Common Agricultural Policy

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 secure availability of food supplies during the Cold 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 are being 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 CAP is due to be renewed in 2013 (this will include a review of the Single Payment Scheme). There is speculation that reforms could shift spending from the CAP towards innovation, climate and energy. Recent proposals have also included an income insurance scheme for farmers, with 2/3 of farmers' earnings now provided by direct payments from the CAP.

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 2010 is €43.8bn (31% of the EU budget and 6.4% more than in 2009). For 2011 the CAP budget has been reduced by 3%. The cost to Britain is around £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

- Resources are best allocated through a free market: CAP makes food more expensive in the EU than it need be.
- 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.
- 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).

Quotes

'The CAP cost British consumers £6.7bn in 1998 and taxpayers footed a further £3.4bn to fund the scheme. The total was equivalent to £3.30 per person per week in Britain, or £250 per year for every man, woman and child…' Elliott Morley, Agriculture Minister, 1999

'Agricultural output is not measured only in cereals or beef but also in the landscape and the environment'. Franz Fischler, EU Agriculture Commissioner 1999-2004

'The way to build lasting economic growth [in Africa]… is for Europe to end the CAP.' Sir Digby Jones, former Chair, CBI

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
http://news.bbc.co.uk/1/hi/world/europe/4407792.stm

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Last update: Lucy Hatton 07/2011