

DISCUSSION PAPER

EU Food and Agriculture Policy for the 21st Century

Alternatives to the CAP

**A paper sketching the foundations
on which European agricultural researchers can start to construct
a humane and sustainable food and agriculture policy,
that better meets the challenges we face today than the present CAP**

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I. WHY A NEW POLICY? WHY NOW?¹

Across Europe there is widespread concern over many aspects of food and agriculture, coupled with growing dissatisfaction with the rules under which they operate. This applies not just to policies for agricultural production but to many other aspects of food distribution and use. There is a growing understanding of the need to tackle climate change and other environmental issues in the agriculture and food sectors, and of the health implications of food and the power relations along the chains of food production and supply. The issues are all connected.

Agricultural production in the European Union (EU) is governed by the Common Agricultural Policy (CAP), which has entered one of its periodic phases of renegotiation and reform. Not only farmers but other members of civil society have followed previous reforms of the CAP closely. The recent reforms were all in the direction of market liberalisation, but this idea has become widely questioned in the wake of the global food and financial crises.

This paper sketches out possible policies which would cover all these aspects of European food and agriculture together, as an alternative to merely patching up the CAP. It proposes a framework in which to draw up these policies and the general lines they might pursue, including their impact on the rest of the world. However, it is not a set of policy recommendations in itself but is offered as a framework for further thought and related research. It is the first stage in a planned programme of research into the construction of a humane and sustainable food and agriculture policy that will meet the challenges of today better than does the CAP.

I.1 The Common Agricultural Policy

The CAP was established in the 1960s, early in the development of the European Economic Community (EEC), and it remained its most important common policy until the single European market was created in 1991. It survived the accession of six new member states in the 1970s and 1980s almost unchanged, although the largest of those members, the United Kingdom, had joined in 1973 with a very different farming tradition and substantially different agricultural policies.

The aim of the CAP was to ensure sufficient food supplies for member states' citizens, at predictable prices that would assure farmers of adequate incomes from the land. It did so by guaranteeing a market for cereals, milk, beef and sugar. The producers were sure of a fixed price every year, which was defended from cheaper imports by tariffs and quotas. Any output that was not sold commercially was purchased at that fixed price (the 'intervention price') by national authorities financed from the EEC's budget, and then stored in so-called 'intervention stocks'. Animal feed, fruit and vegetables were excepted from the programme. The desire was to facilitate increases in supply via the intensification and restructuring of agriculture and to assist farming people who remained in rural areas. There was full employment at the time and a secondary aim was to aid the movement of labour into industry.

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I.2 CAP reforms

In 1992, reforms to the CAP were launched in parallel with the international trade negotiations that led to the World Trade Organisation (WTO)'s creation in 1995. Their purpose was to reduce surpluses and stockpiles and to open up the EU's agriculture to world markets. Under successive waves of reform, the previous system of tariffs, price intervention and export subsidies has been gradually replaced by direct payments to farmers. As a consequence of this process the prices received by farmers have fallen. This has lowered input costs for the immediate purchasers of their produce, but not necessarily the prices paid by final consumers. The reforms therefore had the effect of transferring subsidies from the farmers to food-processing companies, traders and retailers. The direct payments make up some of the resulting gap in farm incomes. The weakening and eventual replacement of market intervention also increased the instability of prices. The reforms have been criticised as introducing a disguised form of agricultural dumping² in international trade, but they are presented to the European public as favouring rural development and the environment by giving farmers payments that they can use for these purposes.

Under the most recent set of reforms in 2003, the administration and even certain choices over policy were devolved to the member states, which have considerable choice in how to interpret and implement them. This was not done for reasons of principle but largely because no consensus was reached during the reform negotiations. Moreover, the 12 new members admitted since 2003 do not yet have access to the full range of agricultural policies. 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 EU budget framework. 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. Six years later that outcome is far from certain, but preparations have started for changes in the CAP. The first of these was a set of proposals from the Commission, called a 'Health Check', which led to a political deal among member states in November 2008. The review of the EU's budget, which includes spending on the CAP, is planned for completion by 2010. This means that the funds available from 2013 for agricultural and rural policies could be determined before the new content of those policies is agreed. The budgets might also be devolved to the member states.

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 EU's infrastructure budget, which would put further pressure on the amounts spent. There is also a proposal to focus expenditure on the 'most competitive regions', rather than using the budget to favour less well-off member states as in the past. Depending on how 'competitiveness' is defined, such a decision seems likely to further benefit the more prosperous members of the EU in Western Europe rather than its newer members to the east and south.

² This is because the EU continues to export products at prices below production costs. This was done previously through openly declared export 'rebates' (or subsidies), but now 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.

I.3 What has the CAP achieved and what are its faults?

The CAP was introduced in a different era and for a smaller and more homogeneous group of countries than the present-day EU. Its goals derived ultimately from the Hot Springs conference on Food and Agriculture in June 1943, which preceded even the Bretton Woods conference and the creation of the United Nations in laying down plans for recovery after the Second World War. The conference's Final Act³ emphasised in particular that, worldwide, 'A great increase would be needed in the production of food if progress is to be made toward freedom from want'. We will refer to the Hot Springs conference again during the course of this paper.

The CAP indeed led to a great increase in agricultural output. It also converted much of European agriculture to industrial methods, based on larger farms and a reliance on external inputs including fossil fuels, agro-chemicals and new forms of animal feed. Production grew so fast that by the 1970s it was systematically in surplus, leading to a steady accumulation of intervention stocks. Export rebates (a form of subsidy to exporting firms) were used routinely to facilitate the disposal of surpluses on international markets. According to the rules normally applied in other areas of international trade, this amounts to dumping when the export price is less than the price received in the domestic market of the exporting country.⁴ Criticisms of the policy were aggravated when the surpluses were used in packages of 'food aid' which disrupted agricultural production in poor countries. The intervention stocks were criticised for being wasteful and expensive to maintain, especially in countries whose governments paid more for the policy than they received in return.

In an attempt to rein in production, the EU introduced milk production quotas in 1984 and then a 'setaside' scheme to reduce the amount of land used for cereal crops, at first voluntarily in 1988 and then compulsorily under the 1992 reform. However, farmers set aside their less fertile fields and increased their production on the others. The milk quotas managed supplies more effectively than that and most countries avoided large declines in the farm price of milk. But the overall EU milk quota was fixed too high, above EU consumption levels, and it was further increased in 2003 and 2008. Moreover, export subsidies were reapplied on milk powder and butter in January 2009, causing problems in other countries, especially developing countries. The milk quotas are due to be terminated in 2015.

Most of the subsidies under the CAP have always gone to large farms and agro-industry, not those which most need support. In 2005, for example, the largest 18 per cent of farms in the EU received 85 per cent of payments, and 2,790 farms received more than €300,000 each. In the case of the UK, which has the largest average farm size, annual payments in the hundreds of thousands of euros went to the landed estates of the Royal Family, the Rothschild family and the Dukes of Westminster and Marlborough. Elsewhere, major recipients included banks and the Nestlé corporation.⁵ On the other hand, in 2007 some 44 per cent of Dutch farmers earned the minimum income. This is far removed from 'assistance to small farms in less favoured parts of Europe', which has generally been used as a political justification for the CAP's programmes.

³ Text available on the internet at www.worldfooddayusa.org/?id=16367 (February 2009).

⁴ Such practices have long been forbidden in industrial trade and they would have been outlawed in agricultural trade in the 1940s if the US Congress had not vetoed the creation of the International Trade Organisation. A detailed definition of dumping may be found at www.wto.org/english/docs_e/legal_e/ursum_e.htm, under 'Agreement on Implementation of Article VI (Anti-dumping)' (April 2009).

⁵ Data from http://farmsubsidy.org/allcountries/New_data_shows_increased_inequality_in_EU_farm_subsidies/090307 (March 2009).

I.4 The new member states

The six countries which founded the EEC were all in Western Europe and their economies were recovering from the devastation of the Second World War. Their agriculture needed to be put on a firmer basis than it had known before that war. Nearly half a century later, the situation of the food and agriculture sectors in the 27 countries of the EU is very different. In particular, the new member states in East and Central Europe face a very different situation since they had to convert their agriculture in the 1990s from the collective systems that existed under central planning. This included the division of many (but by no means all) large industrial farm units into family smallholdings; this was done unevenly and with insufficient support from the authorities.

