CIVITAS

Common Agricultural Policy

Introduction

The Common Agricultural Policy (CAP) is one of the most controversial European Union policies. It initially sought to increase agricultural productivity in the EU and to create a surplus of food to ease the shortages after the Second World War. Its aims have now changed and instead it tries to protect agriculture throughout the EU by controlling prices and levels of production and by subsidising the rural lifestyle in order to safeguard the countryside. Several attempts have been made to reform the CAP. However, there has been only limited success in reducing its cost. It has been a cause of controversy not only because of its huge cost as a proportion of the EU budget, but also because it is seen as an unfair way of protecting European agriculture from overseas competition when farming contributes relatively little to EU GDP.

History

The CAP was created in 1957 under the Treaty of Rome and started operating in 1962. The first attempt to reform the CAP came in 1992 with the MacSharry Reforms; a further reform was brought forward in 2000, however neither made a significant difference to the level of ***subsidies*** paid to farmers. EU Farm Ministers agreed to further changes on 26 June 2003, which were phased in between 2005 and 2012. Since 2005 farmers are no longer subsidised, but instead receive a lump-sum called the Single Farm Payment (SFP) and are encouraged to produce in response to consumer demand. Instead of payments being made to control how much farmers produce, they are paid for their role as guardians of the countryside.

In May 2008 the Commission conducted a major review of the CAP to try to make it more efficient. Its proposals included: reducing SFPs to large farms and increasing the amount of funds transferred to the Rural Development budget. Further proposals included subsidising farmers who grow crops for biofuels (considered more environmentally friendly than fossil fuels) and abolishing the 'set aside' scheme, which paid farmers to leave a part of their land unfarmed to prevent over-production. Environmental groups have criticised the ending of the 'set aside' scheme claiming it would endanger wildlife in unfarmed areas. Since April 2009, all recipients of SFPs are made public.

Following a fall in milk prices, in late 2009, EU farmers protested and the EU agreed to give €17.9m to the EU dairy industry in 2010-13.

The 2013 reforms were the result of the first ever comprehensive review of CAP since its inception. The proposals for reform began in 2011 with the intention of making CAP greener, fairer and more efficient. By 2013 a number of reforms had been approved for implementation from 2015-2020. The most notable are the replacement of the SPF with the Basic Payment Scheme (BPS), under which farmers will receive a flat-rate subsidy based on the acres of land they own and the introduction of the concept of "greening" whereby farmers are expected to satisfy a number of (environmentally beneficial) criteria in order to qualify for 30% of their BPS. In addition to this, to address the lack of young farmers, new entrant Young Farmers (those under the age of 40) will be given a 25% top-up to their BPS in their first five years.

Taken together, these reforms highlight the evolving nature of CAP and have consolidated its move away from surplus production towards sustainable agriculture and preservation of the environment.

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How does the CAP work?

The CAP is a form of ***protectionism*** designed to defend European producers from cheaper products outside the EU. This was once done by subsidising agricultural produce but is now achieved by the EU deterring imports from outside the EU with a system of ***import tariffs*** and simultaneously subsidising farmers through the Single Farm Payment. If surplus food is produced, the EU intervenes in the market either by subsidising export of the product at below cost price; by storing it, creating EU '***food mountains'***; selling it later; or destroying it. Such exports are generally dumped on poor countries, especially in Africa. The CAP also seeks to control production by setting quotas on how much a farmer can produce then paying them not to produce more.

Facts and figures

- The CAP budget for the period 2014-2020 will be €278bn, with the UK receiving €27.6bn over the course of the seven year period.
- The policy costs Britain – including raised food prices, regulations and other indirect costs - an estimated near £10 billion per year.
- Nearly 3/4 of EU farmers have an income under £5,000 per year (although some only farm on a part-time basis) and incomes in the agricultural sector are just 50% of the average in other sectors.
- Farming sector employment fell by 25% during 2000-10.
- Under SFP, UK farmers receive around £230 per hectare as long as they meet standards on the environment, food quality and animal welfare.

Arguments

For

- The EU must look after its farmers because they help protect the countryside.
- The free market is unstable. Without intervention prices would fluctuate and farmers would not be able to respond to consumer demand.

Against

- The CAP increases poverty in poor countries by competing unfairly with local farmers.
- The CAP demands far too high a budgetary contribution to support only a small minority of EU businesses - – more should be invested in scientific and technological research to allow the EU to compete with emerging countries such as China and India.
- Processing farmers' CAP payments is expensive (in 2009, the average cost of processing an SFP claim in the UK was £742, even for payouts as small as £5).

Technical Terms

- ***Subsidies:*** government money used to keep down prices.
- ***Protectionism:*** restriction of free trade in an attempt to protect domestic producers and markets.
- ***Food Mountains:*** a metaphor for the warehouses where piles of surplus agricultural products are stored.
- ***Import Tariffs:*** a form of tax on goods imported into a country.

Links

- http://europa.eu/pol/agr/index_en.htm
- http://www.openeurope.org.uk/research/report.pdf

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