



## Why an alternative consultation on the future of the CAP ?

By launching a public consultation on the future of the CAP on the 2<sup>nd</sup> of February, Commissioner Hogan chose to walk in the steps of his predecessor, Dacian Ciolos, who had innovated with his wish to open the debate widely during the launch of the previous reform of the CAP in 2010. The intention was of course commendable with food and agriculture being everyone's business. However, these two consultations differ greatly in their format.

Based on 4 open questions with a relatively general scope ("Why do we need a European common agricultural policy?", "What do citizens expect from agriculture?", "Why reform the CAP?", "What tools do we need for the CAP of tomorrow?"), the 2010 consultation allowed a broad expression of points of view, but dictated a consequent synthesizing work in return, to identify common grounds and main divides. The document that summarizes the answers to the consultation shows the wide range of expectations from the 5682 respondents (among which 5473 declared themselves as part of the general public) concerning the main European policy.

The consultation offered by Commissioner Hogan differs greatly from the previous one. Of course, it is not about overstating the reach of an exercise which's main objective is to announce the start of a reform process. Furthermore, it is mainly the impact analysis of the Commission's proposals that will be a matter of discussion. However, the format of the consultation raises a few concerns that we hope are groundless, but that seem quite real given some organizations' reactions to it.

First of all, even though there are 5 open questions in the survey, the phrasing of the 28 others, structuring this new consultation, only leaves very little space for meaningful evolutions or even inflexions compared to the current CAP. It is what political scientists call "path dependency", a reform not being able to stray completely from past reforms' trajectory. However reading these questions leaves the impression of a much corseted exercise where the path seems more like a very narrow corridor without windows. A great number of questions require picking between 3 or 5 options among a list of general objectives or more operational ones chosen so you'll never stray from the existing path. What is the point of choosing between biodiversity, land degradation, air or water quality when it comes to the environmental part of the CAP?

While numerous agricultural sectors are sinking in crises, there is no trace of current events, which reinforces the disincarnated aspect of the consultation. The milk production reduction scheme, even though it became the Commission's full-fledged success in exiting the milk crisis, isn't even mentioned. Countercyclical supports, which change to support incomes during difficult times, are also among the absentees even though these tools continue to display their efficiency elsewhere in the world. Overall, no reference is made to the evolution of international markets which is marked by the end of the commodity super-cycle, or the reinforcement of agricultural policies in most other agricultural countries.

Along the restricted, almost locked, aspect of this questionnaire, the second fear comes with the risk of a manipulation, an overexploitation of the "results" of this consultation. With so many narrow questions it is indeed tempting to produce statistics that would attest of the merit of ulterior choices. It is understandable the different stakeholders activated their networks to massively respond to the consultation by sometimes even giving out a few instructions. It might only be fair and it undeniably has the advantage of mobilizing troops, but is it really in these conditions that an open and balanced debate can take place? A public consultation should not be trying to measure the power balance between the different stakeholders on a marked out almost biased ground. Thus, in order to avoid these types of suspicions in the use of the "results", it would have been wiser to stay with the spirit of the 2010 consultation with its open questions.

In view of these facts and with the prospect of the consultation closing on the 2<sup>nd</sup> of May, the think tank Momagri wished to take its part in the debate opening around the future of the CAP by offering an alternative public consultation based on two key ideas:

- On the one hand, the evolution of the CAP cannot be thought without looking at what other countries are doing in terms of agricultural policies. The European Union is the only one to base its agricultural policy on decoupled payments. This choice must be changed because decoupled payments are illegitimate when prices are high and often very insufficient when prices are low. They are easily captured by the farmer's economic environment and allow agricultural product buyers to pay under production costs. Finally, they enclose the European agriculture in a windfall and social treatment logic with negative consequences in terms of image for farmers as well as suppressing the means to redirect production systems.

The European Union must draw more from policies implemented in other countries especially the United States where wheat producers are guaranteed, via the PLC program (Price Loss Coverage program), to have a minimum revenue of 202\$/ton on 85% of their historical production by adding up a countercyclical payment to the price at which they sell their production. In Europe, in 2016, farmers received between 130 and 140 €/ton to which can be added between 30 and 40 €/ton of fixed decoupled payments on average. If we complete the picture with the other two great cereal producing countries, China and India, who have minimum prices for wheat at respectively 357\$/ton and 320\$/ton, it is

understandable that European producers might be worried, since for them the intervention price, the minimum guaranteed price, hasn't been updated for 25 years and is still at 101€/ton.

The differences in trajectories between the CAP and other agricultural policies in the world are also the reason why it is difficult to find a solution to the crisis of agricultural multilateralism characterized by the failure of the Doha round. The lucid observation of the structural instability of agricultural markets should lead the international community to rethink the basis for a better cooperation and a better coordination between stabilizing agricultural policies at national or regional levels. The cooperation within south-eastern Asian countries organized within the ASEAN+3 must set an example : by an active diplomacy and the mutualization of some strategic stocks, they managed to stabilize the rice market which wasn't hit, unlike wheat and maize, by the aftershocks of the 2010 and 2012 food crises. Europe must see itself more as a pole among others which must ensure there is a harmonious integration into international trade which will stay necessary but marginal and therefore marked by strong price instability. The global crisis, caused by freeing without a guardrail the production potential of the first worldwide producer of dairy products, the end of milk quotas, constitutes a regrettable textbook case.

- On the other hand, by turning its back on the stabilization of markets and income, the CAP is condemned to inefficiency in the fulfillment of its other goals, including the environmental ones. Rural territory development, protection of natural resources, innovation, agricultural counseling, generational renewal, the CAP has seen the list of its objectives broaden as reforms went on. However, the initial objectives written in the treaty of Rome, of which we celebrated the 60th anniversary, cannot be questioned : increasing agricultural productivity [...] by ensuring the optimum utilization of the factors of production, particularly labor ; ensuring thereby a fair standard of living for the agricultural population ; stabilizing markets ; guaranteeing regular supplies ; ensuring reasonable prices in supplies to consumers.

More than a synergy between initial objectives and new ones, the current agricultural crises show the difficulty of improving the vitality of rural territories, of making agricultural practices advance, or even of helping the installation of young farmers, when the objectives of stabilizing markets and income isn't fulfilled. When confronted to prices far under the costs of production, a farmer stands in a state of economic survival and because he has to gamble day by day the sustainability of his enterprise, how could he afford taking the risks associated with a change towards more environmentally friendly agricultural practices. It is rather by securing him more economically that the conditions for a change will be gathered. The same can be said for generational renewal or innovation.

More widely, by undertaking the supervision and piloting role over agricultural markets more, the European Union will be able to ensure a better consistency between the CAP and its other policies such as its energy policy or the protection of the most vulnerable

populations and thereby make the European construction go forward. The synergy between the agricultural policy and the food aid policy in the United States constitutes the perfect example to follow if we wish to go towards more political, economic and social integration in Europe. The fulfillment of the objectives to increase sustainable energy sources in the European energy mix also goes through a better articulation between agricultural policy and energy policy in order to use biofuels as a mean to stabilize agricultural markets. To do so, it would be fitting to introduce more flexibility in the incorporation mandates in order to favor food uses over nonfood uses. In these times where doubt increases on the European Union's capacity to overcome the perils that threaten the European construction, it is more than ever necessary to keep in mind that the CAP is the main Community policy, that it was an amazing vector for the European construction by the different means (including the common currency) that it's steering needed and that it could, on another foundation than the current one, be at the heart of a renewed European project.

**The alternative consultation we are launching aims to be able to add these elements to the debate. You can respond to the consultation on our website until the 2<sup>nd</sup> of July. This questionnaire is translated in only in French and in English. The results will be made public in September 2017.**