



March 5<sup>th</sup>, 2012

## **Commentary by the European movement for Food Sovereignty and another Common Agricultural Policy (FoodSovCAP) on the CAP post 2013 legislative proposals**

### ***Introduction***

The European Commission launched the draft legislative proposals for the post 2013 Common Agricultural Policy (CAP) on the 12<sup>th</sup> of October 2011. The outcome of this new CAP reform, to be decided by the end of 2012 in the next months by the Member States and the European Parliament, is very important for the future of European and global farming. With the current financial, economic and environmental challenges, the decisions on the CAP and on the EU budget for the years 2014-2020 will have an impact on many issues: Will sustainable family farming be maintained or abandoned in Europe? Will European farmers have fair farm prices? Will the right to food of people in the Global South be improved, or will it be respected even less? Will natural resources be preserved, or depleted by over-intensive farming?

The European movement for Food Sovereignty and Another Common Agricultural Policy (FoodSovCAP) already developed a proposal, at the beginning of 2011<sup>1</sup> on how to deal with the challenges above, in response to the Commission's communication on a reformed CAP released in November 2010.

The measures proposed by the Commission last October will not meet the environmental and social challenges faced by the CAP and they will not give enough legitimacy to EU subsidies on agriculture. The lack of regulation of markets and production will push the agricultural sector into even more serious crises, and intensify the current crisis of food prices.

We present our comments in the following order:

1. The missed opportunity to regulate agricultural production and markets
2. Schemes for receiving direct payments
3. Rural development
4. Imperative to stop the CAP damaging livelihoods and the food system in developing countries

### ***1. The missed opportunity to regulate agricultural production and markets***

Currently European farmers get on average 40% of their income from direct payments (approx. € 39 billion of the EU budget). This secures low commodity prices for European food processing and export industries and in this way subsidies go to Europe's biggest companies who pay low prices for their cheap raw materials. As the decrease of farm prices is not transferred to consumer prices, current direct payments are an indirect subsidy for the European food industry. In the case of exports, these payments are an indirect export subsidy, preventing agricultural communities in third world countries from obtaining fair access to their own markets. Basing European farm prices on world prices international markets and a CAP that promotes export competitiveness over domestic self-sufficiency has exposed European farmers and consumers who are highly dependent on world markets, to the impacts of extreme volatility in prices. Future resource scarcity and the actions of other countries to protect their own food security, will mean that Europe should be much more concerned about taking measures to prevent price volatility and build resilience in European farming.

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<sup>1</sup> The MISSING option for the Common Agricultural Policy post 2013: <http://www.nyelenieurope.net/foodsovcap/downloads-a-media/item/fourth-option-final>

The lack of regulation of the production and commodity markets, leads to volatile farm and feed prices. This is because the EU does not have any tools at its disposal to match supply with demand and markets are sending out inaccurate price signals ;the lack of regulation of the commodity markets allows speculation on food commodities. For example, the relationship between grain stock levels and price volatility is well recorded. When grain stocks are held at minimum levels, price volatility cannot be prevented. Whereas earlier grain stocks provided a level of security, today people depend on the global market or agribusiness for their grains, where global reserves are down from 115 to 54 days worldwide and Europe has dismantled its system of grain stocks. Relying on the market alone for price signals is not sufficient to provide food security.

Recent crises in the agricultural sector along with more and more studies<sup>2</sup> show that volatility has very negative impacts on farmers and consumers. Without instruments to prevent structural surpluses or shortages, it won't be possible to stabilise agricultural markets or prices. Although stabilising agriculture markets is one of the priorities given to the CAP by the Lisbon treaty, the Commission's proposal does not offer any measures to achieve this. On the contrary, it proposes to continue the deregulation of markets, for example by removing the last supply management mechanisms such as milk quotas.

This would leave farmers in uncertainty about their incomes and it would make both farmers and taxpayers pay for the deregulation of agricultural markets. Instead, the Commission proposes to counter the consequences of deregulation by means of using more taxpayer money to deal with the effects of deregulation through risk management tools, a new budget reserve for crises in the agricultural sector, and the extension of the European Globalization Adjustment Fund to agricultural crisis. That does not tackle the root causes of the problem, but just tries to repair a highly flawed policy with tools which could turn out to be very expensive and at the same time largely insufficient to compensate for lower farm prices.

