



CAP - COMMON AGRICULTURE POLICY

EAF newsletter will bring a series of articles relating to different European policies focusing on particular country cases and offer a development timeline in order to bring to our readers clarification on the complex legislation that is voted in Strasbourg each month and that is often very difficult to understand for European citizens.

CAP was first launched as a partnership between agriculture and society and between Europe and its farmers. It is a common policy for all the Member States of the European Union. Agriculture, and the CAP, is the area where European integration has arguably proceeded further than any other.

It is managed and funded at European level from the resources of the EU annual budget. The CAP represents over 40% of EU budget expenditure and is the most expensive of EU policies.

CAP goes back to 1957 when the Treaty of Rome created the European Economic Community (the precursor of today's EU), between six western European countries. In 1962 the EEC countries agree on the CAP, it was foreseen as a common policy, with the objectives to provide affordable food for EU citizens and a fair standard of living for farmers. Some twenty years later, in 1984 CAP falls victim to its own success. Farms become so productive that they grew more food than needed. The surpluses are stored and lead to 'food mountains'. Several measures were introduced to bring production levels closer to what the market needs. There were also frequent accusations of CAP corruption and fraud, and in the early 1980s, the cost of CAP was seen as threatening to de-stabilise the whole community.

In 1992 CAP shifts from market support to producer support. Price support was scaled down, and replaced with direct aid payments to farmers.

They are encouraged to be more environmentally friendly. The reform coincides with the 1992 Rio Earth Summit, which launched the principle of sustainable development. In 2003 CAP introduces income support. This new reform cuts the link between subsidies and production. Farmers started receiving an income support payment, on condition that they look after the farmland and fulfil environmental, animal welfare and food safety standards.

The last reform of CAP came in 2013, focused on strengthening the competitiveness of the sector, promote sustainable farming and innovation and support jobs and growth in rural areas.

EU enlargement poses a serious challenge to the CAP: the economies of some of the accession states which joined in 2004 - notably the largest, Poland - are heavily agrarian. The massive cost of including these new states in prevailing CAP terms led to France and Germany developing a deal to freeze CAP spending between 2006 and 2013, and phasing in payments to the new members, in 2002. The accession states were outraged, and successfully secured additional payments, in spite of the Berlin Council's commitment to stabilise CAP spending.

The CAP can be described as having three dimensions:

- Market support
- Income support
- Rural development.

The three dimensions are interconnected and overall sustainability depends on the ability of the three dimensions to act collectively.

Continues on Page 2

CAP - COMMON AGRICULTURE POLICY

Continued from front

The key objectives of the common agricultural policy (CAP), as enshrined in the EU treaties, are to:

- Increase agricultural productivity thus to ensure a fair standard of living for agricultural producers
- Stabilise markets
- Assure availability of supplies
- Ensure reasonable prices to consumers

EU has 12 million farmers, with a further 4 million people working in the food sector. The farming and food sectors together provide 7 per cent of all jobs and generate 6 per cent of European gross domestic product.

What dominates the debate the CAP debate for the past 20 years is the price support system mainly because of its expense. It comprises of:

A target price - a price at which it is hoped farmers will be able to obtain on the open market

A threshold price - the price to which imports are raised when world prices are lower than EU prices

A guaranteed or intervention price - the price at which the Commission will take surplus product off the market by stepping in and buying it up

Some 90 per cent of EU produce is protected in some way by the CAP, with some 70 per cent in receipt of support prices.

The UK receives relatively little money from the CAP, because of its smaller agricultural sector. As a result, in 1984, Margaret Thatcher secured a substantial rebate for the UK on its EU budget contribution.

The UK's rebate (also called 'correction' by the EU) was secured at the Fontainebleau European Council. The exact mechanism for calculating the rebate is complex and has changed over the last thirty years (it is calculated according to a formula set out in the Own Resources Decision in. However, despite this complexity, its main feature has remained the same; to reimburse the UK 66 per

cent of the difference between what the UK pays to the EU budget (excluding the EU's traditional own resources) and what it receives from the EU budget. However the changes agreed to by Tony Blair in December 2005 made some substantial changes to the rebate, notably by removing the UK's right to a rebate on non-agricultural spending in member states that joined the EU after 2004. This 'abatement misapplication' meant that the amount of money that the UK is entitled to has declined dramatically over the last few years. The figures show that, for the years 2010-13, the value of the UK's rebate fell 40 per cent on what it would have been had the 2005 changes not been made.

For countries such as UK, where the agriculture doesn't play a defining role in the economy, it would be easier to set up a valid and efficient long term national agriculture policy than to adhere to one that needs to suit the needs of farmers in 28 Member States and is being drafted in a long centralised process of Brussels policy making.

AGAINST the CAP

1. It doesn't follow the market rules of supply and demand - 'dumping' creates a negative impact on developing countries markets

By ignoring the rules of supply and demand, the Common Agricultural Policy is hugely wasteful. It leads to overproduction, forming mountains of surplus produce which are either destroyed or dumped on developing nations undermining the livelihoods of farmers there. A free market would ensure a more effective allocation of resources. 'Dumping' of this sort, combined with high external tariffs for food imports, led to considerable international criticism of the CAP, notably at the Doha World Trade Organisation talks in 2003.

