

Common Agricultural Policy: a large-hearted sponsor

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INT 305 – Overview of the European Union
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Research Paper
November 27, 2010

The European Union decided to assign almost half of its budget to only a small proportion of people who create only a small proportion of the gross domestic products of their EU member states. This suggests that the EU is either excessively rich or it does not know what to support. The Common Agricultural Policy is one of the most controversial policies of the EU and there are supporters of both poles. There are people who think that the CAP is a successful policy which is helping both farmers and consumers. On the other hand, some people perceive the policy as an outrageous waste of money, which could be utilized somewhere else. Overall, the CAP is being more criticized than praised and consumers with other dissatisfied people call for a reform. The current run of the CAP brings up many questions and issues for debates: should the CAP really take up almost half of the budget? Has the policy really worked as it consumes that much money? Will the policy be needed in the future at all? If so, what will it look like? What does it need to change in order to be fairer to all member states? The European Commission tries to solve or at least to answer this set of questions. It agrees that the policy needs to be reformed. The Commission met last week to discuss a proposal for this reform, which particularly calls the CAP to become fairer to all member states and to become more environmentally friendly.

The history of the Common Agricultural Policy dates back to the 60's of the 20th century. It was created under the Treaty of Rome and started to operate a few years later. Its initial role was to secure availability of food supplies and to increase the agricultural productivity of the Union. Later on the objectives have changed, and nowadays it tries to protect the European agriculture by regulating the prices and restraining the levels of production. These objectives are done by subsidizing producers, mostly in rural areas, in order to protect and develop the countryside. Besides subsidies the EU hinders imports from outside the Union by levying import tariffs on products targeted for the European market from abroad. This system of tariffs has an effect on prices of these products, making the

European products cheaper than the imported products and therefore more attractive to European consumers. In other words, the Union protects and defends European producers. The Union has attempted to reform the policy, but the results were only lukewarm. The Mansholt plan, McSharry reforms or Sugar Regime reforms were ineffective in decreasing the agricultural costs and in decreasing the levels of subsidies paid to farmers (Knott & James, 2010). Since 2005 farmers are encouraged to produce in a way that would meet consumers' demand, with a respect to the environment. The reform from 2003 featured attempts to prevent waste and overproduction by decoupling the agri-production from subsidy payments ("Brussels outlines vision," 2010). After 2008, the Commission's attempts to make the policy more efficient included proposals for reduction of Single Farm Payments to large farms, subsidies for farmers growing crops for biofuels and allocating more funds for rural development (Knott & James, 2010). The newest system, according to Euractiv's website, involves a Single Payment Scheme, which allocates the subsidies according to land size rather than production volumes of farmers ("Brussels outlines vision," 2010). The Commission set several pre-conditions for receiving subsidies from the SPS, such as animal welfare, food safety and environmental standards, which farmers are required to meet. The current Agricultural Policy is relevant until 2013, which is a due-date for its renewal.

The question why is the policy controversial is not very difficult to answer. First of all, the Common Agricultural Policy takes up a huge proportion of the EU budget. An argument that the proportion has dropped from 70% in the 1970s to "only" 34% by 2013 is weak (Europa, 2010). There are other factors like inflation, different and new policy areas of the Union and enlargement of the Union that might garble the percentage. According to the European Commission (n.d.), the proportion of the 2010-budget for agriculture (direct aids and market related expenditures) takes up 31%. But another segment of the budget - payments for rural development, environment and fisheries (which is basically the second