A first crucial step to maintain food security is to increase the viability of sustainable family farming. Farmers need to be rewarded with just and stable prices which cover the average cost of production. To achieve this, the following combined instruments are needed:

- Public supply management to balance supply and demand of basic agriculture products and avoid structural surpluses or shortages. This will prevent prices from fluctuating excessively and will prevent (disguised) dumping of European surpluses in developing countries. Various supply management tools adapted to the different production models have to be developed.
- Safety net mechanisms which cover the European costs of production.
- Management of agricultural imports to avoid imports at prices below the European average cost of sustainable production<sup>3</sup>. This should be linked to the banning of all forms of market dumping<sup>4</sup>.
- Strengthening the market power of farmers in the face of agro-industry and big supermarkets is another key issue. FoodSovCAP agrees with the objective of the Commission to give more power to producers through producers' groups, but thinks that this would be impossible within deregulated markets.

Mechanisms to regulate European agricultural markets will allow farmers to get fairer and stable farm gate prices. It will consequently also decrease public spending on farmers' incomes, as farmers would earn their income first and foremost via the market rather than through direct payments. Billions of euros can be saved in this way<sup>5</sup> and be used to, for example, support sustainable family farming and local processing and distribution.

## **2. Schemes for receiving direct payments**

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<sup>2</sup> see [http://somo.nl/publications-en/Publication\\_3726](http://somo.nl/publications-en/Publication_3726) and

[http://foodwatch.de/english/the\\_hunger\\_makers/](http://foodwatch.de/english/the_hunger_makers/) and [www.wdm.org.uk/broken-markets](http://www.wdm.org.uk/broken-markets)

<sup>3</sup> Including for plant proteins used to feed animals: the EU imports 75% of its needs, mainly soya , with negative effects in South America and Europe. Plant proteins can be produced in Europe.

<sup>4</sup> The export of European agriculture and food products at prices below the European average cost of production

<sup>5</sup> see <http://www.europeanfooddeclaration.org/documents>

The remaining subsidies should only subsidise sustainable farms in less favoured areas and practices and farms with higher social and environmental standards than minimum levels. They should be distributed per farmer and according to employment, not per hectare. This option would not only bring benefits to people and the environment, but it would also be less expensive for the public.

The FoodSovCAP movement warns against the continuation of a policy based on world commodity prices, where agro-industry is looking for the lowest costs of production. This only leads to over-intensive agriculture and supports the export market for subsidised European agricultural products at the cost of the environment and stable farm and food prices worldwide.

The missing regulation tools in the CAP reform proposal will make it difficult for the proposed policy to deliver the needed effect. Although the draft proposals contain schemes to support small scale farming, young farmers, farming in difficult areas, and capping of the payments to large single farms, the concrete measures are too weak and won't provide support for truly sustainable and small scale farming.

### **Active farmers**

An active farmer is one who works on the farm. Anyone who does not work on the farm should not be entitled to direct payments. The term 'active farmer' should be defined in such a way that it prevents 'farm grabbing' by the rich or companies, The definition should also include small and middle-sized part-time farmers, as they constitute a majority in some regions and play an important role in local and regional food production and in ensuring the vibrancy of the countryside.

The definition should refer to a percentage of the income from agricultural activity, not to the percentage of direct payments. The proposed threshold of a 5% direct payment in relation to non-agricultural income is too low and only applies to some extreme cases.

### **The scheme for small farms**

This measure is welcome, for it acknowledges the importance of small farmers for rural communities and a diverse food production system in Europe. However, by proposing that small farmers should choose between the small lump-sum and the basic payment scheme, the Commission is treating small farmers separately, instead of integrating them into the same system as the others. The proposed payment is also too low to actually keep small farmers in business.

Many small farmers operate in areas with natural constraints, but provide beneficial social and environmental outcomes such as landscapes, carbon storage from grazing livestock, or maintaining rare breeds. Moving to more environment friendly methods of agriculture will also require more farmers within local and regional food systems, of which small farmers are the backbone. However small farmers face many constraints such as access to markets and competition from industrial farms which benefit from economies of scale. Therefore small farmers should be provided with additional incentives for keeping methods of production beneficial for rural communities and the environment. This must be supplemented with extension services for small farmers in Pillar 2.

