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Beyond CAP
Why the EU Budget Needs Reform

By Philippe Legrain

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'And ye shall know the truth, and the truth shall make you free.'
John 8:32

The Common Agricultural Policy (CAP), drawn up in 1958, has long since reached its sell-by date.[1] At the very least, it requires root-and-branch reform.[2] Such a reform must be set in the broader context of the European Union's new priorities and reflect the interests of all Europeans – not just landowners and agribusinesses. The CAP is ripe for major overhaul – up to and including abolishing it and "repatriating" agricultural subsidies to countries that wish to keep them. Only through reform of this type will the EU be able to focus on the economic and social challenges of tomorrow.

This is a crucial test for the EU. Is it serious about investing in the future, or does it wish to stubbornly subsidise the past? Do we want an EU budget that addresses today's pressing demands and helps Europe and its citizens prepare for the social and economic challenges of the 21st century? Or will our policies remain hostage to narrow interest groups that use their privileged place at the policymaking table to ensure that their subsidies keep flowing?

As the European Union begins the long-overdue debate on future spending priorities, a debate which will lead to concrete proposals for a modern EU budget in early 2011, the discussion on the CAP must surely be opened again. No doubt some will strive to ring-fence CAP spending, surreally declaring its regressive social effects as the cutting-edge of "progressive" European policy and using national vetoes to stop reform. This would be a grave blunder. As President Barroso set out in his recent "state-of-the-union" speech, the global financial crisis makes it even more important for Europe to embrace reform. Now is the time to seize that opportunity. Modernisation of the EU budget will be a litmus test of Europe's ability to meet 21st century economic and social challenges. Delaying those decisions would virtually guarantee another lost decade of meandering discussions, low credibility and limited progress at the European level.

1. An early version of this e-brief appeared as the Lisbon Council's submission to the European Commission consultation on "CAP post-2013," launched in April 2010 by Commissioner Dacian Cioloş. The author would like to thank Paul Hofheinz, Ann Mettler and Sylwia Stępień of the Lisbon Council for their editorial assistance and encouragement, as well as several anonymous reviewers for their valuable comments on the earlier version of the paper. Any errors of fact or judgment remaining are the author's sole responsibility.

2. For a summary of this paper's key recommendations and findings, see the Executive Summary that begins on Page 9.

'The CAP purports to help poor, small farmers, yet the richest 20% reap roughly 80% of the direct income support.'

Do We Need a European Common Agricultural Policy?

The CAP purports to help poor, small farmers, yet the richest 20% reap roughly 80% of the direct income support. The biggest handouts go to large (often hereditary) landowners and big agribusinesses. In effect, the masses of middle- and working-class taxpayers keep the lords of the manor in clover on the pretence of helping the peasants.

Shamefully, many European countries still keep the names of CAP recipients shrouded in mystery. But according to Farmsubsidy.org, a transparency group, the biggest beneficiaries are sugar companies such as France's Tereos, which received €178 million last year, and Poland's Krajowa Spółka Cukrowa (€135 million). At a time when most Europeans are tightening their belts, the number of CAP millionaires – people or companies receiving at least one million euros in CAP subsidies – rose by more than 20% to 1,212 in 2009. Together, this charmed circle pocketed €4.9 billion.[3] By one calculation, Britain's biggest landowner, the Duke of Buccleuch, may extract as much as €31.3 million a year from the CAP.[4]

Clearly, the CAP is not "for all of society," as Commissioner Dacian Cioloş said in a speech on "The Future of European Agricultural Policy."[5] Since agriculture accounts for a mere 1.6% of the EU economy[6] and 4.7% of EU jobs (2.8% in the EU-15),[7] the CAP penalises the vast majority of Europeans who neither own a farm nor work on one and must pay twice over to support landowners and farmers through higher taxes and higher food prices. The sums are astronomical. According to the Organisation for Economic Co-operation and Development (OECD), the CAP cost Europeans €79.5 billion in higher taxes in 2008 and a further €36.2 billion in higher food prices – a total of €114.6 billion a year, or 0.91% of EU GDP.[8] That works out at nearly €1,000 a year for a typical family of four. And since the poor spend a bigger share of their income on food, the CAP is particularly regressive.