pillar of the CAP; direct payments for farmers make the first pillar) take up additional 11%. So the overall expenditure for agriculture and the environment combined takes up 42%, which makes €59.43 billion. This amount of money is way too much given the fact that it benefits relatively few people. According to BBC News, there are 13 million farmers in the Union, which makes up only 5% of EU population working in agriculture (2008). What is more, this agricultural sector generates only 1.6% of the Union's GDP, as stated on the BBC website. Comparing these two numbers, it is obvious that the proportion of cost vs. profits is uneven. *Incomparably uneven*. The European Commission states that the Agricultural Policy is the only policy funded solely from the European budget, whereas other, even more costly, policies are sponsored by national governments. Here is the question: why cannot also the CAP be funded out of both, the national and the European budgets? If other policies can work the funding problem out, the CAP should be also able to solve this problem, should not it? The second argument that the CAP is controversial is that it is an unfair tool for protecting European agricultural products from competition from the rest of the world. Levying import tariffs makes the overseas products more expensive and gives the European products a price advantage. This protectionism is basically not fair and not healthy, too; the healthiest type of international trade is a free trade, which forbids governments to interfere in trade. If the European Union did not subsidize its farmers, the prices on the European markets would reflect the real supply and demand, which would heal the market and fix the artificial prices.

The Common Agricultural Policy does not distribute the funds fairly, neither in terms of nationality of farmers, nor in terms of size of the farms. At first, the biggest recipient of CAP funds is France, being donated a quarter of all CAP funds, even though the French farmers make up only 10% of all EU farmers (UK Independence Party, 2009). The UK Party continues: "130,000 French farmers each receive £18,400 (\$28,680)* per annum. This compares with around 120,000 farmers in the UK, Germany and Spain combined, receiving

this level of subsidy. There are also 3,000 French farmers receiving annual subsidies of £91,940 (\$143,307)” (2009). According to Philip Hunt, a member of the Brussels branch of the *National Union of Journalists*, France, Italy and Spain combined benefited from the CAP to the tune of 65% of all CAP funds, which is a lot for only 3 countries out of 27 (2009). Mr. Hunt further releases that “Italy had the most CAP millionaires (180), closely followed by Spain (165) and France (142). In total, CAP created some 710 euro millionaires in 2008” (2009). BBC News defends the national differences by saying that each EU country perceives farming with regards to national economies differently and this importance varies from one country to another (2008). For example, 18% of Polish population works in agriculture, whereas the proportion is rapidly lower in the UK – only 2% of Brits work in the same sector. It is surprising, then, that Poland receives €2,545 millions from CAP (FarmSubsidy, n.d.a), when compared with €3,755 millions from CAP which receives the UK (FarmSubsidy, n.d.b). Statistics per farm are even more interesting: Poland, with nine times more farmers than in the UK, receives €1,065 per farm from the EU. In comparison, the UK gets funds in the amount of €12,517 per farm. According to this statistics, it seems like the EU is not fair to everybody. The distribution among new and old EU member states is also visibly unequal. “Payments between old and new member states currently vary from over €500 per hectare in Greece to less than €100 in Latvia,” claims the European Union (“Brussels outlines vision,” 2010). The BBC News adds that the new member states started receiving the CAP subsidies in 2004, but in comparison with the old EU-15 states, at only 25% of the rate (2008). The Union claims that the rates should have reached equality by 2013.

Secondly, the distribution of CAP funds is not fair even when differentiating between small and large farms. In the early stages of the policy, the farmers were paid conditional on the size of the farm. Then, the policy was reformed and farmers were encouraged to produce in response to market demands. Later on, the volume-of-production and farm-size criteria

were pushed aside and a criterion of safeguarding the countryside was made the most important. Even though these changes have been introduced, the biggest farms still receive the largest proportion of the CAP budget. Large agribusinesses and hereditary landowners happily thrive and many small farmers fight for their living. Statistics says that 74% of the CAP funds are received by only 20% of EU farmers, whereas the other end of the scale is similarly scandalous: 70% of EU farmers (more than two thirds!) share only infinitesimal 8% of the funds (BBC News, 2008). Another example of corruption and injustice in CAP funds distribution was found in Scotland, where one Scottish newspaper discovered that the average amount of funds for the country's largest farmers was £230,000 (\$358,501)* a year, while the average subsidy for all farmers was £9,000 (\$14,028)* (UK Independence Party, 2009). Hence Europeans can draw a conclusion that the biggest beneficiaries from the CAP are large farmers from the older EU-15 countries. This fact might become low motivation for candidate countries to join the European Union.