FoodSovCAP sees the need for additional support for the small-scale farms on top of the basic payment. The deadline for registering as a small farmer set in 2014 should be removed – small farmers should be able to apply and leave the scheme any time. Moreover, Member states must be given the possibility to increase the threshold of 10% of direct payments dedicated to the scheme, according to the farm structure conditions in each Member state. The premium amount must be increased, with a minimum of €1,000 per holding. This scheme should be supplemented with farm advisory and extension services for small farmers in pillar 2.

### **Capping of direct payments**

Currently, very large farms and landowners receive huge CAP payments without the need to demonstrate any social and environmental public benefits. The capping of direct payments is therefore welcome. However, according to the proposal, only a very small part of all direct payments given to the biggest farms would be deducted, as the ceiling is set very high.

It is also questionable why 30% of direct payments, the greening part, would be excluded from the amount that will be subject to capping. FoodSovCAP would therefore like to see that the capping is put on 100% of the direct payments of the first pillar.

Moreover, instead of putting the first level of degressivity to €150.000, with a ceiling at 300.000, the first level should be decreased to €100,000, with a ceiling at €200,000.

### **'Greening' of direct payments**

In the legislative drafts the Commission proposes linking 30% of CAP direct payments to 'greening measures'. Farmers will receive this payment for undertaking a package of 3 measures. Farms registered as organic will automatically receive the payment. Although this is a step in the right direction to ensure better protection of natural resources, FoodSovCAP believes that more significant steps are needed to move towards environmentally friendly and low-input agriculture.

The 1st pillar provisions should include support for agricultural practices that increase soil organic matter and biodiversity, reduce greenhouse gases and protect the water. Therefore the area of permanent grasslands should be increased, legumes should be included in the arable cycle and areas important for wildlife should be maintained. The current greening proposals will not achieve any of the above

Furthermore, FoodSovCAP recommends making the rotation of field crops mandatory for arable farmers, instead of the « diversity » measure. In order to deliver positive effects for the environment (nitrogen fixation) this measure should include plant protein/legumes crops and hemp as part of rotation, where the agro-climatic conditions allow it. Including legumes in crop rotation has several benefits such as the reduction of the use of nitrogen fertiliser and of climate emissions, and the improvement of soil quality. It can also play a role in reducing the EU's dependence on imported proteins for animal feed, an issue which has been identified by the European Parliament and the European Commission.

This point is particularly urgent because it bears on the climate and food security threat and the strain on resources connected with over-intensive crop and livestock production.<sup>6</sup> Currently, already 80% of the agricultural land worldwide is devoted to livestock and feed production, mainly detrimentally, as it is connected to intensive pig- and poultry farming.<sup>7</sup> If this trend were to continue, the protein feed production worldwide would have to triple by 2030. The planet cannot possibly support this 'hoofprint'. If we want to stop the massive negative environmental and social consequences of European factory farming and feed imports, we need substantive changes in European food production and consumption.

In its communication of November 2010, the Commission states (in 3.1) that the EU should 'encourage the synergies between crop and livestock farming, e.g. in proteins'. Moreover, a resolution of the European Parliament, Article 72 states: "The Commission should support protein crops in the EU so as to give the Union greater autonomy, thus contributing to the diversification of agriculture in the developing countries". The European Commission has missed the opportunity to tackle the grain-protein seed-livestock complex in general.

in order to truly green the CAP we call on the EU to decrease the high dependency (80%) of EU livestock on imported protein animal feed, mainly soy, by developing a comprehensive plant protein strategy strongly linked to the reform of the CAP, and to reduce soy imports from Latin America. The EU should also support livestock farms that purchase more than 50% of their plant protein feed from local sources, thereby helping to close the nutrient cycle.

Moreover, the EU should begin campaigns to reduce meat overconsumption.

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<sup>6</sup> Worldwide the GHG emissions from livestock farming make 12%, of total emissions, but the indirect effect is much larger: livestock breeding requires 80% of land-use (68% in Europe). Livestock breeding (mainly pig and poultry) requires massive streams of grain (delusively cheap because of surpluses and subsidies), maize, soybeans and rapeseed - plus water, fertiliser (made of oil), and of pesticides and herbicides. All these products are transported across long distances which requires lots of fossil fuels. Moreover worldwide livestock farming is responsible for 30% of biodiversity loss (replacement of original soils by pasture, and by emissions of ammonia, nitrogen and phosphate) See Tony Weis, 'The Meat of the Global Food Crisis', <http://www.tni.org/events/hunger-food-and-agroecological-alternatives>, and Wageningen World 2-2011 p. 32 ff. At the same time sustainable livestock farming in permanent grasslands areas is often the only possible farming activity in LFAs, and has positive effects on agric and natural biodiversity, carbon storage in soil, and on keeping economic activity and jobs in LFAs.

