CONCORD reply to the European Commission’s public consultation on the Common Agricultural Policy (CAP)

April 2017

This paper elaborates the impacts of the CAP in the Global South, as a complement to question 11, which leaves no room to provide substantial contents input.

The inception impact assessment includes strong references to EU’s international commitments in the area of sustainable development, in particular the Sustainable Development Goals (SDGs) and the Climate Paris Agreement. CONCORD welcomes the fact that those two landmark commitments, which should now influence all policy areas, are part of the context analysis. However, specific impacts in the Global South are not mentioned at all in the list of likely economic, social and environmental impacts that the impact assessment will have to look at. CONCORD calls for the impact assessment to include an analysis of impacts of the CAP on food security, access and control over natural resources for local communities, and small scale food producers in developing countries. That would be in line with the impact assessment toolbox that is part of the Better Regulation Package.

In 2013, CONCORD issued recommendations to make the CAP compliant with development objectives, but with the exception of the abolishment of export refunds that should be fully achieved by 2020, which CONCORD welcomes, our other recommendations have been ignored so far. Our main concerns today as regards the impacts of the CAP on people living in poverty in developing countries are the following:

1. Direct payments

Direct payments that the EU notifies under the rules for WTO “green box” subsidies allow for unlimited spending. This remains unchallenged in most of the EU’s bilateral free-trade agreements, including the Economic Partnership Agreements with the ACP countries.

Successive reforms of the CAP have reduced the distortion of trade for farmers in developing countries compared to the past. Firstly, price support for European farmers has been replaced by income support. Secondly, export subsidies have been scrapped for most products. However, farmers in the EU currently receive direct payments that de facto make them more competitive on the global markets, even if those subsidies are not focusing on exports in particular. One of the objectives of the CAP first pillar payments is actually explicitly to enhance competitiveness. CAP payments contribute to generate surplus food commodities for cheap exports based on cheap imported inputs. Farmers in the Global South don’t receive this kind of support. This is not to argue that financial support to sustainable farming in Europe should end – certainly not. But we argue that the combination of the CAP subsidies with strong EU trade defence instruments and market access to third countries under EU free trade agreements creates unfair competition for small scale food producers in developing countries, who represent a majority of the world’s poor.

Since 2009, the value of EU agro-food sector exports has increased rapidly, hindering the structural development of the agri-food sector in Sub-Saharan African countries, whose net exports surplus
have significantly declined. The ongoing strong emphasis by the European Commission on export-led agricultural growth may make this issue increasingly problematic for small-scale food producers both in the EU and in third countries. A majority of smallholder farmers in the developing world are women, which means they are likely to be disproportionately affected.

A striking example: Milk and dairy products

Overproduction in the European milk sector is not a new phenomenon. The milk production quotas implemented since 1984 were fixed at a level about 10 percent higher than the EU domestic needs. The elimination of the quotas system in 2015 with the expectations of larger outlets, particularly in Russia, China and African countries, further aggravated the overproduction. As this structural overproduction has led to lower farm prices, it fostered an increase in production at farm level in order to maintain income levels. Dairy industries have followed a parallel consolidation path to increase their competitiveness on the world market in a context of falling world prices.

In 2016 dairy products represented 11.8% of EU exports of agricultural products outside the EU, for 15.6 billion euros, ranking second after cereals (22.8%). If such large exports of dairy products were possible in 2016 in spite of a relatively low price on the global markets and without export subsidies (suppressed in 2014), it is because the European dairy sector benefits from various forms of financial support that provides an unfair competitive advantage compared to livestock farmers and dairy industries in developing countries. To quote but a few:

- decoupled aid,
- crisis support since 2015,
- second pillar subsidies to enhance competitiveness at farm level – which include restructuring and modernisation measures as well as start-up aid for young farmers,
- support for storage of skimmed milk powder and investment subsidies to dairy industries.

Combining all those forms of financial support, the average support by tonne of milk was at 49.79 euros in 2016, to which should be added subsidies to feed, of which cereals, amounting to 17 euros per ton of milk.

Export of those subsidised dairy products towards developing countries is putting at risk local investments in smallholder dairy supply chain, as in west Africa, where the majority of dairy farmers are tiny smallholders. The EPAs will include in certain cases an immediate reduction of import duties on some dairy products imported from the EU – for example, the interim EPAs of Ivory Coast and Ghana require the suppression of the duty on milk powder from 5% to zero from 2018 in Ivory Coast and from 2021 in Ghana. This will make it even more difficult for the governments of those countries to protect their local milk producers and to develop their domestic industries in this sector.

CONCORD is not advocating to end subsidies to milk producers and farmers in Europe but to limit them for exported products. CONCORD believes that the quota may be a useful tool to manage the milk production system and that there could be incentives to limit overproduction. The current system is destroying the livelihoods of many milk farmers across the EU and only leaves the biggest alive, despite all the above-mentioned subsidies. Exports are not an appropriate reply to the unfair situation of small EU milk farmers.

