

**The long term development
of the Common Agricultural Policy (CAP)
- Analysis and recommendations for an ecological
orientation of agricultural policies**

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1. Looking back

European agriculture policy has been the subject of much debate since the mid 1980s, after the many negative effects of its focus on volume production became ever more evident.

It was significantly the EU Agriculture Commissioner MacSharry who made the following sharp criticism of this policy: *„The status quo can be neither defended nor maintained. Even though the farming budget was increased by almost 30% between 1990 and 1991, the farmers in all member states have had to endure further losses. Having this policy did not help us prevent farmers from leaving the land in droves. A further failure has been the paying of 80% of the money to 20% of the farms¹“*. The mechanism of this agriculture policy had their origin in a time when most foodstuffs were in deficit. The existence of surpluses in the most significant markets signified that the mechanism was ill-adapted to the situation and could only lead to further growth in production and to the resulting mountains of produce in storage. Since support money was linked to production volume, it represented an incentive to produce ever more and to even further intensively industrialise the production method. Yet this intensification could lead only to exceeding the carrying capacity of the natural environment and to the marginalisation of less productive land.

“Income support in the form of guaranteed prices leads“, according to MacSharry „to antisocial distribution of wealth because it is largely indexed to volume of production and therefore accumulates in the hands of the biggest farmers. Thus 60% of the support for cereal prices benefited then only 6% of farms“.

Loads of money were to be tipped over a few profiteers but, with catastrophic social consequences. That was the core message that came officially out of Brussels in 1991. Therefore, as the Commissioner then said, the mechanisms of the CAP had to be **„fundamentally“** reformed because they did not help the majority of small & medium sized family farms to a sufficient income, yet caused them rising operating costs.

MacSharry considered slowing down the productivity spiral or, at least, making transfers of public money to agriculture is conditional on such a reduction. He formulated **a completely new objective for the CAP**, namely „to motivate a sufficiently large number of farmers to go

¹ Translator’s footnote: quotations not in original wording, being retranslated from the German version

on farming“. As MacSharry said at the time, „*There is no other socio-political responsible way to conserve the natural environment that is this landscape built over thousands of years, an agricultural model shaped by the family farm. This requires an active policy of rural development and, this policy cannot be turned into reality without the farmers*“.

Early in February 1991 the Commission officially submitted these evaluations and proposals in a paper entitled “Future Development of the Common Agriculture Policy“. As **new objectives of the CAP**, it postulated the following:

1. Keeping farmers numerous enough for them to be able to conserve both the natural environment and the kind of agriculture that is characterised by the mixed family farm.
2. Recognising two crucial functions of farmers: producing food *and* rendering services for the conservation of the natural environment in the context of Rural Development.
3. Turning the rural development policy in this sense towards encompassing also the promotion of other forms of economic activity, not only the farming sector.

MacSharry proposed so structuring market regulation that it would promote more extensive and environmentally tolerable modes of production. Direct income support, at that time paid for field crops and certain livestock² were to be structured in accordance with social and regional aims, as well as the other quantities like quotas, set-aside etc. The animal premiums should additionally be coupled to extensification criteria. The premiums for field crops should be coupled to environmentally acceptable mode of production. Also, an environmentally acceptable mode of production and landscape services should be promoted and, precisely, for the maintenance of rural infrastructure, in the form of pluri-annual programmes.

At that time, MacSharry thus formulated the **fundamental principles of CAP reform**, which **could unfortunately not be put into practice** but which are **today more than ever is necessary**, and on which farmers and environmentalists rightly continue to insist:

Public money should be used for public goods & services, and not for advancing the economic situation of the few at the expense of the many and at the expense of the natural environment. A change of course should thus have been brought about, by a combination of policy instruments containing both structural and technical aspects.

From price support to price compensation

It is well known what became of the MacSharry proposals: they were in essence rejected by the relevant Council of Ministers which, to this day, itself makes all the decisions³. Spending was not shifted from price support to the promotion of a coherent policy for „multifunctional agriculture“. Only „cross-cutting measures“ were further developed (inter alia, the Agro-environmental programmes); at that time 5% of the CAP budget was devoted to these measures.

² Especially bulls, sheep & goats.

³ The EU Parliament will obtain the right of co-decision, in matters agricultural, only if the Treaty of Lisbon were to be ratified.