<sup>7</sup> Wageningen World 2-2011 p. 32 ff. <http://www.wur.nl/UK/publications/periodicals/>

### 3. Rural development

The proposal with its six priorities offers interesting possibilities and flexibility to Member States and regions. However, FoodSovCAP fears that the 'partnership contracts' between the member States or regions and the EU, could focus too much on investments and on unsustainable innovation focussed on technofixes and plant breeding rather than developing innovation in agro-ecology, local distribution systems..

FoodSovCAP would favour a ban on any payments from the 2nd pillar fund going into the building or maintenance of factory farms. Instead, a clear reference and an earmarked budget included in the rural development pillar priorities should be focused on the environment, climate protection and animal welfare. This should include measures to support free range pig and poultry farming and to support farmers, seed breeders and processors who increase legume cultivation and use.

FoodSovCAP supports the 25% minimum for environmental measures and welcomes the measures in favour of short supply chains, but demands the removal of insurance schemes from the second pillar is unconnected with rural development.

Furthermore, given the increasing climatic uncertainty and price volatility, the causes of which are not addressed in the proposal, it could put the expenditure for agro-environmental and other positive measures into jeopardy.

Yes, innovation is needed in agricultural production and trade: this CAP reform should clearly give the priority to sustainable low input agronomic innovation (excluding GMOs), local and regional marketing innovation, local quality food schemes for schools and other public catering.

### 4. Imperative to stop the CAP damaging livelihoods and the food system in developing countries

Last year's debate on the CAP reform revealed widespread support in the European Parliament, including considerations for the future CAP regime's impact on the world's poorest and most food insecure people<sup>8</sup>. Regrettably, these demands were ignored in the Commission's legislative proposals of 12 Oct. 2011, in which the Lisbon Treaty legislative provision of Policy Coherence for Development (PCD) was dropped. This comes at a time when the ongoing hunger, economic and climate crises clearly demonstrate the failure of the current international agricultural market architecture to guarantee global food security. As the largest agricultural trading block, the EU has a special responsibility to help the transition of vulnerable developing countries towards meeting the food rights of their own people. This requires a fundamental recognition that world hunger does not legitimise subsidized European exports and that developing countries must be allowed to develop and safeguard their domestic production.

There should be a formal reference to the PCD principle and to the obligation under article 208 of the Lisbon Treaty, in the relevant new CAP legislative texts. The article states that the EU "shall take account of the objectives of development cooperation in the policies that it implements..."

The new CAP legislation should contain obligations to monitor the impacts of CAP on food security and agriculture in developing countries on an ongoing basis. It should refer to all the relevant stakeholders and especially family farmers' organisations from developing countries. In case of incoherence with development issues, corrective actions must be decided upon.

In the EU's development policy approach, the new EU Food Security Policy Framework<sup>9</sup>, adopted in 2010, already "acts as a priority benchmark/indicator for PCD" in the Commission's work on

<sup>8</sup>Spring 2010: Official Conclusions for EC online hearing:

*"The EU should avoid damaging the economies or food production capacities of developing countries."*

Nov. 2010, EC communication: *"it is essential that EU agriculture maintains its production capacity and improves it while respecting EU commitments in international trade and Policy Coherence for Development."*

July 2011, EP Resolution (rapporteur: Dess):

*Calls for the EU to ensure consistency between the CAP and its development and trade policies; in particular urges the EU to be attentive to the situation in developing countries and not jeopardize food production capacity and long term food security in these countries and the ability of those populations to feed themselves, while respecting the principle of Policy Coherence for Development (PCD); therefore EU trade agreements on agriculture should not hamper markets in the least developed countries"*<sup>3</sup> EP resolution (rapporteur: Zimmer) quote:

<http://www.europarl.europa.eu/sidesSearch/search.do?type=REPORT&term=7&author=28248&language=EN&startValue=0> DEVE- opinion (rapporteur: Arsenis) quote:

<http://www.europarl.europa.eu/sidesSearch/search.do?type=COMPARL&subType=OPCF&language=FR&term=7&author=97009>

<sup>9</sup> [http://ec.europa.eu/development/icenter/repository/COMM\\_PDF\\_COM\\_2010\\_0127\\_EN.PDF](http://ec.europa.eu/development/icenter/repository/COMM_PDF_COM_2010_0127_EN.PDF)

Food Security. Consequently, the Food Security Policy Framework should also be the benchmark for reference for PCD in the CAP legislative text.

The EU should use the CAP to drive a transition to sustainable and climate-resilient agriculture in Europe, and, since the CAP invariably influences agricultural practices and agricultural research and land use changes in other countries, will thus contribute to this transition worldwide.

**We request the Commission, Council and Parliament to take their responsibility and amend the proposals according to the comments and proposals described above.**

#### **Co-signing organizations:**

##### European organizations

European Coordination Via Campesina  
Friends of the Earth Europe  
European Attac Network  
Africa Europe Faith & Justice Network  
ASEED Europe  
Food and Water Europe  
Transnational Institute

[www.eurovia.org/](http://www.eurovia.org/)  
[www.foeeurope.org/](http://www.foeeurope.org/)  
[www.attac.org/](http://www.attac.org/)  
[www.aefjn.org/](http://www.aefjn.org/)  
[www.aseed.net/](http://www.aseed.net/)  
[www.foodandwaterwatch.org/europe/](http://www.foodandwaterwatch.org/europe/)  
[www.tni.org/](http://www.tni.org/)

##### National organizations

###### *Austria*

Welthaus Diözese Graz-Seckau  
ÖBV-Via Campesina Austria  
Agrarbündnis Österreich  
Attac Austria

[graz.welthaus.at/](http://graz.welthaus.at/)  
[www.viacampesina.at/](http://www.viacampesina.at/)  
[www.agrarbuendnis.at/](http://www.agrarbuendnis.at/)  
[www.attac.at/](http://www.attac.at/)

###### *Belgium*

Vredeseilanden (VECO)  
Wervel

[www.vredeseilanden.be/](http://www.vredeseilanden.be/)  
[www.wervel.be/](http://www.wervel.be/)

###### *France*

MABD (Mouvement d'Agriculture Bio-Dynamique)  
Attac France

[www.bio-dynamie.org/](http://www.bio-dynamie.org/)  
[www.france.attac.org/](http://www.france.attac.org/)

###### *Germany*

Slow Food Deutschland e.V  
FDCL  
FIAN Germany

[www.slowfood.de/](http://www.slowfood.de/)  
[fdcl-berlin.de/](http://fdcl-berlin.de/)  
[www.fian.de/](http://www.fian.de/)

###### *Italy*

Terra Nuova  
MANI TESE

[www.aamterranuova.it/](http://www.aamterranuova.it/)  
[www.manitese.it/](http://www.manitese.it/)

###### *Netherlands*

Platform aarde Beor Consument  
WILPF Netherlands  
FIAN Nederland

[aardeboerconsument.nl/](http://aardeboerconsument.nl/)  
[www.wilpfinternational.org/](http://www.wilpfinternational.org/)  
[www.fian-nederland.nl/](http://www.fian-nederland.nl/)

###### *Spain*

Ecologistas en Acción

[www.ecologistasenaccion.org/](http://www.ecologistasenaccion.org/)

###### *UK*

Pig Business, the film and Campaign  
Calder Food Hub  
Campaign for Real Farming  
Environmental Practice @ Work  
Development Alternatives  
Hampshire Fare

[www.pigbusiness.co.uk/](http://www.pigbusiness.co.uk/)  
[www.calderfoodhub.org.uk/](http://www.calderfoodhub.org.uk/)  
[www.campaignforrealfarming.org/](http://www.campaignforrealfarming.org/)  
[www.epaw.co.uk/](http://www.epaw.co.uk/)  
[www.devalt.org/](http://www.devalt.org/)  
[www.hampshirefare.co.uk/](http://www.hampshirefare.co.uk/)

**[www.nyelenieurope.net/foodsovcap/](http://www.nyelenieurope.net/foodsovcap/)**

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