2. Export refunds

The end of export refunds is to be welcome. However, CONCORD is concerned that Question 22 in the CAP review public consultation (“Which actions could further improve the EU export performance?”) may reflect willingness by the European Commission to re-introduce and amplify promotion and export credits to boost EU competitiveness on global markets. Boosting exports as a way to improve the situation of European farmers in distress is a short-sighted and unsustainable approach that is not in line with the principle of Policy Coherence for Sustainable Development (Art.
208 of the Lisbon Treaty): in today’s globalised world, a holistic approach is needed, and Europe should not push farmers in Europe to compete with their fellow farmers in the Global South. Local food systems based on policies prioritising support for small scale food producers and strengthening their resilience to climate change must be prioritised to achieve food security and the right to food in an increasingly hostile environment. The CAP should contribute to building a new European food system in line with the transformative nature of Agenda 2030, integrating all the dimensions of sustainable development – economic, social, environmental, and based on participatory and democratic governance.

3. Meat consumption and feed imports

It is left up to Member States to endeavour to reduce the strong dependence on plant protein imports for feedstuffs by promoting leguminous crop production in the EU. Mass soy production to feed European livestock has significant negative environmental and social impacts in exporting developing countries such as Brazil, Argentina, Bolivia, Paraguay and Uruguay, including biodiversity loss, forced evictions and displacement of small farmers and indigenous people, loss of employment and increased food insecurity. The European agro- and food processing industry depends heavily on low cost imports of soy, sugar cane and palm oil for its own competitiveness and for its position as an export champion. This food system is driving competition for natural resources (land, water) on which 2.5 billion people in the world depend for their livelihoods. Europe’s land footprint totals 269 million hectares - with 40 per cent of this used outside of Europe - an area almost the size of France and Italy combined. Animal products represent the largest share of that footprint – 73 per cent.

Commercial, export-driven agriculture is the biggest driver of deforestation. Recent estimates put this figure at 70 per cent of total deforestation. EU figures show that it causes 36 per cent of all deforestation in crops and livestock that is traded internationally. 60 per cent of the deforestation embodied in EU consumption is associated with the food sector (of which 18 per cent is from meat and 42 per cent from other food).

Nothing is foreseen under the CAP or under a potential EU Food policy to promote reduced and more sustainable meat consumption, reduction of the livestock numbers and alternative feed crops production in Europe. Nothing is being done either to ensure that the raw commodities imported to feed European livestock are produced sustainably – from a social, environmental and human rights perspective. In that regard, CONCORD considers that voluntary initiatives are largely insufficient, and welcomes the call by the European Parliament upon the Commission to enhance responsible business conduct and due diligence initiatives that complement the existing EU timber regulation, or the EU regulation on conflict minerals, for other sectors.

4. Monitoring the Respect of Article 208 of the Lisbon Treaty
   (Policy Coherence for Sustainable Development - PCSD)

The obligation to ensure coherence between the CAP and sustainable development objectives should be strongly reaffirmed and supported by a robust mechanism. This should include regular monitoring of the CAP’s impact on developing countries. Effective ex-post monitoring system and a formal complaints mechanism with redress options are needed to allow small-scale farmers and other groups to challenge the EU formally when their rights or livelihoods are negatively impacted by the CAP.
5. The way forward: Which model of agriculture?

The impact of the European food system as shaped by the CAP on countries in the Global South is closely related to the more systemic question of the model of agriculture promoted by the CAP, and how it relates to food systems in the Global South. As recently affirmed by 120 European civil society organisations from many different sectors, “we believe that the European food and farming system is broken: that it is working for the interests of a few to the detriment of the majority of people, farmers, and the planet. Europe’s food and farming system directly contributes to a wasteful use of finite global resources and damages the environment by contributing to climate change, biodiversity loss, depletion of fisheries, deforestation, soil erosion, water scarcity, as well as water and air pollution. Factory-style farming – largely dependent on imports and a major contributor to antimicrobial resistance – has been promoted at the expense of viable incomes for farmers and jobs in rural areas in Europe, as well as human rights, decent work, and livelihoods in developing countries. Farmers are facing a flawed choice between bankruptcy and further intensification. Farmers practicing credible alternatives like organic and agro-ecological agriculture remain on the fringes in favour of business as usual. At the same time, high levels of undernourishment, the rapid rise in obesity and unhealthy diets are among the main causes of death and disease both in Europe and worldwide. The EU’s Common Agricultural Policy (CAP) has contributed to this broken food and farming system through the promotion of agro-industrial farming methods and global commodity chains. In order to meet the Sustainable Development Goals (SDGs) and its obligations under the Paris Climate Agreement, the EU must carry out a radical reform of the CAP and related policies. A fairer, more sustainable and resilient system is urgently needed”.