Most of the budget meanwhile continued to flow into the same pockets as hitherto, although no longer in the form of price support but, as „price compensation“. These payments were coupled to the same field crops (e.g. cereals) or livestock as had previously benefited from price support.

This „coupling“ has led to there having been hardly any change in the unjust distribution of subsidies that MacSharry had criticised; in 2006 only 20% of farms received 85% of direct payments under „first pillar“ CAP.

Franz Fischler who succeeded MacSharry as Agriculture Commissioner, in his own way carried forward the same basic thinking. Out of the instruments that had tended to support an ecologically oriented mode of production or, that had „least favoured areas“ in mind, he created the so-called second pillar of CAP. He also created the notion and vision of a „European agrarian model“, wherein agriculture is seen as much more than an economically optimised business. In the conclusions of the Agriculture Council of 18th November 1997 this is described as follows:

„In the view of the Council of ministers, European agriculture must be multifunctional, sustainable & competitive and, this must encompass the whole of Europe (including least favoured regions and uplands). It must be capable of maintaining the landscape, conserving the natural environment, contributing to the vitality of the countryside and, doing justice to the demands of citizens regarding quality & security of foodstuffs, environment protection & animal welfare.“

Commissioner Fischler carried forward the MacSharry policy inasmuch as he strove to store up more money in measures within the second pillar, at every stage of reform for which he was responsible⁴. Thus, in the context of Agenda 2000, he proposed setting an upper limit for direct payments⁵ and a transfer of 20% of the budget from the first pillar to the second. It is well known that he was not able to persuade the Council in this.

In 2003 there was however another decisive change in direct payments. It was decided to introduce so-called „de-coupling“, i.e. to put an end to the payment of „price compensation“ for certain previously price-supported crops or livestock.

Direct payments after 2003

There was and is not half enough discussion about what might have justified these direct payments in the first place. Up until 1992 the reason given was „price support for certain products“. From 1992 to 2003 the argument was advanced that the farmers who no longer had these subsidies suffered financial losses for which they must be compensated. Therefore the EU guaranteed compensation payments, if only for those crops & livestock whose prices had hitherto been subsidised⁶. After „decoupling“ had been decided in 2003, there was however no longer any quasi-business reason for this compensation.

⁴ z.B.: Agenda 2000, Reform 2003 von Luxemburg

⁵ Max. 300 000 €/ farm; he could not get it accepted so modified this proposal by way of a graduated modulation according to size of farm (which in turn was rejected by the Council of Ministers).

⁶ e.g. cereals but never leguminous crops or grassland, maize but never ecologically compatible mixed crops.

Nevertheless, today's subsidy rights for farms in countries that chose the so-called historical payments model⁷ are based on average payments between 2001 & 2003. Only a small few of member states have managed partly to redistribute payments between regions and farms, through the application of the so-called „regional model⁸“. In Germany for example, aid for grassland has for the first time been guaranteed; the aid given is around 70 to 100 €/ ha⁹ but, this is yet far below the average aid given for arable land (around 300 €/ ha).

How the subsidy is justified

The question of what really ever justified the direct payments, which policy experts like to call „single area payments¹⁰“, finds no answer, neither in the „historical“ nor in the „regional model“. What is it that today justifies sinking billions into agriculture? Can there be any such thing as „decoupled payments“? The transfer of taxpayer's money into agriculture must surely be justified by something, by some service rendered, by some kind of criteria.

Thus began a frantic search for justification. With disarming frankness, a spokesman for the German farmers union stated that farmers had always received this money and therefore had a continuing claim on it. Naturally the union bosses very soon understood that they could not put these arguments forward in public. Therefore one no longer hears them officially, however firmly the idea be nonetheless implanted in the mentality. Many lobbyists have only one concern, the rearguard defence of sources of income for as long as possible.

The searchers for legitimacy recently found salvation in the „cross compliance“ criteria. Yet, how should compliance with a statutory obligation justify a reward? How is one to explain to taxpayers the reason for paying this particular professional category to obey prescribed standards when even these cannot, for example, prevent the massive disappearance of wildlife?

Even if one were to follow the official logic, how should one explain the rising discrepancies between farm subsidies, why Farmer X gets more than Farmer Y¹¹ and, why grassland gets less than arable land or, why 20% of farmers get 85% of the budget? That this 20% of farmers does not deliver 85% of the pretended ecological or landscape services is as clear as the fact that they do not shoulder 85% of the costs of Europe's allegedly higher standards.

