety nets to support people that are worst hit from the food crisis

5.3.1 Providing emergency food assistance. The World Food Programme (WFP) has received additional funds this year to facilitate its additional needs in light of the increased prices of the food stocks it must purchase. Since this price crisis looks to continue for some time, continued and additional willingness is needed in order to facilitate the provision of food assistance to the most vulnerable. WFP performs an important role here, but should not be the sole channel to provide this assistance. At the same time, farmers’ organisations and their partners should also be closely involved in the design and the running of the institutional food aid purchase programmes and other purchase programmes for institutions such as schools, armies, hospitals, etc.

5.3.2 Expanding social protection and safety nets to support people that are hit worst by the food crisis. Support should be provided to governments of developing countries so that they can provide social protection systems to ensure that the very poorest in these countries can access their basic needs in a budgetary predictable and reliable way that should be provided in a timely manner. This might require reforming the aid architecture to support early and appropriate responses.

5.3.3 Community resilience and capacities must be strengthened so that people are better prepared for cyclical shocks like droughts and price increases by diversifying livelihoods, mitigating risks as part of development strategies and providing long term, flexible funding.

5.3.4 Scale up nutrition interventions

The food price crisis has a severe impact on vulnerable groups including the nutrition status of children under-2 years old, for example. Investment in the improvement of the nutritional status of under-2 years old is a very cost-effective way to improve not just the

health of these children, but also to enable them to grow up to their full physical and mental potential and thus (indirectly) improve the economic potential of these people and help to prevent food insecurity later in their life. Nutritional surveillance in developing countries by Ministers of Health and other institutions needs to be supported and scaled up to achieve the necessary coverage and quality so that policymakers and other can identify the impacts of the crisis at a more local level, given geographical variations in food availability, access and quality. This being done as part of the strengthening of health systems but will require prioritization in particular countries. International policies can only enable and facilitate national policies once these have been developed.

5.3.5 Currently only a fraction of malnourished children is being treated. Sufficient funds should be made available in order to rehabilitate these children.

6. Conclusion

The current surge of food prices and its consequences should serve as a warning signal, reminding us that food is an elementary need, and that agriculture is its only source.

Strong political will is central to review and change policies undermining the human right to food, mobilise resources for immediate assistance such as the EU food facility proposal, and undertake more structured and longer term responses. This requires international efforts, which should then be tailored to respond to local needs. In this respect, all “agricultural expansion” and institutional food aid purchase programmes should be designed and monitored in conjunction with farmers’ organisations and their partners, which are key stakeholders, in these countries.

To prevent future challenges to food security, a new international food system needs to be established. Governments, parliaments, civil society and the private sector should work together to jointly review and address a variety of issues, including: research, trade, food safety and nutrition, climate change adaptation, risk reduction, water and natural resource management.

CONCORD Background Note



CONCORD is the European confederation of relief and development NGOs, representing 25 national NGO platforms and 18 international networks across Europe. Its national associations and international networks represent around 1600 NGOs that are supported by millions of European citizens and are working with millions of people in poverty in the developing countries. CONCORD leads reflection and political actions and regularly engages in dialogue with the European institutions and other civil society organisations.

The **European Food Security Group** offers a forum for European NGOs involved in food and agriculture issues, and acts as a reference group in CONCORD on these issues for structured and regular dialogue between NGOs and with European institutions and Members States. In line with the overarching goals of CONCORD, the EFSG aims at building on the expertise of its members and their strategic partnerships with other concerned sectors of European civil society and with Southern organizations and networks, especially the organisations of smallholder farmers, pastoralists, small-scale fishers and other food providers, and promoting their interests in designing, implementing, evaluating or consulting about relevant European Policies.

[This Note was commissioned by the EFSG to Tom Lines.
It was funded from the European Food Security group's core budget.]