In 1999 the EU introduced a 'Second Pillar' of the CAP covering rural development. However, the share of this pillar in total agricultural expenditure varies enormously between member states. Over the period 2007-13 it is budgeted to be worth 24 per cent of the total on average, but in the UK, Denmark and the Netherlands it will be no more than 8 per cent.⁶ However, partly because of the slow phasing in of agricultural support under the First Pillar for new members, it will be between 56 per cent and 79 per cent of the total in Estonia, Latvia, Malta and Slovenia (all of them small, recently acceded countries).⁷ The EU's rules on the free movement of capital have also prejudiced local agricultural development in some of the new member states by permitting the foreign acquisition of farmland.

I.5 The rest of the world

It is not just within Europe that the EU's policies on food and agriculture have inequitable effects. The only mention of developing countries in the Commission's 'Health Check' paper was this: 'the EU is ... the biggest agricultural importer in the world, remaining by far the largest market for developing countries.'⁸ The EU thus poses as a generous customer of poor countries in the African, Caribbean and Pacific (ACP) regions, even though their trade (excluding oil) constitutes only 1 per cent of Europe's imports and exports.

However, both the CAP and other aspects of European policy and practice have negative influences on farmers and food production elsewhere in the world, most especially in the poorest countries. Policies on foreign aid exist to ameliorate the situation, but their impact is greatly exceeded by the side-effects of the CAP, as well as the activities of European agrofood corporations and many other factors. Developing countries are flooded with European products which these countries will be unable to refuse under the Economic Partnership Agreements (EPAs) which are under negotiation. At present such problems are treated as side-issues at best, and dealt with (if at all) by specific policies in other areas. They all need to be assessed within the EU's food and agriculture policy framework itself, and measures to counter them should be incorporated in any new set of policies. This will be discussed in the final section of the next chapter.

⁶ In some of these countries additional resources are diverted at the national level from the First to the Second Pillar.

⁷ 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 (April 2009), in 'The Implementation of the CAP and Visions of its Future Role across 27 EU Member States', Utrecht.

⁸ European Commission (2007), 'Communication from the Commission to the Council and the European Parliament: Preparing for the "Health Check" of the CAP reform', document no. COM(2007) 722, p.2, Brussels.

I.6 Policies for food, not just agriculture

Policies concerning food supplies must be about more than production and prices alone: they must deal with health, nutrition and the environment, and correct the distorted balance of power along food and agricultural supply chains. Now this all needs to be done against the background of a severe economic crisis.

A remarkably large part of this was foreseen at the Hot Springs conference in 1943, which we mentioned above. Its third and fourth paragraphs are worth quoting in full:

‘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.

‘The work of the Conference also showed that the types of food most generally required to improve people’s diets and health are in many cases those produced by methods of farming best calculated to maintain the productivity of the soil and to increase and make more stable the returns to agricultural producers. In short, better nutrition means better farming.’⁹

Much of this understanding has returned to the table and inspires the food and food sovereignty movements of today. This is the topic of section 2(ii) of this paper, ‘A suitable food supply’.

I.7 Policies for the 21st century

By now, the CAP comprises a tired and muddled set of policy instruments. It was created in the 1960s for a group of six countries which shared rather similar standards of living and wished to increase food production after the supply disruptions experienced during the Second World War. The industrialisation of agriculture remains the aim of many politicians and corporate interests, but its drawbacks have steadily become apparent over the last 40 years. The quality of food and the ways in which it is produced and distributed have become at least as big issues as its quantity. Science has steadily revealed the importance of good nutrition and the extent to which industrialised agriculture, and the foods it produces, damage human and animal health as well as the environment. Food and agriculture policy must act together to remedy these failings.

And now, a series of global crises has broken out at once. The pre-existing crisis of incomes from agriculture and the extraordinary volatility of prices in 2006-08 led to a worldwide food price crisis in 2008, on top of the financial and economic crisis and the crises of energy and climate change. These crises present an opportunity for new thinking - indeed, they positively require new ideas. The situation offers not just an opportunity but a necessity to establish new sets of relations between governments and private economic forces. The financial crisis in particular has discredited the prevailing ‘free-market’ basis of economic policy.

Agricultural policy must play its part in the fight against climate change. With its industrialisation, European farming has become dependent on fossil fuels and responsible for high levels of greenhouse gas emissions. It also endangers biodiversity and soil quality, on top of the dangers posed by initiatives such as the genetic modification of seeds and the push to use farmland for agrofuel crops.

⁹ *Ibid.* The ‘permanent body’ was later created in the form of the U.N. Food & Agriculture Organisation (FAO).

This context provides both a need and an opportunity to rethink policies for food and agriculture from first principles. In approaching the forthcoming reforms of the CAP, critics of the policy could address the specific issues which the EU's member states are expected to discuss, and propose answers to them. But this would accept the terms of debate laid down by the Commission and government ministers, and drag attention away from the wider failings of the food and agricultural system. It seems clear that policies need to be more fundamentally rethought, in order to establish more humane and sustainable policies for food, agriculture, the environment and the rural economy. In that spirit, this paper offers suggestions for a new set of policies to replace the CAP rather than further incremental changes to it.

I.8 Why Food Sovereignty?

The concept of food sovereignty was launched in 1996 by Via Campesina, a world farmers' movement.¹⁰ It arose in a world where the biggest decisions about the production and distribution of food have been taken out of the hands of people who grow it and eat it, and are made by large commercial organisations and remote international institutions. In its Agreement on Agriculture and other agreements, such as TRIPS (on intellectual property rights), the WTO deprived the EU and all other countries of the right to shape their own policies. Food sovereignty was defined in contrast as 'the right for the people, countries or Unions to define their own agriculture and food policy, without dumping regarding third countries', and so it runs counter to the rules laid down by the WTO.

There is growing interest around the world in the ideas of food sovereignty. This is not just a concern of farmers or even rural areas. It reflects concern over many aspects of the production and trade in food, which affect the position of consumers, farmers and much else besides. In Europe, food sovereignty find support among organisations representing the interests of farmers, especially family and organic farmers, but also those of the environment and international development, and increasingly those concerned with abuses by food retailers, and health and nutritional aspects of the diet. Many urban consumers are worried about what food is produced and how it is done, the effects on the environment and how food is traded and marketed. They share with farming people a desire to bring food production and consumption closer together.

In February 2007, the international 'Nyéléni' Forum for Food Sovereignty took place in Mali¹¹ and enlarged the concept to six principles of food sovereignty, which are that it:

1. focuses on food for people;
2. values food providers (farmers, fisherfolk and their workers; and pastoralists and forest dwellers);
3. localises food systems;
4. puts control locally;
5. builds knowledge and skills; and
6. works with nature.¹²

¹⁰ The European Farmers Coordination (CPE) was one of the founders of Via Campesina in 1993.

¹¹ A 'Nyéléni Europe' conference is planned for 2010.

¹² The Six Principles of Food Sovereignty are reproduced in Annex 2a and 6 of this paper.

Food sovereignty is based on the universal right to food, and so is radically different from the 'market fundamentalism' which has dominated economic policy since the 1980s, including the direction taken by successive policy reforms in the EU. The first paragraph of the 2007 Nyéléni Declaration 'puts the right to sufficient, healthy and culturally appropriate food for all individuals, peoples and communities ... at the centre of food, agriculture, livestock and fisheries policies.' That is also the aim of this paper.

Will the EU be able to understand that the WTO framework put in place in 1995 is not relevant, as the global crises demonstrate today? Can it set up new policies for 2013 within the framework of food sovereignty instead of the WTO? That is the challenge which the food sovereignty movement in Europe wants to put on the table now.

II. PROPOSED POLICIES

The rest of this paper puts forward some principles on which the EU's food and agriculture policies could be based after 2013. It is an attempt to meet the needs of the 21st century, not the mid-20th century when the CAP was formed. This reflects the first paragraph of the Final Act of Hot Springs, which (with a lack of gender sensitivity that was typical of the time) called for a policy to provide 'a secure, adequate, and suitable supply of food for every man.' The proposals are grouped under these four headings:

- i. A secure and adequate food supply: ensure that EU residents have sufficient food available at reasonable prices. This is the closest of the four policy areas to the traditional CAP.
- ii. A suitable food supply: provide nutritious and climatically and culturally appropriate food, and reduce to the minimum all greenhouse gas emissions and other environmental damage.
- iii. Agricultural value chains: correct the balance of market power between landowners, farmers, farmworkers, input suppliers, food-processing firms, trading companies, retailers and consumers. This builds on part of the original CAP as it deals with the distribution along the value chains of the incomes from food and agriculture.
- iv. EU agriculture and developing countries: support the poor majority of the world by managing the EU's international trade in agricultural products with their countries.

These ideas are offered here for discussion and comment. Further research will be required to define actual policies to achieve these goals. The suggested topics for research are set out in a note published separately. Comments on them are also requested.