This means 40 billion Euro in the first pillar of CAP today have no sort of justification. And, all the more so tomorrow. The 2014 reform of farm policy is the next opportunity to change something. We must not let it go by.

⁷ 15 MS: the absolute majority of EU member states

⁸ viz: development of a single area payment

⁹ Variable, according to region

¹⁰ Which is certainly not a single area payment but, is in extremely variable amounts.

¹¹ In Germany 1.6% of farms get more than 100 000 € in direct payments; together they cream off about 30% of all direct payments. In the EU (of 25 states) 11% of farms get more than 10 000 € in direct payments; together they get away with 75% of all direct payments.

2. Looking forward: two options for development of Agriculture and CAP after 2014

Another debate on CAP reform is about to begin. The debate faces exactly the same question that MacSharry raised: what perspectives can guide the discussion, in what direction must farming policy go?

Perhaps we should first ask, what would happen if there were no common agriculture policy? In a farming sector under no public political influence, there would be the same „market“ development as in other sectors: production would be concentrated in places where it is the most easily profitable, whilst so-called „external“ costs would not even be considered in the economic planning.

The question that should first be put, but never is put, is where do we think we are going? What goal are we seeking to reach? Are the aims of the CAP valid today that have remained unchanged in the various EU treaties since 1958? Are they compatible with the „new challenges“ defined by the current Farming Commissioner Fischer Boel during the CAP Health Check? Are these aims of 1958 leading us to the „European agrarian model“? Can they satisfy the demands made by MacSharry, or must we not now consider the very different aims that have meanwhile gained recognition (such as extensification, the maintaining or even the creating of jobs)?

In the context of the 2014 reform debate, renewed discussion of the aims of the CAP is long overdue. Before any consideration of instruments, budgets & pillars, there must first be sought a broad social consensus about the political aims of this progress.

Global free market or the „European agrarian model“? that is the question!

Farm production that aims only for optimal profit can only end in agro-industry. Would a farmer survive economically, then must he be an accountant, in order to make a more or less sufficient profit from mass-produced cheap raw materials. The ingredients in demand are delivered to the most central place, whatever the distance and always as cheaply as possible. There the „product“ is elaborated that will then be delivered to the consumer, again over huge distances. A regionally and cyclically oriented agriculture would look quite different.

Livestock production in general and poultry breeding in particular can best serve to illustrate this industrialisation process. In poultry production, for example, there were massive concentrations of the means of production already in the 1960s & 70s, dependent on cheap imported feed, with the well-known social, ecological, animal-welfare and regional consequences. Poultry breeding or, rather, poultry production slipped almost completely out of the hands of farmers, because of its capital-intensiveness. In the pig production sector similar upheavals can be observed and the milk sector, today under regulatory influence (e.g. quotas), will surely follow if no new course is set.

The so-called „free“ market economy is ruled by only one principle: the cheapest possible production. The market responds spontaneously to prices, whereas it cannot unprompted

recognise such criteria as grassland extensification, ecology, biodiversity, climate protection etc. These socially recognised and accepted values are not reflected in farm prices; rather they represent for farmers a cost factor that must be reduced to a minimum.

The counter-model to the „cost imperative“ is the „European agrarian model“ further propagated by former Agriculture Commissioner Fischler. It represents an effort to recognise these societal aims and to integrate them into policy. This is the model of an agriculture from which the natural environment does not have to be defended, an agriculture which of itself ensures the protection of nature and the landscape, satisfies regional demand, addresses questions of food quality & animal welfare etc. Such agriculture **cannot be bought at global market prices**. This was once stated by the European Economic & Social Council. It is an essential and central statement that can serve to guide the making of policy: **where the market forsakes us, there must policy be set to work!**

The agriculture policy for decades went too far towards ensuring only competitiveness via cost leadership. It knowingly accepted a radical restructuring of farming & of the territory and all the notorious environmental damage that was thus caused. Nearly all common agricultural policy instruments were directed towards these: research and education, state sponsored consolidation of landholdings, investment aid for individual farms, market regulation and, later, price compensation measures. Even the rules for standard grading of products played their role. The chemical & pharmaceutical industry also helped, if not quite disinterestedly. And today, the transgenic industry stands ready for the next step in this forced march.

