

## Sorting Out the CAP

### Striving for a European agricultural and food policy

**JEAN NESTOR** IS GRADUATE FROM THE INSTITUT NATIONAL D'AGRONOMIE IN PARIS, HE HAS BEEN SECRETARY GENERAL OF THE EUROPEAN MOVEMENT FRANCE AND THEN SECRETARY GENERAL AND VICE PRESIDENT OF *NOTRE EUROPE*.

HE IS A MEMBER OF NOTRE EUROPE'S BOARD OF DIRECTORS.

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The current trend in the prices of agricultural raw materials calls for an in-depth reform of the inconsistent entity that the common agricultural policy has become. It presents an opportunity for the European Union to abandon former stereotypes and the poor compromises that the latter has accumulated. Since most of the former instruments have been “disabled” by current market trends, we can now distinguish between a well thought-out review of the agricultural and food market regulations that Europe needs and a rethinking of the policies currently being funded under the CAP that have no reason to be federated by an agricultural policy and to assume the form of revenue transfers to farmers. This situation, which is bound to cause many problems in the world, may be a chance for Europe to “sort out” its oldest common policy.

The recent rise in agricultural raw materials is starting to wake up this “sleeping beauty” that was once European agriculture. For the first time since the creation of the Agricultural Common Market, the prices of several major agricultural crops such as cereals seem to be sustainably breaking free of the administered prices set by Brussels.

Behind this trend, we can vaguely perceive tectonic mechanisms at work, such as climate change, effects caused by the depletion of oil resources, and the irruption of a new food demand from emerging countries, which is to say from the majority of this planet’s inhabitants. Accompanying the emancipation from administered prices is the return to uncertainty specific to agricultural production, which the CAP’s disputed strides had erased from people’s minds for nearly half a century.

It would be pointless to merely express satisfaction with, or to deplore, this new development based upon former opinions as to the CAP’s merits and shortcomings. Indeed, the present situation offers us an opportunity to totally rethink the inconsistent entity that this institution has become as a result of its successive compromises, in order to give it back the dignity of a policy—in other words, a discussion of rational choices to be made with respect to the objectives and the means to attain them.

## Abandoning inconsistency and hypocrisy

Originally conceived as a policy for regulating markets and streamlining conditions for agricultural production, this policy, under the influence of the many reforms required by its immoderate success, gradually split into two heterogeneous blocks, each of which has individually lost its legitimacy.

The first block often receives bad press. It consists of what remains of the market regulation instruments: milk and sugar quotas, the setting aside of

land, and some farm products held in public storage, as well as border protection. It often seems, like the legacy of past mistakes, that it is no longer really able to control the markets, and furthermore, no longer really knows why the latter needs to be controlled. Apparently, it can justify its existence only by the budgetary savings that it is likely to generate. A significant part of its *raison d’être* disappeared with the creation of the European internal market and the establishment of a common currency.

The second block has progressively become a massive revenue transfer mechanism funded by the European budget for the benefit of a limited population of farmers, with no other justification than maintaining a vested right to benefit from subsidies. This entity—the most important one in budgetary terms—offers little to justify the taxpayers’ support: of dubious legality, its operation is also inefficient and its distribution unfair. This explains why people have formed the habit of embellishing this reality with a more acceptable set of justifications such as environmental protection, rural development, or the preservation of traditions—all objectives with no direct link to farming *per se*, and at any event no excuse for taking such a complicated detour exclusively through farmers’ pockets.

It is these two systems that the present situation offers an opportunity to thoughtfully review: each on its own individual merits.

## Striving for an agricultural market regulation policy

The new situation offers an opportunity to successively “disable” the main market regulation instruments: the quotas and setting aside of land are starting to lose their rationale, there are no more products to purchase under the assistance programme, nor any export subsidies to be granted for the principal agricultural products. On the other hand, if the shortage or instability were to last, the lack of such instruments would bring into play some basic European interests: security and the quality of food supplies,

the regional balance of farming activities and international solidarity—all challenges which the CAP's residual instruments, which each successive reform reoriented in order to get rid of surpluses, can no longer meet. We would then be forced to call for an emergency regulation, which is the best way known to create ineffective and excessive state intervention.

The intermediate situation in which we find ourselves thus presents the dual advantage of having taken out of play the former mechanisms without causing the state of the markets to urgently call for new ones. This period should be profitably put to use by calmly reflecting upon the relevant objectives of a regulatory policy and upon the choice of means that would avoid excessively incurring the EU's liability or committing its budget, as was the case with the former CAP's mechanisms. Were the instability to last, it would be a dangerous illusion to imagine that agricultural markets would be spontaneously capable of restoring a satisfactory balance. For many reasons, here as well as elsewhere in the world, the only way the agricultural economy knows how to react to market instability is by generating a series of overproduction and underproduction crises. Similarly, it would be futile to forget the lessons learned from the mistakes of the former CAP and to think that it would be possible to resolve the compromised food situations solely through state authorities.

This first problem undeniably calls for European expertise, not only because the Treaties so stipulate, but particularly because food-supply issues concern the entire European population and are dependent upon geopolitical determinants. The challenge of this exercise lies in the scope of the disputes and resentments that the debate on the CAP has aroused with each successive reform and which largely accounts for its present inconsistent state.

## **Striving for a rural development policy free of farm mortgages**

In this area, too, raw material market trends are changing the nature of these issues and offering an opportunity for a thoughtful review. They are causing spectacular improvements in the status of field crop farmers, who happen to be the main beneficiaries of the CAP's direct transfers, while making the situation harder for farmers who are not included among them. These transfer policy contradictions will therefore very soon appear to be intolerable, as new regional imbalances are likely to be created. This is the occasion to abandon a logic based on compensation and the perpetuation of vested rights, and to give a positive orientation to policies as important as protecting the environment and the quality of life, rural development, and the promotion of the quality of agricultural products and food's symbolic values.

The issue would stop being perceived, for example, in terms of compensating handicaps through generic subsidies, and become one of promoting specific and finalized projects and activities. Eliminating the “complicated detour” and replacing it by a so-called “agricultural” policy should allow for a more transparent incremental review—policy by policy—of the objectives and the means, and therefore also of the procedures. The price to be paid for such transparency would be an effort to clarify the objectives of each of the policies that the current CAP is claiming to federate. This review would also raise the currently elusive issue of subsidiarity: the mandatory use of mechanisms and funding provided for under the CAP is being translated into a Europeisation in principle, the relevancy of which would need to be justified on a case-by-case basis, inasmuch as it would concern policies whose local impact often prevails—without adversely affecting European financing.

We cannot exclude that it may become necessary to maintain residual transfers for the benefit of certain particularly vulnerable forms of farming. This is a prospect that should be closely examined, because neglecting it could be a source of grave injustices. But nothing would require such a transfer policy to take on the majority of the current CAP's existing non-farming issues.

## Conclusion

The rise in raw material prices is bound to shake up the now vague political entity referred to as the "CAP," which opens up two possible scenarios. The first one would consist of arriving at a new compromise on a same-structure basis, according to which the roles would remain unchanged: CAP's opponents would thus be happy to have obtained a little more economy-generating dismantling, while its supporters would have managed to save a substantial share of the transfers included in the CAP. The whole structure would have become somewhat more opaque in its capacity to offer prospects to both farmers and those who benefit from farming and food production. The alternative would consist of interpreting this situation as an opportunity—at long last—to give Europe the agricultural and food policy it needs by intelligently rebuilding the oldest, most onerous, and most symbolic of its policies.

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