II.1 A secure and adequate food supply

Ensure that EU residents have sufficient food available at reasonable prices

Everybody has the basic right to have enough to eat: the goal of meeting this need from domestic sources was the main motive of the CAP and many other countries' agricultural policies in the middle of the 20th century. Even with the wealth at the disposal of Europeans half a century later, ensuring adequate food supplies remains one of government's biggest responsibilities and the goal of food security should stay at the head of EU policy on food and agriculture. The policy questions lie in how this concept is to be understood and what mechanisms can best ensure it.

It should also be a basic principle of the EU that its policies will apply on equal terms to citizens of all member states of the Union. With food supplies, it seems particularly important to ensure that every member state is fully involved. Whatever differences in policy application may arise from countries' circumstances, it is important to reverse the fragmentation of policy that recent CAP reforms have set in train.

Because agricultural prices tend to be unstable, and therefore unreliable for both farmers and consumers, much of agricultural policy has always involved interventions in produce markets to influence prices at one stage or another. The big questions are which prices need to be tackled and what constitutes a 'reasonable' price: reasonable in whose eyes and according to what logic?

As we have seen, the Hot Springs Final Act emphasised the interdependence of the consumer and the producer. Consumers must know what they have to pay while farmers and farmworkers need to be assured of an adequate income, with sufficiently high prices to ensure that they achieve it. After the Second World War governments achieved secure and adequate food supplies by ensuring that farmers received prices that were stable and, where necessary, above those found on the markets. This gave farmers the confidence to use more chemicals and better seeds and to invest in more machinery, and they progressively increased their yields and output. This was in marked contrast to the collapse of agricultural prices and the rural poverty which characterised the 1930s.

Food production must be kept going in all circumstances, and the incomes from it must be high enough to ensure that people are continuously willing to pursue the hard discipline of farming throughout a working life and from generation to generation. There is a risk now that this chain will be broken. In recent times it has become ever harder to persuade the sons and daughters of farmers to stay on the land, both in Europe and elsewhere; much of the reason lies in the poor financial rewards of modern agriculture. It is noteworthy that in the UK (which has been a champion of market-based agricultural policy since the 1980s), the liberal agricultural reforms actually led to a decline in food self-sufficiency of 15 percentage points between 1991 and 2007, after 40 years of steady improvement.¹³

Hot Springs repeatedly called for 'the adoption of measures to prevent violent fluctuations in prices' and, as a counterpart, the planning or regulation of production.¹⁴ Consumers require prices that are not too high and are fairly stable and predictable. Farming people have an even greater interest in price stability since their production decisions depend on the prices expected for the end of the

¹³ Data from the UK government, <https://statistics.defra.gov.uk/esg/datasets/selfsuff.xls> (March 2009).

¹⁴ For example, in the Final Act's fifth paragraph.

production cycle or the harvest. In order to achieve secure and adequate supplies, food prices need therefore to be:

- **high enough to earn producers an adequate livelihood;**
- **but no higher than necessary for that purpose**, in the interests of consumers;
- **regulated to make them stable**, both at the farm gate and on the shop's shelf;
- **open to subsidy where necessary with price supports or from public funds** (to ensure domestic supply if agricultural costs are above international prices, or as part of the smoothing function to reduce price fluctuations);
- **but not subsidised in the case of any output that is exported** (so as not to spoil the markets of other countries, especially poorer ones).

Quite clearly, it is hard to achieve all of these aims simultaneously, and some kind of balancing between them is required. The objectives will differ between cases where supply regularly exceeds demand (and so export markets are sought) and those which always rely on some imports. We need measures which are flexible enough to meet different regions' needs. Another factor lies in the varying characteristics of the markets involved. There are numerous ways in which markets can be regulated, and while it is desirable to make a new system as simple and uniform as possible, it is highly likely that there will be differences in arrangements between different crops and markets, as was always the case with the CAP.

II.1.a Policies for agricultural supply

Since the mid-20th century, much experience has built up for achieving these goals and it would be foolish to ignore it. How has it been done in the past? Here are four examples:

- The original CAP. Before the CAP was reformed, its main programmes gave farmers a premium above world market prices as a stimulus to production. The intervention price, or floor price, was defended both by imposing tariffs on imports and by buying up excess supplies to take them into government storage. The system led in the long run to excessive production. On any produce under these programmes that was exported, an extra subsidy (the export rebate) was also paid in order to bring the export price down to international market levels. All of this was expensive in two ways: the price of food in the shops was increased, and money was required to pay for the intervention purchases and export rebates. The high cost of intervention storage was among the reasons why the policy was changed.
- Direct payments. After the WTO was created in 1995, limits were imposed on any expenditure that was attached to specific types of produce, including that related to price supports. But the WTO imposes less severe limits when farmers receive more general forms of support, 'decoupled' from the nature of the produce. This, as much as its complexity and expense, explains the replacement of price intervention by direct payments to farmers. However, direct payments also benefit industrial and commercial purchasers of agricultural produce since they reduce the purchase prices to them. The payments act as a subsidy, enabling farmers to produce at a higher level of cost without losing money. As such it continues to give European agricultural exporters an advantage in competition with other countries.

- UK deficiency payments (before 1973). Before joining the EEC in 1973, the United Kingdom operated something like a mirror image of the CAP. As a net food importer, the country wanted to reduce its reliance on imports but since the 19th century it had also had a policy of keeping food in the shops cheap. In the 1930s and 1940s it set up national marketing boards, which purchased and marketed agricultural output at fixed farmgate and retail prices that were negotiated every year. Retail prices for basic foods like bread, milk and eggs were fixed in relation to the import prices for related items like wheat, butter and cheese. Where domestic costs were above international prices, the government compensated the farmers with 'deficiency payments' to make up the difference. By these means, retail food prices were kept low while farmers were guaranteed a market for their produce and sufficient income above their costs of production and investment.
- Canadian supply management. This system carefully matches supply with demand over the short to medium term, and keeps prices stable by that means. It is facilitated by the government but run by farmers' organisations, which directly determine the production volumes and prices. Processors and retailers take part in the deliberations but are not allowed to vote. Prices and production quotas are regularly adjusted to maintain the balance of supply and demand, for some products more than once a year in order to fine-tune local supplies (those of chicken are managed over a six-week cycle). Serious penalties are imposed when a farm exceeds its supply quota. To ensure there will be no oversupply, there is firm control of imports in addition to the limits on domestic production. Only a small number of outputs are affected throughout the country, all of them based on poultry or livestock (e.g. chickens, eggs and milk). However, some provinces have additional supply management programmes in other products, Quebec being one of the most active. The system has achieved greater stability in both prices and farm incomes. Similar, but more expensive, systems are current in Switzerland and Norway.

How can policy simultaneously restrain both production and consumer prices, but also ensure that farmgate prices are sufficient to generate good-quality food and high standards of production? The answer lies in a mixture of the methods described above, including supply management in order to avoid the overproduction which characterised the earlier CAP. Supplies can be managed by the use of production controls or quotas, the volumes being regulated in agreement with the farmers. Quotas for domestic production need to be redefined at regular intervals (depending on the nature of the produce), while tariffs and other border controls will regularise imports in order to further ensure the stability of prices.

The aim should be to match the availability of agricultural produce with projected demand, in order to achieve stable prices at remunerative levels. If left to themselves, agricultural markets generally fail to achieve this. For example, between the 1980s and 2006 cereal prices on world markets fell very low, but then they more than doubled in less than two years, causing great difficulties for millions of people. Since the middle of 2008 they have fallen back sharply again.

Another question is how to ensure that policy meets the needs of the family farms which form the backbone of European rural communities, rather than benefiting large farms and agribusiness disproportionately as the CAP has done throughout its existence. Part of the answer is a revival of government extension services to provide technical advice to farmers. These played an important part in the policies after 1945 but have fallen away under market liberalisation. Attempts have also been made in the past to set a ceiling on the amount of subsidy that any European

person or farm business may receive. They have usually been blocked by member states in which there are many large farms. Pressure for this policy needs to be maintained, with the confidence that it attracts public support everywhere. Other measures will also be required to support the position of small farmers, and further research will be needed on the most practical ways to achieve this.

Hitherto, the EU's policies have resulted from bargaining between governments in the Council of Agriculture Ministers. Farmers' organisations have been influential, but only by lobbying the European Commission and their own governments. Experience shows that agricultural policy is most effective where the farmers themselves negotiate it, either informally with the government (as in the UK before its accession to the EEC) or better still by themselves collectively managing their own supplies, as in the examples from Canada.