The CAP's other victims are poor farmers in developing countries. Their exports to the EU are limited by high import tariffs; their sales in domestic and third markets are undercut by EU export subsidies; and the excess EU production that the CAP encourages depresses prices for their products more generally. This is immoral – and it works counter to the EU's efforts and stated commitment to promote international development and help the world's poor.[9] The CAP costs poor countries more than they receive in overseas aid from the EU. No wonder so many African farmers who cannot sell their produce in Europe risk their lives trying to come and work in the EU instead.

The broader costs to Europeans – and to the EU itself – are huge. By skewing the EU economy towards uncompetitive agriculture, the CAP acts as a tax on competitive industrial and service-sector exports, crimping economic growth.

3. Joshua Chaffin, "EU Pays Subsidies to Sugar Groups," *Financial Times*, 05 May 2010.

4. Kevin Cahill, *Who Owns The World: The Hidden Facts Behind Landownership* (Edinburgh: Mainstream, 2006). See also Stephen Castle and Doreen Carvajal, "Small Elite Reaps Millions in EU Farm Subsidies," *The New York Times*, 07 May 2009.

5. Dacian Cioloş, "The Future of European Agricultural Policy – Call for a Public Debate, Speech to the European Parliament's Agriculture Committee," 12 April 2010.

6. BBC, "Q&A: Common Agricultural Policy," 20 November 2008.

7. Eurostat, *Statistics in Focus*, 18/2010.

8. Organisation for Economic Co-operation and Development, *Agricultural Policies in OECD Countries: Monitoring and Evaluation 2009* (Paris: OECD, 2009).

9. Professor Alan Winters of Sussex University argues that "agriculture is vital for income generation and poverty alleviation in most developing countries. Three-quarters of the poor live and work in rural areas; agriculture is their major source of income; farm incomes have large spill overs to others in the rural economy; and food accounts for a major share of all poor people's expenditure." Quoted in Philippe Legrain, *Open World: The Truth about Globalisation* (London: Abacus, 2002).

> 'By skewing the EU economy towards uncompetitive agriculture, the CAP acts as a tax on competitive industrial and service-sector exports, crimping economic growth.'

It legitimises protectionist arguments: if agriculture is special, surely manufacturing is too? If "food security" is vital, isn't self-reliance important in other industries too? And it is a major obstacle to freeing up trade in the World Trade Organisation's Doha Development Round, as well as in regional and bilateral negotiations with other trading partners. All this deprives EU businesses of export opportunities and Europeans of well-paid jobs.

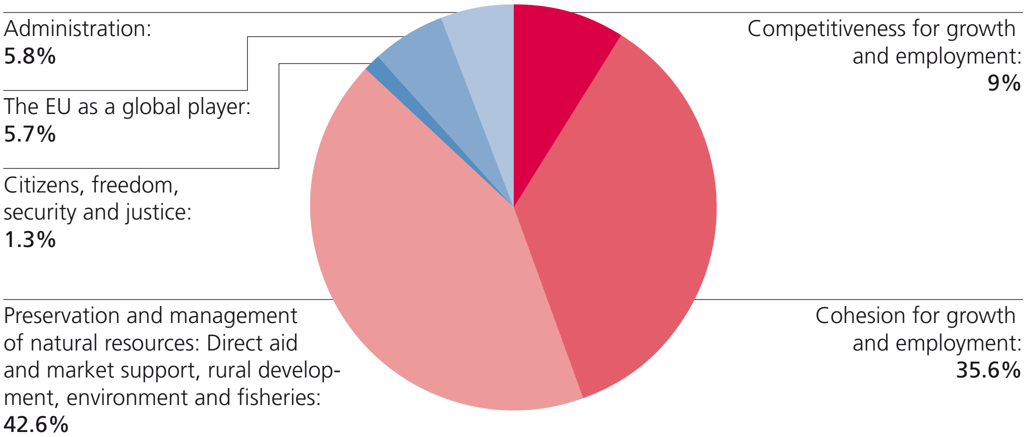
The CAP gobbles up over 40% of the EU's budget (for more, see Chart 1 below: How the EU Spends Its Money). Since public finances are extremely tight, and there is no appetite for increasing the EU budget beyond the current 1% of EU GDP, the CAP starves other EU priorities of funds. Given that economic growth was sluggish even before the financial crisis plunged the EU into recession, and that the Lisbon Agenda failed to make the EU the most dynamic and competitive economy in the world, propping up yesterday's jobs and today's powerful vested interests stunts the EU's ability to promote the skills, innovation and better-paid jobs of the future. Ideally, EU governments would not support farmers at all. But if they insist on doing so, subsidiarity dictates that they do so nationally, subject to EU state-aid rules and other constraints.