Yet common farming policy was going in a slightly different direction. In the mid 1970s policy-makers began to see the many negative effects. With the upland farming programmes, for example, an effort was begun to counteract an unwanted negative impact, namely the rural exodus in „least favoured areas“. Later came the first agri-environmental measures and, the European Structural Fund adopted its Objective 5b „Rural Development“. In the course of time, this evolved into the crucial parts of today's second pillar of the CAP.

The current battle over farm subsidies, which will continue in the coming years, is nothing less than a disguised and therefore unresolved dispute about the whole concept of agricultural policy: at what point should a common policy begin and whereto should it lead? Whom or what should the taxpayer support? Should the sole focus of support be the purely financially optimised farm enterprise, „only“minding its own business in obedience to the market? Is it our aim only to keep the farmer competitive and cover his back in ever more volatile world markets? Should we want to cover him for all the risks he should not take and all the ecological damage he should not produce? Or should not the CAP rather wave goodbye and wish all the best to farmers who see their salvation in agro-industry & world markets, whilst putting in their stead at the centre of the policy agenda the „multifunctional peasant agriculture“ of which perhaps most radical manifestation is the Organic farming method. Precisely this political question must be the focus of the 2014 reform debate, before any consideration of instruments.

3. The Organic agriculture movement and the 2014 CAP reform

Whoever looks at the historical & political development of the Organic agriculture method will rapidly come to see that this was not invented by the makers of farming policy. It arose among individual farmers who refused the productivity line of the „conventional“ farming industry and its effects on people, animals, the natural environment, the products and the farms, who sought alternatives and themselves developed them. Over several decades the Organic agriculture method was ignored or ridiculed by the political elite and the conventional farmers unions. Nonetheless, at least since the mid 1980s, this movement has enjoyed some political recognition and has put a foot in the door of CAP.

One of the aforementioned „cross-cutting measures“ put forward by the EU was the promotion of Organic agriculture. In accordance with the orthodoxy of the times, the proposed official support did not aim to develop an ecological or structural alternative to the prevailing conventional mode of production. Rather, it was promoted only as one of the so-called „market support measures“, standing thus on the same level with such instruments as set-aside land, early retirement & reforestation programmes; it served policy objectives as just another way to reducing production surpluses.

Also this was due to change. The Commission soon saw the „environmental“ benefits to be gained from Organic agriculture, its formal recognition within the „agri-environmental measures“ being an expression of this. The increasing political attention paid to the Organic agriculture method then manifested in binding legislative definition of the mode of production & processing, as in the relevant implementing rules.

The benefits for „quality“ production, animal welfare etc. have meanwhile gained world-wide recognition. Yet the Organic method has not been formally incorporated as „best practice“ in the European agrarian model, even though it would be the best way to implement the EU vision of sustainable development.

Regarding the 2014 reform of agricultural policy and period thereafter, the following recommendations and demands can be thus concluded, from the viewpoint of the Organic agriculture movement:

1. There should first of all be a discussion of what an agriculture policy is supposed to achieve. From the viewpoint of the Organic agriculture movement, the „growth“ model of a mono-functional agro-industry, optimising only its own costs and oriented only on the world market, cannot remain the focus of public policy. The CAP must henceforth concentrate on further elaborating and implementing a „European agrarian model“ that follows the principles of multi-functionality and long-term sustainability.

2. Since the new challenges identified in the CAP Health Check, namely the protection of climate, biodiversity & water resources, can best be met with the help of the Organic agriculture method and, since it is this that can best provide for technical implementation of the „European agrarian model“, this method should be elevated as guiding light of the CAP.

3. All future subsidies, whether they are for investment or per unit area, need good societal justification, i.e. applicable criteria. Already the European audit office has drawn attention to this necessity, referring to the second pillar of CAP as also to „cross compliance“.

4. Investment subsidies must no longer be awarded „only“ to render competitive on the world market a relatively small number of farms. Rather should strategies be elaborated for all farmers wanting to devote themselves to a more sustainable mode of production, preferably the Organic mode of production. Not so much the expansion & specialisation of farms, rather more should their ecological conversion be henceforth the decisive criterion for awarding subsidy.

5. Future direct area payments must be conditional on practical „services“ rendered by farmers for the conservation of the natural environment, for animal welfare, as well as in quality production and job creation. They must be based on the existing legislated standards. Compensation for the nonetheless existing constraints of competition in the world market is only acceptable if the particular difficulties and the amount of subsidy awarded are transparently and effectively justified. Any reintroduction of incentive components must support the attractiveness of these measures in the current second pillar.

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