It may be objected that many of the measures discussed here would run foul of the WTO's Agreement on Agriculture. However, the aim of this paper is to explore what the EU's food and agriculture policies *should* be. As at present constituted, the WTO is simply incompatible with food sovereignty. But after the impasse of the Doha Round and in the wake of the economic crisis, the WTO's long-term viability is itself open to question, and its weaknesses should be exploited in preference to meekly accepting the policies it dictates. The case for food sovereignty is regularly accompanied by a demand to end *any* role at all for the WTO in determining national agricultural policies.

II.1.b Choices to be made

For centuries past, governments have used reserves of staple foods as a basic tool for food security. There are now renewed vulnerabilities of many sorts, even in the rich countries of Europe. Perils to food supplies arise from the consequences of climate change, the reduced commercial stock levels on global cereal markets, price shocks such as the sharp increase in cereal prices that took place between 2006 and 2008, and the wider unpredictability of the economic situation. In the wake of the financial crash and the food crisis, food security seems likely to become a greater political concern, and we should accept once again the need for the continent's food to be supplied primarily from European sources, not the global market. However, this must be set against budgetary interests. The right balance between these conflicting objectives has to be found.

This discussion points to some of the dilemmas involved in choosing agricultural policies, especially in such a diverse group of countries as the EU. There are two main tensions. The first is between countries with structural food surpluses (such as France) and those with structural deficits (such as the UK). The first has an interest in maintaining agricultural incomes and keeping food imports out while ensuring that exports are competitively priced, while the second accepts a need for imports but will want to be sure that they do not undercut its own farmers as regards price. Hence the different models of agricultural support which were created after the Second World War, and the repeated conflicts over the CAP since the 1970s. It is unfortunate that these basic differences of interest are so rarely acknowledged, and European debate often turns instead into a dialogue of the deaf.

The second dilemma is whether any support should depend on budgetary finance or on the retail prices of food. Either way, it is vulnerable to pressure. The former can come under pressure from member states' governments at the Council of Ministers, since it is their revenues that finance the budget. However, the latter

can be unpopular with the wider public, as was notably the case in the UK when it replaced its policy of low food prices on joining the EEC in 1973.

II.1.c The new member states

The rapid accession of 12 new member states in 2004 and 2007 was bound to raise many new issues, in agricultural policy among other areas. The new members pushed the Union's centre of gravity further east, while in general their levels of income were well below those of the older members. Agriculture makes up a larger part of their economies; in Poland, the biggest of them, agriculture, fishery and forestry accounted for 19 per cent of civilian employment before it joined the EU.

In some ways the situation of these new member states is similar to that of other poorer countries when they joined, in other respects it is different. Their reliance on agriculture, and potential eligibility for benefits from the CAP, is greater in scale but not in kind. The EU has only slowly extended to them the agricultural benefits of the CAP (as opposed to its rural development policies). That has reduced any pressures arising on the farming sector elsewhere in Europe, but at the expense of a feeling of injustice in the new member states, where many consider they have not been allowed full access to the club that they have just joined. Other issues are unique to their situation. Examples are the imperfect transition from the centrally planned systems of agricultural supply which existed only 20 years ago, and the problem in some places of investors from richer countries of Europe buying up agricultural land and acting as absentee landlords. In some countries the tensions between large and small farms are more acute than elsewhere in Europe.

Part of the solution to these problems is to insist that all member states should be treated under the EU's food and agriculture policies on equal terms, but special solutions may also be required for specific questions such as land ownership and the role in the new members of rural development policy. This raises the question whether a single set of policies can be applied throughout the 27 member states or whether a special instrument should also be devised to address these specific issues.

II.1.d A note on rural development

Since 1999 the EU has promoted policies for rural development in the Second Pillar of the CAP. This created an overlap with the European Social Fund (ESF) and the European Regional Development Fund (ERDF). These, the so-called structural funds, played a part in helping previous new entrants to raise their incomes towards those of richer existing members of the EEC. It is important that they should continue to play this role and that they receive sufficient budgets for it. But it must not be done at the expense of agricultural policy, which is frequently also vital for new members' integration.

The rural development measures in the Second Pillar were in reality introduced to cope with the damage to rural life caused by falling incomes under existing agricultural policies. Another factor now is the reluctance to apply full CAP benefits to new members. Policymakers need to maintain the attitudes of solidarity which prevailed in the past, and not give priority to the most 'competitive' regions of the continent, which usually means the richest. 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. This paper therefore emphasises policies for food production and agricultural incomes rather than rural development.

II.2 A suitable food supply

Provide nutritious and climatically and culturally appropriate food, and reduce to the minimum all greenhouse gas emissions and other environmental damage.

In what sense can food supplies ever be described as 'suitable'? Suitable for what and for whom? Two aspects of suitability seem essential. The first is that, while not imposing standards of taste or *cuisine*, policy mechanisms should favour the most nutritious types of food and those that pose the least danger to health over a lifetime, in addition to more immediate requirements of food safety and hygiene. Secondly, it is surely more suitable to produce food in harmony with nature than in exploitation of it. This issue is picked up later in this section. But we will start with nutrition.

II.2.a Healthy and nutritious food

By food that is suitable for consumption, we understand food that is:

- good to cook and enjoyable to eat;
- nutritious; and
- in accordance with the traditions of the people or the place where it is eaten.

These can all be said to mean food of 'good quality'; but we must be careful with this apparently simple phrase since '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 - 'quality' foods are defined as those with high 'value added', meaning that consumers can be persuaded to pay more for them;
- ease of transport and storage in warehouses, and an ability to be displayed on shop shelves for long periods;
- regular, unblemished appearance (since supermarket customers can only judge on an article's appearance, not its taste or cooking qualities).

Because of this ambiguity, we prefer the word 'suitability' to 'quality'.

At present food production and sale are regulated for safety and hygiene - the requirement that customers should not immediately fall ill from eating or preparing it. However, there is also widespread concern about the longer-term consequences of modern European diets for nutrition and health. This is one of the main reasons why policies for food and agriculture need to be developed together: in this way we can encourage farmers to grow the foods that best suit nutritional as well as other needs. We also noted Hot Springs' far-seeing observation that, 'The types of food most generally required to improve people's diets and health are in many cases those produced by methods of farming best calculated to maintain the productivity of the soil.' Examples of these twin virtues are found in the relative merits of fruit and vegetables when compared to meat, and many would say also in organic food of all sorts. However, in the period since 1943 the industrial methods which were relied on to expand output led to the production of many foods of low nutritional value. These methods have also harmed the soil, watercourses and the atmosphere.

At the end of this section we will consider just what types of produce should be encouraged by EU policy in order to promote these requirements.

II.2.b CAP reforms and the environment

The environment, other consequences of industrialising the rural economy and the role of intermediaries between food producers and consumers were largely left out of account in the post-war period. Another element which was unforeseen when the CAP was created is climate change and the need to reduce emissions of carbon dioxide and other greenhouse gases. Agriculture and the food industry are seriously implicated in it.

The reforms of the CAP have made gestures in favour of the environment and some aspects of reform have been justified to the public on these grounds. While the benefits are welcome, some of them arise only incidentally from policy changes adopted for quite other reasons, while others deal only with superficial aspects of the environment. Policies for agriculture need to take more seriously the depth of the environmental crisis, and tackle head-on all the causes which lie in the system of food production and distribution.

The two main environmental benefits associated with the CAP reforms so far are these:

- some improvements in biodiversity arising from the setaside scheme; and
- the system of 'cross-compliance' for direct payments under the 2003 reforms.

Under setaside, farmers were obliged to leave fallow a proportion of the land used for certain crops in an attempt to reduce surplus production. In the years that followed, it was noticed that populations of wild plants, insects, animals and birds increased on the land set aside, where pest controls had previously reduced them. This was an undoubted benefit, and it is worth considering the introduction of a more systematic programme of idle lands under an alternative set of policies to the CAP. However, it was an unforeseen and unintended consequence of setaside, and it actually highlights the general damage done to biodiversity by the methods of farming which were promoted under the CAP. A serious approach to the environment would tackle that damage itself, rather than merely limiting the area on which it can occur.

When direct payments to farmers were proposed as a replacement for price supports, it was considered that some obligation should be placed on farmers in return for them, beyond the basic requirement of keeping their land in good agricultural order. A set of rules called 'cross-compliance' was created, under which farmers have to do beneficial work such as environmental maintenance in return for the payments. However, the administration of direct payments was left up to national authorities and the extent of cross-compliance has varied across the EU. It has not everywhere been very strict. While the environmental benefits are undoubtedly welcome, some of them are rather superficial, in certain cases as much associated with the appearance of landscape as the well-being of ecology.