A recent Eurobarometer survey provides some important clues as to what citizens know – and what they expect.[10] When asked, "Over the next 10 years would you like to see an increase, decrease or no change in the European Union financial support to farmers?," 70% of respondents opted for an increase or no change – a fact which some have seized on to claim European citizens support the CAP.

10. European Commission, *Standard Eurobarometer 72*, December 2009.

Chart 1: How the EU Spends Its Money

The EU will spend a total of €975.7 billion in the 2007-2013 period. In 2010, €57 billion of that will be spent on the Common Agriculture Policy – more than €150 million a day.



Source: European Commission

'The CAP has scarcely been successful at promoting a competitive agricultural sector; otherwise, why are farms still deemed to need EU support?'

But the data actually tells a different, more subtle story. First and foremost, only 13% of respondents said that they had a clear idea of what the CAP is – a sign that this flagship EU policy exists largely in a fog of miscomprehension and ignorance. The CAP is already so complex that many of those who claim to understand it probably do not grasp all its negative effects.[11] And had citizens been asked, "Given that extra spending on the CAP over the next 10 years implies less spending on areas such as health, education, competitiveness and innovation, or higher taxes, would you like to see an increase, decrease or no change in EU financial support to farmers?,"[12] the answers would doubtless have been very different. We believe the next Eurobarometer on this topic should do more to explain the actual tradeoffs involved, and the harm that the CAP causes to other key EU policy areas.

Why Reform the CAP – and How

Among the CAP's purported aims are promoting a competitive agricultural sector; supporting farmers' and rural incomes; promoting rural development more generally; ensuring "food security;" and delivering public goods, such as food safety, animal welfare, biodiversity, environmental protection and mitigating climate change.

Let's consider each goal in turn. The CAP has scarcely been successful at promoting a competitive agricultural sector; otherwise, why are farms still deemed to need EU support? On the contrary, the CAP deadens farmers' incentives to compete and innovate to satisfy consumers' changing demands, since their true paymasters are EU bureaucrats. EU agriculture ought to be modernised. Recent proposals for managed markets in which "producer organisations" fix maximum and minimum prices would only distort markets and violate EU competition rules.[13] Instead, the first pillar of the CAP – market interventions, coupled subsidies and direct income support – should be phased out. All tariffs, quotas and other trade barriers should be abolished. Axis 1 of the CAP's second pillar – improving the competitiveness of the agricultural and forestry sector – should be limited to non-discriminatory investment in areas such as infrastructure. EU funding for agricultural research and development should be integrated into broader R&D initiatives. For more, see Table 1 on Understanding CAP on Page 5.

According to a recent high-level study commissioned by the European Commission, liberalising would strengthen EU agriculture, not destroy it. Scenar 2020-II, a study commissioned by the European Commission, concludes that "the impact of trade liberalisation and reducing domestic support is in general moderate; even with liberalisation agriculture will still be an important sector in Europe."[14] Crop production would rise slightly and the livestock sector would shrink a bit. Farmers' incomes would fall, but so would their costs – because farms would reap economies of scale and other productivity gains, but mainly because land prices would fall by 30%.

11. British officials believe that even Gerhard Schroeder, chancellor of Germany, failed to understand how CAP really works, allowing French President Jacques Chirac to convince him to agree to postpone meaningful reform until 2013. See Anthony Seldon, *Blair Unbound* (London: Simon and Schuster, 2007).

12. According to a 2008 Eurobarometer survey, 38% of respondents wanted the EU budget to be spent on economic growth and 36% on employment and social affairs, respectively. Only 14% wanted the EU budget to be spent on agriculture and rural development. European Commission, *Standard Eurobarometer 70, Public Opinion in the European Union*, December 2008.