There is growing disenchantment with proposals for further trade liberalisation. The CAP should not be considered in a silo, but in combination with the EU trade policy aiming at opening European and third countries’ agriculture markets. The current EU trade policy does not take into account the cultural, environmental and human rights dimensions of agriculture, nor its pivotal importance for pro-poor rural development in developing countries and the key role it can play in mitigating and adapting to climate change. As noted by UNCTAD, current trade rules for agriculture pose considerable challenges to the development of climate-resilient agriculture with small-scale farmers at the centre. That is in contradiction with the EU commitment under its 2010 EU Food Security Policy Framework, which prioritises focus on empowering small-scale producers, particularly women. This tension is not acknowledged in the EU Trade policy (Trade for All), which treats food and agriculture as any other product to be traded. Nor does the EU Trade policy include any reference to the need to promote and protect short food supply chains and the many initiatives connecting directly farmers and consumers in European countries.

The Commission’s Inception Impact Assessment outlines 5 scenarios for the CAP reform and only one, the fifth one, which proposes investment in local markets and short supply chains, a ceiling on direct payments and a focus on environmental requirements, is going in the right direction. That is the scenario that best reflects the commitments under various SDGs, including SDG 1 on poverty eradication, SDG 2 on hunger, SDG 10 on inequality, SDG 15 on life on land and SDG 12 on sustainable consumption and production.

Recommendations:

1. The impact assessment should include a gender-sensitive analysis of the impacts of the CAP on food security, access and control over natural resources for local communities (in particular land), and small scale food producers in developing countries.
2. Based on that assessment, the subsequent policy proposal should mitigate negative impacts on people’s right to food and to a decent livelihood, especially for smallholder farmers in the
global south, whose overwhelming majority are women. Export promotion schemes and export
credits should not be introduced or increased, and given the EU’s agriculture system reliance on
natural resources from other parts of the world, there should be a commitment to develop
consumption-based indicators for measuring and monitoring key resource footprints, including
land, water, material and carbon, and to create binding targets with the aim to reduce the EU
natural resource footprint.
3. The EU should ensure trade rules for agriculture – combined with the CAP or a fully-fledged
EU food policy – to encourage rather than hamper the development of climate-resilient
agriculture based on agro-ecological practices with small-scale farmers at the centre, both in
Europe and in developing countries.
4. The CAP should contribute to building a new European food system in line with the
transformative nature of Agenda 2030, integrating all the dimensions of sustainable
development – economic, social, environmental, and based on participatory and democratic
governance. Special attention must be paid to the participation in policy making of people
living in poverty or most affected under the current system, with special attention to
women’s participation.
5. European policies, including the CAP, should promote reduced and more sustainable meat
consumption and production and alternative and biodiverse feed crops’ production in
Europe. There should be binding rules to ensure that the raw commodities imported to feed
European livestock or to be used in the European food-processing industry are produced
sustainably – from a social and environmental perspective.
6. There should be regular monitoring of the CAP’s impact on small-scale farming, the use of
land and the environment both in Europe and in developing countries and a formal
complaints mechanism for affected communities should be established.
7. Market regulation measures are necessary to ensure fair incomes for European farmers and
to contribute to a sustainable family farm model. The new instruments of regulation should
be flexible, dynamic and able of anticipating the crises rather than correcting them.
8. Direct payments should evolve towards new support mechanisms taking into account the
production model and the related production costs and prices.

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1 CONCORD (2013) Spotlight Report, Chapter 3: Food and Nutrition Security, weblink:
https://concordeurope.org/2013/09/17/spotlight-on-eu-policy-coherence-for-development-the-real-life-
impact-of-eu-policies-on-the-poor-chapter-3-food-and-nutrition-security/
2 http://www.wur.nl/en/show/CAP-reforms-have-few-consequences-for-developing-countries.htm
3 APRODEV CAP Statement October 2013, at http://actalliance.eu/wp-
APRODEV CAP lobby Brief 4: EU Imports of soy for animal food, at http://actalliance.eu/wp-
3i Based on 2010 data from Tallage, Modelling of feed consumption in the European Union, November 2009, a
report prepared for DG Agriculture for which “the study provided a comprehensive overview of feed
consumption in the EU”: http://ec.europa.eu/agriculture/analysis/external/feed/index_en.htm. See also The
large EU dumping of dairy products in 2016 to extra-EU, West Africa, SADC, CEMAC and EAC, SOL,
https://www.soi-asso.fr/analyses-politiques-agricoles-jacques-b-2/
Retrieved from yale.edu/agrarian studies
5 Fischer G., S. Tramberend, M. Bruckner and M. Lieber, forthcoming. Quantifying the land footprint of
Germany and the EU using a hybrid accounting model. Dessau: German Federal Environment Agency.


In Cambodia, e.g., the combination of the EU Sugar policy and the Everything But Arms policy against a background of lack of rule of law, has facilitated land grabs to a shocking scale.