Agriculture and food production occupy a large proportion of Europe's land and have strong influences on the continent's environment. In some countries the landscape is almost entirely man-made, reshaped for agricultural purposes to replace the forest which was there before it. Since the 1950s European agriculture has reshaped the environment again, relying on the use of pesticides and fertilisers (many of them derived from oil), and on oil itself, whether as a fuel for farm

machinery, to transport fodder to livestock (in preference to grazing), carry live animals across Europe, often for only short parts of their rearing, or to transport foods from field to factory to warehouse and then to the supermarket and then the consumer's home. Chemicals have affected watercourses and the soil while the fuels damage the atmosphere and there is concern that oil supplies have reached their maximum. The sharp increases in price of oil and all fertilisers (including other minerals like phosphates and potash) during the commodities boom are strong indicators of strain in the industrial model of agriculture.

II.2.c Agriculture and the environment

Agricultural policy has taken the environment little into account. On the contrary, in encouraging input-intensive industrial farming it did great damage, leading to greatly reduced numbers of many bird, insect and wild plant species, soil depletion and emissions of greenhouse gases. The origins of the environmental crisis lie in the rural economy as well as in urban production, trade and transport. It is linked with agriculture in these ways:

- **Climate change** - as a consequence of high-input farming, which uses carbon-emitting fossil fuels on the farms and to transport crops and processed foodstuffs, as well as synthetic fertilisers and other chemicals; and also emissions of methane from livestock.
- **Biodiversity** - the depletion of numerous species of plant, insect, bird, fish and small mammal, caused largely by agricultural chemicals, which affect animal food chains; and the pollution of watercourses by chemicals running off agricultural land.
- **Agricultural land and water** are growing scarce worldwide.
- **Soil degradation** - in the long term the heavy use of chemicals damages the soil's texture and the defences that it gives plants against pests.
- **Genetic modification** - a further extension of agro-industrial methods, which some European governments appear determined to accept at last after a ten-year-long moratorium.
- **Agrofuels** as an alternative to fossil fuels, which would lead to a further intensification of production and loss of land needed to produce food.

On the other hand, there is plenty of European experience of safer production methods which would lead away from intensive, input-dependent farming, and they find strong public support. It is therefore recommended that the reduction of environmental damage should be directly pursued in the policies for food and agriculture. These should be the aims:

- Reduce the transportation of crops, livestock, inputs (such as fuel, fertilisers and seeds) and processed outputs, both within the EU and into the EU from other parts of the world, and promote the local production and consumption of food;
- As far as possible, move away from the use of artificial fertilisers and other chemical inputs, by extending the principles found in the 1991 Nitrates Directive, according to which nitrogen content in the soil has to be monitored and limited;
- Take all accompanying measures to support biodiversity in agricultural areas;

- Permanently outlaw the development and use of genetically modified organisms in European agriculture and food supplies (including that in imported foods and animal feeds).
- Assist the adaptation to climate change and increase the area of low-input, diverse small-scale production.
- Ensure that Europe's scarce land resources and agriculture produce food and energy for people, not vehicles.

Substantial research is required to determine the best ways to build such support for the environment into agriculture and food policies. There is a need to break out of controls, inspections and penalties as the dominant form of official action, and work instead for the engagement and partnership of farmers and others in the food chain. Whatever criticisms there may be of cross-compliance, a similar principle of conditionality could actually be applied on a broader front, with the introduction of rules of best practice to be observed by all farmers. It has been suggested that the *best* forms of agriculture should become the standard required in the EU, with other standards accepted only as exceptions. 'Best' means those practices that help to feed and strengthen the soil while plants are growing and livestock is being fattened, or at any rate that cause the least damage in the process. Criteria should be developed to define the 'best' forms of agriculture, as just discussed, and the best policy instruments to promote them. One possibility is to vary the financial support per hectare or unit of output according to the degree of compliance with targets for the reduction of fossil fuels, artificial fertilisers and pesticides. But that approach is better suited to a system of government subsidies than price supports and supply management.

The definition of potential rules and targets needs therefore to be investigated. Here are some further suggestions:

- In normal circumstances, permit only organic or other low-input methods of production, because of their ecological sustainability;
- Taxes or quotas on the production of nitrogen fertilisers, or limits on the amounts permitted for use in the fields and orchards;
- No use of genetically modified seeds, either in sowing crops or as the origin of any animal feed; and
- Mandatory limits on greenhouse gas emissions.

The feasibility of targets to promote biodiversity should also be investigated, including how they should be designed and implemented.

II.2.d Types of produce deserving support

The EU will have to choose what types of farm output it will support for preference, just as it has in the past. The mix of products which received support under the CAP hitherto can seem rather arbitrary at first. Its support for major cereals is well understood, but in today's environment the support given to meat and livestock products, and the almost complete neglect of fruit and vegetables, is rather harder to comprehend. The support system should facilitate the consumption of healthy and nutritious foods and discourage the least healthy, in order to challenge obesity and food poverty. As we have seen, the same choices would often benefit the environment too. We suggest that these four criteria should apply in the choice of preferred produce:

- nutritional value

- climatic suitability
- environmental impact
- avoiding competition with produce from poorer countries.

On this basis, the categories to be investigated in later research for possible support should include:

- a) **Temperate staple food crops.** These are central to food requirements. Support should apply to wheat, probably also to maize and rye, and perhaps to potatoes and barley. It is not so clear whether the EU should support rice production. It may be asked whether it is a suitable crop for Europe, which can be adequately supplied from Asia. It may on the other hand be advisable to restrict imports of subsidised rice from the US, on grounds of dumping.
- b) **Fruit and vegetables** need to be strongly supported for their importance in a balanced diet and the relatively low carbon footprint of their production and distribution. If they received a greater price advantage over less healthy foodstuffs, it would encourage consumption of them. However, this support should be limited to crops that are climatically appropriate in the place where they are grown. This might have implications for the balance of support between northern and southern Europe.¹⁵
- c) **Meat and fish.** Should financial support be continued for fish or meat production? Fish comes under the Common Fisheries Policy, which should also be counted as part of an overall food policy. However, there is a tension between the nutritional benefits of fish and the need to conserve fish stocks. The most damaging methods of fishing should in any case be more strongly restricted than they are now, or prohibited by regulations. There should also be limits on fishing outside the EU's own waters. This is further discussed in section iv below.

On both nutritional and environmental grounds, there is a case for limiting support for livestock, especially that raised for meat. The FAO has calculated that agriculture is responsible for 18 per cent of the world's greenhouse gas emissions, including the wasteful conversion of energy in meat production, and emissions of methane gas from cattle and other ruminant animals. Meat (especially 'red' meats such as beef, pork and mutton) is also well-known for its contribution to heart disease and other 'diseases of affluence', although this may depend in part of the kinds of feed used. Some feeding practices and other forms of treatment of livestock come regularly under challenge. However, abandoning all support for the meat sector would be a major blow to large parts of European agriculture as well as much of the best gastronomy. The issue is further complicated by the role of clover and pasture (used by ruminants) in organic field rotations, to reduce carbon emissions. More research will be required before definitive recommendations can be made.

¹⁵ This has particular relevance to the production on EU territory of bananas, a major export crop for tropical countries. According to the Swedish government, fixed incomes guaranteed to EU banana growers (mainly in the Canary Islands, Guadeloupe and Martinique) amounted on average to €8,800 per hectare, compared with €500/ha for olive production and €550-€900/ha for cotton. Only tobacco subsidies came near such a high level. See Ministry of Agriculture, Food and Consumer Affairs (2004), 'Memorandum: A Tariff Only Regime for Bananas - Why the tariff rate should be set at a low level' (Stockholm: Regeringskansliet), pp. 3-4.

The best solution might be to limit support to meat that is produced sustainably. But how should 'sustainably' be defined? For example, how should the carbon footprint be measured in this case? We must also consider what animal health criteria to include, for example with respect to the rearing of pigs and poultry, and the methods used for specialist produce like veal and *foie gras*.

- d) The nutritional case for **milk and eggs** is stronger than for meat. They are versatile foods which are accessible at all levels of society. Milk has received strong EU support in the past, including quotas to discourage overproduction in recent years, and there is no compelling case to remove it now. On the contrary, the quota system for managing supplies needs to be strengthened. Eggs have also been supported under other regimes, including the present-day supply management of Canada.
- e) Some **oilseed and feed crops** suitable for European climates should be supported, partly because of the overuse of imported soya in European animal feed. The production of oilseeds could be expanded with moderate assistance, which would greatly improve the soil because they fix nitrogen.
- f) **Not tobacco or sugarbeet**. There is no case for providing any more support for a toxic product like tobacco. Sugarbeet has also been supported traditionally, and it has a long and honourable history as a substitute for imported cane sugar. However, sugar costs much more to produce from beet than from cane, while it closes the market to cane imports from poorer countries in the Tropics. Sugar consumption is also discouraged on nutritional grounds, so it is open to question whether support for beet should be continued. Transition arrangements would be required, as in the winding down of the EU's Sugar Protocol for ACP countries (see section iv below).

II.3 Agricultural value chains

Correct the balance of market power between landowners, farmers, farm workers, input suppliers, food-processing firms, trading companies, retailers and consumers

The report of the Hot Springs conference in 1943 did not mention any intermediaries between the consumer and the producer. But there is now a widespread sense of dissatisfaction with the way in which food is produced and distributed, which has led to a variety of movements which seek to narrow the gap that has developed between consumers and producers. In recent times middlemen have used their corporate muscle to ensure that relative prices work increasingly to their advantage and that their interests dominate policy. This section proposes a systematic approach to policy on food value chains, informed by these considerations. If the growers of food and its final consumers really are interdependent, then the share of its value which is taken by middlemen needs to be kept to a minimum.

However, the CAP, like agricultural policies elsewhere, has generally had a narrow focus on agricultural production, without regard to wider economic and social issues any more than environmental ones. This has had damaging consequences, for example:

- A steady concentration of output on large farms, which have tended to receive an excessive share of the subsidies available;
- Serious problems in some countries with absentee landlords and foreign ownership or control of agricultural land;
- Extremely exploitative forms of employment, especially on larger farms and semi-industrial production units in some countries;
- A rapidly growing concentration in the hands of only a few companies of the supply of seeds and other inputs as well as of retailing, processing and trading operations. This gives excessive power to these parts of value chains and squeezes the incomes of farmers.

Insofar as the EU and its member states have addressed such problems at all, it is through general economic policies in areas like competition and employment, where rural interests have little influence.¹ Abuses have become a regular feature of the food sector, characteristic of the distorted balance of power along modern value chains. As large-scale retailing has steadily grown in power and importance, food retailers (supermarket firms) have become the most powerful of all, diversifying out of groceries into ever wider areas of consumption. The problems run all the way along food value chains. Farmers face deteriorating terms of access to seeds and other inputs. The recent boom in commodity prices was imagined by some to be an unalloyed blessing for farmers, but in fact it is the prices of oil and fertilisers - major inputs of industrial agriculture - that rose the fastest, more so than those of arable crops.

This set of issues needs to be addressed directly in the EU's policy for food and agriculture. The policy should monitor and firmly regulate the value chains, in order to achieve a fair distribution of the incomes derived from food. This needs to be made explicit, with clear mandates to relevant parts of the European

¹ For the current competition rules which are more stringent for individual farmers than for companies see annex 3

Commission, including the Directorates-General for Competition, Employment and the Internal Market. Besides policies to address abuses such as retailing at less than cost price (which is the domestic equivalent of international dumping), it should entail the compulsory break-up of any firms with excessive market shares at either the EU or the national level, based on precedents set in the United States in the early 20th century. 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, 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.

New initiatives in the field of community supported agriculture shorten the value chain and also deserve support.

The pressure over many years on farmers' incomes has in turn led to greater pressure on the position of farmworkers and their employment and contractual arrangements. This affects their wages, job security, health and safety in what is always a dangerous line of work. Employees are exposed to dangerous chemicals and can have difficulties with housing, and there is routine exploitation of low-wage labour through such mechanisms as work gangs, often based on migrants. The seasonal nature of agriculture lends itself to temporary labour, often paid at very low rates. For example, casual migrant labourers (*jornaleros*) from Morocco and other parts of Africa are an important but vulnerable part of the agricultural workforce in much of Spain. There is a somewhat similar, and highly exploitative, dependence on migrant labour 'gangs' in parts of the commercial farming system elsewhere (e.g. the UK and the Netherlands). This requires action by the EU to guarantee the request of the U.N. Special Rapporteur on the Right to Food that, 'As part of a response to the global food crisis grounded in the right to food, governments should ... better monitor compliance with fundamental labour rights, including the right to a living wage, in the agricultural sector.'¹⁷

Policies are required on land ownership (especially cross-border), farm sizes, absentee landlords and tenants. The impact of these phenomena in the newest member states needs to be investigated, and policies will need to be recommended. The Treaty of Rome may promise the free movement of capital, but that does not necessarily justify the purchase of land by absentee landlords in distant countries. On its accession to the EU, Finland had to remove legal restrictions which prevented foreigners from owning any of its land. A return to such principles might be worth considering, at least in the most vulnerable member states. Concerning farm size, there should be a strict maximum for EU payments to any one farm, whether for reasons of fairness or as a measure to make farms smaller. This could be determined on a formula based on the annual value of payments and the number of hectares exploited by a farm.

¹⁷ De Schutter (2009), *op. cit.*, p.3.

II.4 EU agriculture and developing countries

Support the poor majority of the world by managing international trade with their countries

European countries, especially those which had colonial empires, have longstanding economic relations with developing countries in the Tropics, including trade links in which food and agriculture have always played a prominent part. Many important foodstuffs and industrial goods in Europe make use of the products of tropical agriculture, such as coffee, palm oil, cotton and natural rubber. European corporations are important in both the production and later processing of many agricultural crops from developing countries.

During the protracted negotiations for the WTO's Doha Round the EU has come under sustained criticism for the unfair competitive impact of its agricultural subsidies on other countries' farmers, especially those in the poor world. But the impacts of EU activities are much more varied than that, and need to be seriously reviewed by the EU. Not all of these impacts can be influenced by policies in the area of food and agriculture, but it will be important to establish just which ones can be and how to make sure that those policies do assist, or at least not hinder, agriculture in the poor majority of the world.

The CAP's influence on poor countries' agriculture is often negative as a consequence of export subsidies and other forms of dumping. The 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. But subsidies also give EU produce an unfair advantage over tropical countries' own exports, whether they are sold within the EU or in third-country markets. Examples where this occurs include sugarbeet (which competes with lower-cost cane sugar), cotton, bananas and rice - as well indeed as tobacco. The CAP's biggest domestic subsidies have tended to go to precisely these crops - sugarbeet, cotton, tobacco, bananas and rice.

A more subtle problem lies in the frequent difficulty of developing countries' agricultural exporters to actually achieve sales in European and other developed countries, often because of official or commercial standards which are hard for producers in a poor country to attain. Some of these standards arise from the superficial marketing desires of supermarkets, but others derive from food safety and hygiene rules which can seem very reasonable in the conditions of a rich country, but appear impossibly demanding in the developing world.

Many poor maritime countries have also been persuaded to permit fleets from the EU to fish in their offshore waters, in order to increase their export incomes. In consequence in many places, particularly along the West African coast, there are no longer enough fish to make the traditional fishing close to the coast worthwhile. Not only have the people who were engaged in fishing lost their livelihoods, leading in some cases to large-scale emigration, but national supplies of protein were reduced and other sources of protein had to be found instead. In some cases this gap was filled by expanded hunting for 'bushmeat' - wild animals such as lions, monkeys and even hippopotami.¹⁸

Officially, the EU has always seen its relationship with developing countries' agriculture as existing in just two spheres: overseas aid and preferential access for

¹⁸ For more on this see a paper in *Science* by Justin Brashares and Andrew Balmford, reported in *National Geographic News* on 11 November 2004. It may be downloaded at www.seararoundus.org/OtherWebsites/2004/AfricanBushMeattrade.pdf (January 2008).

those countries' exports on EU markets with the use of quotas and reduced tariffs. Hitherto, the latter has applied mainly through the formal link with 79 ACP countries. However, in recent years the dominant approach to development itself has endangered the prospects of rural people in poor countries, based as it is on opening up agricultural markets via tariff reductions and giving strict priority to exports over domestic food crops.

For all these reasons the EU and its member states have a large bearing on the food supplies and rural economies of the poor world. European policy for food and agriculture needs to take these issues into account, rather than relying on aid programmes, trade agreements and institutions outside the EU such as the World Bank and the WTO. The range of ways in which EU activities affect agriculture in Africa was recently examined by a group of European civil society organisations. Their report described the impacts on African farming and food security under five headings, and reached these broad conclusions:¹⁹

1. **Aid:** is insufficiently focused on sustainable smallholder agriculture and inadequately coordinated;
2. **Trade policies:** the EU's Economic Partnership Agreements (EPAs) favour neither development nor regional integration and will damage African smallholder agriculture;
3. **Agribusinesses,** and especially supermarkets, extract lower prices from their suppliers, with lower social and environmental standards, and impose excessively demanding standards and delivery conditions;
4. The **European Investment Bank's** operations in Africa are biased towards private sector development and exports;
5. The **CAP** affects developing countries through its **subsidies** to European farmers, including direct payments.

On the other hand, during the half century of the EEC's and EU's existence certain types of trading arrangement have proved beneficial to developing countries. Usually they apply to trade in one product only. Some of them have been of a wide multilateral nature, including both EU member states and other developed and developing countries. An example is the International Coffee Agreement in the period before 1989, when its export quotas stabilised and supported coffee export prices. Others have been specific to the EU's trade with specific (and sometimes quite small) groups of developing countries. A famous example is the EU-ACP Sugar Protocol, which guaranteed an EU market at prices far above world levels to a group of mostly very small countries. These guaranteed foreign earnings played a large part in the successful development of some of the main signatories of the Protocol, such as Mauritius and Barbados.

Indeed, there is general evidence that ACP countries which have had preferential access to EU markets for specific produce, such as bananas, beef and sugar, have emerged among the better off developing countries. Other examples include Guyana among sugar-exporting countries, St Vincent among banana exporters and Uruguay among beef exporters. However, those poor countries which rely on the export of commodities on entirely unregulated, or 'free', markets tend to be among the poorest.²⁰

¹⁹ Practical Action, Terra Nuova and Vredeseilanden (2008), 'Advancing African Agriculture: The Impact of European policies and practices on African Agriculture'.

²⁰ See T. Lines (2008), *Making Poverty: A History* (London: Zed Books), pp. 74-78 and T. Lines (2004), 'Commodities Trade, Poverty Alleviation and Sustainable Development: the Re-emerging Debate', Common Fund for Commodities, Amsterdam, www.tomlines.org.uk, Table 5 and p. 14.

A clear implication is that managed forms of international trade are more beneficial for development than the unregulated markets which have been universally promoted since the 1980s and are now enforced through the WTO. But in the last few years the EU has moved away from managed trade to a form of divide-and-rule using EPAs. Learning from these experiences, it is proposed that food and agriculture policy should be informed by a proper analysis of the consequences for the developing world in all these areas. The following policy actions seem desirable:

- The EU should restrict its own farming to crops that are suitable for local climates, and not try to compete with tropical crops. Subsidies on the latter should be eliminated in order to give producers in developing countries a better chance to find external markets and fair prices. European farmers should be assisted to convert to more suitable crops for European climates. (It must be emphasised that we do not ask developing countries to give precedence to exports in their own agricultural policies. The ordering of domestic priorities is a matter for them and them alone to decide.)
- Negotiate with developing countries the use of quotas, minimum import prices and other measures to ensure that stable and remunerative prices are paid for imports of tropical produce from them. These negotiations are best done item by item, rather than in wide, catch-all arrangements such as the EPAs and the WTO. Wherever possible, they should be carried out globally with a broad group of exporting and importing countries. However, the opportunities for that are limited at present, unless there is a change of heart in the US under President Obama. The EU should therefore reach its own new agreements of this sort with developing countries, to succeed those it formerly had in place with the ACP group. EU negotiators, in alliance with their trading partners, should seek to ensure that WTO rules explicitly allow such agreements to be reached.
- Restrictions on European agribusiness (as advocated in section iii under policies for value chains) need to take its impact on developing countries fully into account and react accordingly.
- Review the practice of encouraging poor maritime countries to permit EU vessels to gather large amounts of fish and other seafoods in their offshore coastal waters.
- Monitor all the other aspects of EU policy and economic activity which were discussed in the CSOs' monitoring exercise, in order to identify their negative effects and enable their removal.

III. FOOD AND AGRICULTURE FOR TODAY'S NEEDS

The Common Agricultural Policy responded to the needs of the 1960s, as the EEC's political leaders understood them at the time. It achieved a rapid increase in production and a transformation of member states' agriculture. Since the 1980s it has been changed piece by piece, in two directions: to restore a market basis to agriculture - despite all the evidence that agricultural markets work poorly, for food producers and consumers alike; and to reduce the cost of farm produce for food-processing companies and supermarkets - in effect transferring to them the subsidies that the CAP previously paid to farmers.

All of this is out of step with contemporary needs. It ignores the failures of corporate-controlled 'free' markets, which were dramatically illustrated in the financial and food crises of 2008. It ignores the extent to which intermediaries have taken control of the food economy since the 1960s, appropriating the income to themselves and away from both the producers and consumers of food. It ignores the accumulated environmental damage caused by large-scale, industrialised agriculture, based on fossil fuels, which the CAP has consistently promoted. It ignores the nutritional and health consequences of the types of food promoted by the CAP and the ways in which they are produced. And it ignores the impact of European farming and agribusiness on the wider world, especially its poorest people.

The present policies do not meet 21st century needs, either for Europe or the rest of the world. But they are required by the rules currently set down at the WTO.

This paper has outlined a set of alternative policies for European food and agriculture, which will meet all the needs just defined. It is based on food sovereignty: a set of principles for sustainable food production, based on genuine interdependence between producers and consumers. It is a discussion paper, not a blueprint, and many of its ideas remain to be tested in further research as well as in practice. But it offers a vision of what an integrated European food and agriculture policy could be, if it was based on the needs of the people and the planet, not the demands for profit of European agribusinesses.

ANNEX 1a
Research Questions

EU POLICY FOR FOOD SOVEREIGNTY

Main research questions by area of policy

With reference to the Paper on EU Food and Agriculture Policy (= FAP)

1. Food production and its contribution to rural development

- a) What forms of market intervention to use to meet the policy goals identified (quotas or price targets, stocking mechanisms if any, import regime)? (FAP. II.1.a and b)
- b) Which produce to support, for both agricultural and nutritional purposes? As part of this, research the case for limiting support for livestock, on both nutritional and environmental grounds. (FAPP.II.2.d)
- c) Special instruments for New Member States? (FAP. I.4 and II.1.c)
- d) Implications for farm outputs, incomes and production methods of all the changes discussed
- e) The transition from existing arrangements, including in the mix of support
- f) Foreseeable costs to EU budget
- g) Relationship with WTO rules
- h) Role of CAP's Second Pillar, European Social Fund and ERDF (FAP. I.2 and I.4)

2. Climate change and the environment (FAP. II.2)

- a) How to build in targets for emissions and bio-diversity?
- b) Targets for water management and energy concerns
- c) Implications of these measures for the nature of outputs and production methods
- d) Forms and cost of assistance required to help the agricultural sector convert to these methods

3. Agricultural value chains (FAP. II.3)

- a) What rules to introduce for land ownership and renting, including cross-border?
- b) What upper limits to place on access to subsidies or other forms of support? (FAP. on farm sizes 1.3, last paragraph, and II.3. last paragraph)
- c) Land policies (cross-border land ownership) (FAP. II.3, last paragraph)
- d) What reforms are required in EU and domestic competition policies and practices? (FAP II.3)
- e) How to ensure best employment practices on farms throughout the EU? (FAP II.3)
- f) Other practical measures to support the position of small farmers

1. EU agriculture and the international market, including developing countries (FAP. 2.4)

- a) What trade instruments to use? For which imports and from which group of countries?
- b) How to tie this in with the goal of low consumer prices for food?
- c) How to reconcile market entry for poor countries with the public and private food standards in the EU?
- d) Implications for WTO rules

Annex 1b Research topics arising

Topic	Sub-topics	Research question	Complexity	Priority in time
1. Climate change and the environment	a) How to build in targets for emissions and bio-diversity?	2 (a)	High	Early
	b) Targets for water management and energy concerns	2 (b)		
	c) Implications of these measures for the nature of outputs and production methods	2 (c)		
	d) Forms and cost of assistance required to help the agricultural sector convert to these methods	2 (d)		
2. EU agriculture and the international market	a) What trade instruments to use? For which imports and from which group of countries?	4 (a)	High	Early
	b) How to tie this in with the goal of low consumer prices for food?	4 (b)		
	c) How to reconcile market entry for poor countries with the public and private food standards in the EU?	4 (c)		
	d) Implications for WTO rules	4 (d)		
3. Forms of market intervention	a) What forms of market intervention to use to meet the policy goals identified (e.g. quotas or price targets, stocking mechanisms, import regime)?	1 (a)	High	Medium
	b) Implications for farm outputs, incomes and production methods of all the changes discussed	1 (c)		
	c) Implications for WTO rules	1 (f)		
4. Desirable mix of agricultural support	a) Which produce to support, for both agricultural and nutritional purposes?	1 (b)	High	Medium
	b) Implications for farm outputs, incomes and production methods	1 (c)		
	c) The transition from existing arrangements, including in the mix of support	1 (d)		
5. Land tenure and rural development	a) Rules for land ownership and renting, including cross-border	3 (a)	Medium	Medium
	b) What upper limits to place on access to subsidies or other forms of support?	3 (b)		
	c) Special instruments for New Member States?	3 (e)		
	d) Other practical measures to support the position of small farmers	3 (f)		
	e) Role of CAP's Second Pillar, European Social Fund and ERDF	1 (g)		
6. What reforms are required in EU and domestic competition policies and practices?		3 (c)	Medium	None
7. How to ensure best employment practices on farms throughout the EU?		3 (d)	Low	None
8. Foreseeable costs to EU budget of preferred forms of agricultural support and market intervention		1 (e)	High	Later
9. Synthesis report		All	High	Final

Annexe 2a: Definition of Food Sovereignty (Nyéléni Declaration, February 2007)

Food sovereignty is the right of peoples to healthy and culturally appropriate food produced through ecologically sound and sustainable methods, and their right to define their own food and agriculture systems. It puts the aspirations and needs of those who produce, distribute and consume food at the heart of food systems and policies rather than the demands of markets and corporations. It defends the interests and inclusion of the next generation. It offers a strategy to resist and dismantle the current corporate trade and food regime, and directions for food, farming, pastoral and fisheries systems determined by local producers and users.

Food sovereignty prioritises local and national economies and markets and empowers peasant and family farmer-driven agriculture, artisanal fishing, pastoralist-led grazing, and food production, distribution and consumption based on environmental, social and economic sustainability.

Food sovereignty promotes transparent trade that guarantees just incomes to all peoples as well as the rights of consumers to control their food and nutrition. It ensures that the rights to use and manage lands, territories, waters, seeds, livestock and biodiversity are in the hands of those of us who produce food.

Food sovereignty implies new social relations free of oppression and inequality between men and women, peoples, racial groups, social and economic classes and generations.

SIX PRINCIPLES OF FOOD SOVEREIGNTY

from the Synthesis Report of Nyéléni 2007: Forum for Food Sovereignty

	Food Sovereignty	is FOR	is AGAINST
1.	Focuses on Food for People:	Food sovereignty puts the right to sufficient, healthy and culturally appropriate food for all individuals, peoples and communities, including those who are hungry, under occupation, in conflict zones and marginalised, at the centre of food, agriculture, livestock and fisheries policies;	and <i>rejects</i> the proposition that food is just another commodity or component for international agri-business
2.	Values Food Providers:	Food sovereignty values and supports the contributions, and respects the rights, of women and men, peasants and small scale family farmers, pastoralists, artisanal fisherfolk, forest dwellers, indigenous peoples and agricultural and fisheries workers, including migrants, who cultivate, grow, harvest and process food;	and <i>rejects</i> those policies, actions and programmes that undervalue them, threaten their livelihoods and eliminate them.
3.	Localises Food Systems:	Food sovereignty brings food providers and consumers closer together; puts providers and consumers at the centre of decision-making on food issues; protects food providers from the dumping of food and food aid in local markets; protects consumers from poor quality and un-healthy food, inappropriate food aid and food tainted with genetically modified organisms;	and <i>rejects</i> governance structures, agreements and practices that depend on and promote unsustainable and inequitable international trade and give power to remote and unaccountable corporations.
4.	Puts Control Locally:	Food sovereignty places control over territory, land, grazing, water, seeds, livestock and fish populations on local food providers and respects their rights. They can use and share them in socially and environmentally sustainable ways which conserve diversity; it recognizes that local territories often cross geopolitical borders and ensures the right of local communities to inhabit and use their territories; it promotes positive interaction between food providers in different regions and territories and from different sectors that helps resolve internal conflicts or conflicts with local and national authorities;	and <i>rejects</i> the privatisation of natural resources through laws, commercial contracts and intellectual property rights regimes.
5.	Builds Knowledge and Skills:	Food sovereignty builds on the skills and local knowledge of food providers and their local organisations that conserve, develop and manage localised food production and harvesting systems, developing appropriate research systems to support this and passing on this wisdom to future generations;	and <i>rejects</i> technologies that undermine, threaten or contaminate these, e.g. genetic engineering.
6.	Works with Nature:	Food sovereignty uses the contributions of nature in diverse, low external input agro-ecological production and harvesting methods that maximise the contribution of ecosystems and improve resilience and adaptation, especially in the face of climate change; it seeks to “ <i>heal the planet so that the planet may heal us</i> ”;	and <i>rejects</i> methods that harm beneficial ecosystem functions, that depend on energy-intensive mono-cultures and livestock factories, de-structive fishing practices and other industrialised production methods, which damage the environment and contribute to global warming.

These six principles are interlinked and inseparable: in implementing the food sovereignty policy framework all should be applied.

Annex 2b:

Matrix of policy recommendations and the Principles of Food Sovereignty

	1. Focus on food for people	2. Value food providers	3. Localise food systems	4. Put control locally	5. Build knowledge and skills	6. Work with nature
1. Ensure that EU residents have sufficient food available at reasonable prices	<ul style="list-style-type: none"> • Treat all member states on equal terms 	<ul style="list-style-type: none"> • Ensure stable and remunerative incomes from agriculture • Manage supplies with the use of production controls or quotas, in agreement with farmers • Revive government extension services to provide technical advice to farmers 	<ul style="list-style-type: none"> • Regularise imports by means of tariffs and other border controls 	<ul style="list-style-type: none"> • Fully involve farmers in negotiating agricultural policy and collectively managing their own supplies 	<ul style="list-style-type: none"> • Ensure that incomes from agriculture are sufficient to keep farmers on the land over the long term 	<ul style="list-style-type: none"> • Keep agriculture at the heart of the rural economy and build rural development on it
2. Provide nutritious food and reduce all environmental costs to the minimum	<ul style="list-style-type: none"> • Support nutritious foods and those that pose least danger to health • Move away from artificial fertilisers and harmful agricultural inputs 		<ul style="list-style-type: none"> • Reduce transportation of crops and inputs 		<ul style="list-style-type: none"> • Develop policies for food and agriculture together 	<ul style="list-style-type: none"> • Tackle all causes of the environmental crisis which lie in the food sector • Support bio-diversity
3. Restore the balance of market power between landowners, producers, food processors and retailers	<ul style="list-style-type: none"> • Find ways to eliminate commercial middlemen's power 	<ul style="list-style-type: none"> • Control the terms on which processors and retailers purchase agricultural outputs • Ensure full compliance with labour rights 	<ul style="list-style-type: none"> • Restrict market shares available to processing and retailing companies • Act on land ownership, tenancy, employment and contracts • Impose a strict limit on EU payments to any one farm 	<ul style="list-style-type: none"> • Act on land ownership, tenancy and terms of employment 		<ul style="list-style-type: none"> • Ensure fair access to seeds and other inputs
4. Support the poor world through managed trade		<ul style="list-style-type: none"> • Negotiate quotas and other measures to ensure good prices for tropical imports 	<ul style="list-style-type: none"> • Limit EU farming to crops that are suitable for local climates • Do not encourage EU vessels to fish in poor countries' offshore waters 	<ul style="list-style-type: none"> • Restrict the impact of European agribusiness on developing countries 		

Annex 3:

legal considerations: current competition law

The liberalisation policies have been consolidated in legislation that is enforced by the European Commission and by the national competition authorities.

The competition laws forbid state aid and agreements about prices and production quota in 'cartels'. This affects farmers in particular. It is true that retailers are also affected by the competition laws: mergers are forbidden if a firm produces more than 50 or 60% of the market share, but even so the discrepancy in market power between these large firms and the individual farmer is enormous.

Article 36 of the EC Treaty (ex Article 42), 1992 says that exemption from the law 'shall apply to...agricultural products only to the extent determined by the Council....', account being taken of the objectives set out in article 33.

The aims of the CAP are contained in Article 33 of the EC Treaty and are (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.

The European Council could decide that one of these objectives is in jeopardy and that consequently the competition law should be bypassed. However, regulation 1184/2006 (Vo. 26/62) (I) states that the competition rules are in principle applicable to agriculture as well, and this is affirmed by court rulings so far.

Before the next reforms new objectives such as protection of the environment could be brought forward as an argument for relaxing the competition laws.

On 1 May 2004 a decentralised antitrust regime came into force which is intended to increase the application of EU competition law by national competition authorities and national courts. The laws seem to be enforced more strictly by some national authorities than by the European authorities, who have made some exceptions for environmental reasons, e.g. in a case dealing with refrigerators.