The impacts of the EU common agricultural policy on developing countries' markets has been tremendously negative. They struggle to remain competitive against heavily-subsidised food products being dumped on their markets.

CAP - COMMON AGRICULTURE POLICY

A number of poor countries have increased their imports of agri-cultural products, and these countries are therefore not investing in their own agricultural sectors. These countries, then, have become addicted to food subsidies from the OECD countries. They have developed a dependency that is not easy to get rid of. Were we to decide tomorrow not to export subsidised foodstuffs to the developing world, the result would be very severe food shortag-es in the short-term.

2. High management expenses

Managing the CAP eats up vast amounts of money: an estimated €700 per farm.

3. It takes over more than 40 per cent of the total EU Budget

Farmers represent 5.4 percent of the EU's population. They generate a mere 1.6 percent of the Union's GDP. Yet they receive 47 percent of the EU's total budget through CAP handouts. Eu-ropes taxpayers hand over €58 billion in subsidies to this tiny, unproductive minority.

4. It doesn't help small farming

The idea that the CAP protects small farmers and the rural way of life is a myth. Eighty percent of CAP aid goes to just 25 percent of farms. The biggest slice of the subsidy pie is handed to the landed gentry, environment- destroying mega-farm and vast agro-industrial conglomerates. Figures from the UK show Queen Elizabeth II gets around half-a-million euro a year. Food industry giants like Campina or Nestle have been handed hundreds of millions. Small-scale European farmers get little and poor farmers in developing nations are shut out of European markets.

5. Taxpayers pay twice

CAP is a double whammy for your wallet. Taxpayers fork out billions in subsidies then pay again when CAP artificially inflates food prices. CAP



supporters say this is a price to pay for food security – that's nonsense. In fact, with countries outside the EU generally able to produce agricultural products at far lower prices than member states - either because of the enormous size and the scale of their industries (eg the USA, Canada) or because of lower standards (eg the developing world) - the EU is largely keeping prices up.

Food security just isn't a problem. CAP artificially shields farmers from healthy competition hinder- ing the evolution of more modern, more efficient agriculture.

6. CAP funds often misused

There have also been reports of CAP fraud in some member states, where levels of diligence to prevent fraud reflect different levels of effectiveness from different member states' agriculture min-istries.

7. Environmental Damage

By encouraging farm 'modernisation', the CAP was blamed for environmental damage caused by the increase of agricultural chemicals and intensive farming methods. Some have blamed the CAP for the practices that led to a series of food safety scares during the 1980s and 1990s, chief among them being BSE.

Continues Next Month

EU-UKRAINE SUMMIT IN KYIV

The XVII EU-Ukraine summit was held in Kyiv on Monday, April 27. As reports the official website of European Council, President of Ukraine Poroshenko, President of the European Council Donald Tusk and President of the European Commission Jean-Claude Juncker discussed the progress made by Ukraine on its political and economical reform process, regional topics, and the preparations for the upcoming Eastern Partnership summit in Riga.

It was the first Summit in the framework of the EU-Ukraine Association Agreement, implementation of which will represent a fundamental step in the process of deepening the political association and economic integration of Ukraine with the EU on the basis of respect for common values and their effective promotion.

The Summit comes at a time when the EU is hoping for a continued clampdown on corruption, as the Ukrainian government is making notable progress in key areas of state reform. In the Joint Statement, European Commission President Jean-Claude Juncker and Council President Donald Tusk also commended efforts undertaken by the officials in Kiev in preparing to implement the

DCFTA agreement (Deep and Comprehensive Free Trade Area).

The joint EU-Ukraine statement also notes that under the € 11 billion financial support pledged by the European Union, some € 6 billion has been already disbursed. Given the situation on the ground the Ukrainian President, Petro Poroshenko, was hoping to get more out of this summit than a mission statement and a pledge for more financial support. Mr. Poroshenko wanted a show of solidarity in the form of EU peacekeepers being sent to Ukraine.

The European Council President, Donald Tusk, ruled out such a possibility at this point, announcing on Twitter that "EU will send civilian assessment mission to Ukraine". In dealing with the Ukrainian crisis, the European Union has consistently excluded the option of sending military assistance, relying on economic sanctions to deter Russia from seeking further escalation.

Read the Joint Statement:
<http://www.consilium.europa.eu/en/meetings/international-summit/2015/04/27/>

European Alliance for Freedom

www.eurallfree.org

SUPPORT US

TO DONATE BY CHECK/MONEY ORDER

The European Foundation for Freedom accepts checks/Money Orders as donations.

PLEASE SEND YOUR TAX DEDUCTIBLE DONATION PAYABLE TO:
EUROPEAN ALLIANCE FOR FREEDOM
AND MAIL TO:

RUE PASCALE 16,
1040 BRUSSELS, BELGIUM

SUBSCRIBE TO OUR NEWSLETTER

KINDLY FILL IN THE FORM AND SEND IT TO:

European Alliance for Freedom, Rue Pascale 16, 1040 Brussels, BELGIUM

Name

Address:

email: