



## **The CAP after 2013**

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The common agricultural policy (CAP) of the European Union is due to be reformed by 2013. After a wide-ranging public debate launched by Commissioner Ciolos̄ on 12 April 2010, the Commission presented its Communication “*CAP towards 2020: meeting the food, natural resources and territorial challenges of the future*” on 18 November 2010. The Communication puts forward options for CAP reform and opens the debate with Member States, institutions, experts and stakeholders. In one of the most recent steps in the process, the Agricultural Council of 17 March 2011 edited a so-called Presidency Conclusion which was “*supported by a very large number of Member States*”. However, this *Conclusion* only provides a broad summary of the main directions in which the CAP should evolve based on opinions expressed during the process and where there is some kind of consensus across a majority of EU members. This *Conclusion* is, however, binding neither for Member States nor for the Commission.

As the shape of the new CAP is far from decided, this short notice only tries to sort out the main problems and related viewpoints of the different stakeholders CAP reformers face in this early spring of 2011.

The first debatable issue is related to legitimacy: why does Europe need a common agricultural policy? Here two main strategies co-exist: a defensive one and an offensive one. The former keeps demanding ever more support without which rural areas allegedly cannot survive and European farmers cannot compete. Such a strategy views the CAP as a sort of social policy designed to compensate rural areas and farmers for something the marketplace cannot. The alternative approach tries to melt CAP objectives with

the goals of the Europe 2020 Strategy, suggesting that farming is well placed both to provide sources of renewable energy and to contribute to green growth, e.g. by preserving biodiversity and fighting against climate change.

The same duality prevails when it comes to defining the CAP's main objectives. What is more important: stimulating food security by raising production and productivity—both of which are strongly correlated with competitiveness—or dealing with environmental problems through sustainable agriculture? The two objectives can hardly be achieved at the same time. One cannot be simultaneously production-oriented and environmentalist.

The above dilemma brings us to another hot issue: who is to benefit from CAP support and for what justification?

While no-one is really challenging the CAP's two pillar system, with annual direct payments and market measures making up the first pillar and multi-annual rural development measures the second, some frustration is expressed that rural policy is running under the auspices of Ministries of Agriculture when there is a growing need for multi-sectoral intervention. Some go so far as to question the justification of the second pillar, stating there is much more inequality between city centres and suburbs than between urban and rural areas. Thus priorities for spending public money should be better identified.

There is a long-lasting and unresolved debate between small family farms and big commercial farms. The latter argue that they are the only ones capable of assuring food security in Europe and for this reason they have to remain competitive. The former say that: while they represent the

European model of farming and can satisfy not only their own needs but also contribute to those of their village or town, the big factory-like farms, on the other hand, are apparently in great need of public support without which they cannot survive. So, what sort of “competitiveness” can only be obtained through continuously injecting large subsidies into such big farms?

A highly sensitive question for farmers is how to reverse the declining trend of their share in value-added generated by the food supply chain. In fact, almost all actors in this chain complain, the food industry included. Probably the most furiously attacked in this dispute are retailers and the distribution sector as a whole. They are accused of maintaining or even increasing prices at crisis times when farm-gate prices have actually collapsed (e.g. that of milk in 2009).

Some insist that the best strategy against price volatility would be to develop a risk management system at EU level. The point is that private insurers, available in all EU Member States but made use of by farmers only in some (such as in Spain), are too expensive. Moreover, while quantitative and weather risks are insurable, price risk is not. Herein lays one possible role of the State: to invent and finance an appropriate risk management toolkit. In the United States such a toolkit turns out to be an integral part of national agricultural policy: farmers can choose to be a part of the so-called ACRE (average crop revenue election) program, or they can choose an alternative countercyclical payments program. Both of these programs provide a minimum income to farmers, thereby enabling them to survive until the next season. The introduction of a system similar to the ACRE program is on the Commission’s agenda, but only a voluntary one.

Finally, there is the problem of the lack of consistency across EU common policies. This imperfection is viewed from different angles by different actors along the food supply chain. The food industry and the distribution sector portray a rather liberal, pro-market attitude. But farmers get angry: while they are required to meet stricter and stricter requirements related to plant and animal health, environmental and animal welfare, due to the improving trade relations (e.g. with the Mercosur region) shelves in European hypermarkets

are full of imported foods, which, at least by European standards, are chockfull of long-abandoned pesticides (e.g. vegetables) and hormones (as beef).

It is impossible to address every single issue of at least as vital importance as those mentioned above. Moreover, all common agricultural policy problems are closely related to those of the next financial framework. As with WTO negotiations: nothing is decided until everything has been decided. The Commission is expected to present legislative proposals for agricultural reform in 2011. This will not be an easy task...

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