Since the Agricultural Policy meets such criticism, the European Commission tries to relieve the small farmers, consumers and new EU members who might feel like victims. The Commission exposed the last week its plan to reform the CAP which includes proposals to link direct payments to food security and environmental goals, and to allocate a bigger amount of subsidies to smaller East European farmers ("Brussels outlines vision," 2010). The EU executives claim that the new reform must contain regulations that would direct the CAP payments to new EU member states that joined the Union six years ago. The problem with the payment distribution is seen in a fact that the proportions of aid payments were computed at the beginning of the decade based on the production of the older member states; the new member states were not taken into account. "We now need to turn these into a more objective and fairer mechanism for all farmers and member states," explains the EU executive the differences in payments between old and new EU member states (as cited in

“Brussels outlines vision,” 2010). The Commission suggests introducing financial ceilings on CAP aids in order to avoid these aids being drained by large farms at the expense of the small farms. This proposal has not included any details about a size of the future CAP budget so far. Another priority goal introduced by the Commission is to support the diversity of the agriculture in Europe and a rural policy which should embrace a green component. Supported agricultural practices may include rotation of crops, maintenance of green cover during the winter period (which would enrich the soil) and creation of permanent pastures or ecological fallows. The Commission ordains the payments to be dependent on environmental criteria and distributed mainly to those farmers who are active and are in a real need of the aid. This reformed future farm policy has three options of realization, outlined by the Commission: “

1. A minimalist option – involving a more equal distribution of funds to benefit newer EU member states while continuing with the reorientation of the policy to meet new challenges. However, there would be no changes to the current direct payment system.

2. A reformist option – that would also involve more equal distribution of funds to benefit newer EU member states. Compulsory additional aid would be linked to specific "green" goals while a new scheme would be introduced for small farms. Support would be more focused on meeting environmental and climate goals.

3. A more radical option – that would see a complete phase-out of direct payments in favor of environmental and climate change objectives” (“Brussels outlines vision,” 2010).

Positions to this reform vary from country to country. For example, the UK requests to sharply decrease the farm expenditures and refocus the policy on climate change and environmental issues. Demands for leaner EU budget and smaller CAP are heard also in Sweden and the Netherlands, the countries which support the UK in the reform. However, France and Germany, the biggest beneficiaries of the policy, oppose these positions and call

for a strong farm policy. The other bodies (political parties, groups, organizations, councils or NGOs) react diversely: one group thinks that the Commission lacks important details, the other thinks that the CAP lacks focus on the impacts of the policy on the world's poorest people, and the others think that this proposal provides few answers to many more questions ("Brussels outlines vision," 2010). Overall, the European Commission does not satisfy demands of all European groups, but it still has time to prepare some more, in-depth information: the debate of the proposal will start in the next year's summer.

In conclusion, the Common Agricultural Policy is one of the most controversial policies of the European Union, which stands in front of an opportunity to change the public opinion on it. Problems like high cost, lack of transparency, unfair distribution of funds and solely European intervention create in minds of Europeans a speculation that the policy is only a waste of money or, in a worse case, that it was created to fill in the pockets of the biggest European food companies. The future of the CAP is questioning. What we only know is that it will last at least few years, and at the end of this decade we might discuss its real future. Personally, I think it will be "needed" in the future, meaning that neither the Commission nor the members of the Parliament will be able to shut the policy down. There must be some lobbying groups that care about the existence of such policy. The biggest food companies would have been able and would have put pressure on all the competent people if the Commission had wanted to cancel the CAP. I think it is impossible to halt the policy, but I assume it needs to be cut down rapidly. The only thing that lets them drag out the procedure is that the common people do not care much or even do not know much about such thing as a Common Agricultural Policy.

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