13. Charlemagne, "If the CAP Doesn't Fit," *The Economist*, 22 April 2010.

14. The "liberalisation" scenario involves ending all agricultural trade-related measures, cutting the CAP budget by 75% in real terms, scrapping direct payments and market instruments, and doubling the European Agricultural Fund for Rural Development (EAFRD). For more, visit Scenar 2020-II – Update of Scenario Study on Agriculture and the Rural World on the European Commission's website, or check Executive Summary for the Update of Analysis of Prospects in the Scenar 2020 study. Preparing for Change, December 2009.

‘True Europeans should be willing to slay sacred cows such as the CAP to equip the EU for the challenges of the 21st century.’

In effect, the study highlights that the CAP’s main beneficiaries are Europe’s large landowners.

Unsurprisingly, then, the CAP does a poor job of supporting the incomes of poor farmers and people in rural areas. And in any case, it is not obvious why farmers and other rural residents deserve special assistance. Are farmers more deserving than, say, nurses? Are rural folk more deserving than people in Paris’ deprived banlieues or Germany’s rustbelt? It is indefensible that poor Polish nurses subsidise rich British farmers. Help for people on low incomes should be provided by national governments, based not on people’s job or location, but on their need.

Table 1: Understanding CAP

Since 1999, CAP has been divided into two main pillars: Pillar I includes direct aid and market support for farmers; Pillar II covers rural development funding.

Pillar I – direct aid and market support

Policy	Objectives	Main instruments
Market Interventions	Raise and stabilise market prices	Intervention buying, export subsidies
Coupled Subsidies	Increase production of selected goods	Production premiums, area payments
Direct Income Support	Reward farmers’ historic support entitlements	Single Farm Payment, Single Area Payment

Pillar II – rural development

Policy	Objectives	Main instruments
Axis 1	Improving the competitiveness of the agricultural and forestry sector	Management and advisory services, early retirement of farmers, modernisation of agricultural holdings, adding value to agricultural and forestry products, improvement of infrastructure
Axis 2	Improving the environment and the countryside	Agri-environmental payments, payments to farmers in mountains and areas with handicaps, animal welfare payments
Axis 3	Improving the quality of life in rural areas and encouraging diversification of the rural economy	Encouragement of tourism activities, village renewal and developments, basic services for the economy and rural population, business creation and development, conservation of the rural heritage

Source: www.reformthecap.eu

'It is indefensible that poor Polish nurses subsidise rich British farmers. CAP acts, in effect, as an anti-Cohesion Fund.'

The CAP also fails to promote rural development more broadly. In its recent summary report on the public CAP consultation, the European Commission claims that, "there is also an obvious link between agriculture and the positive economic and social development of the vast rural areas of the EU."[15] In fact, supporting loss-making farms hinders rural development. It traps people in uncompetitive – and therefore ultimately precarious – jobs, instead of encouraging them to retrain and seek better ones. And by raising the cost of rural land and reducing the supply available for more welfare-enhancing uses – such as nature reserves, holiday homes, or new business parks – it throttles sustainable and diversified rural development.

Axis 3 of the CAP's second pillar – improving the quality of life in rural areas and encouraging diversification of the rural economy – should be revamped. Depressed rural areas ought to be helped in the same way that struggling urban, suburban and industrial areas are – with assistance from national governments as well as the European Regional Development Fund (ERDF) and the European Social Fund (ESF). Richer ones should not receive special help. Perversely, the CAP funnels money from Botoşani, in Romania's North-East, perhaps the poorest city in the EU's poorest region, to much richer rural areas in northern and western Europe.[16] It acts, in effect, as an anti-Cohesion Fund.

Worries about "food security" evoke memories of wartime deprivation and tap into a broader insecurity about the future. But at a time when so many Europeans overeat and so much food goes to waste, such fears are clearly overblown.[17] When food prices spiked in 2007–8, there was never any prospect of Europeans starving. Besides, diversity of supply, rather than self-sufficiency, is the best guarantor that food will not run short. If prices rise, farmers will produce more – and the poor could be compensated through national welfare systems. And without the CAP, food prices in the EU would be permanently lower.

Given the harm that the CAP does to farmers in developing countries, the notion that it enhances global food security is ludicrous. To promote agricultural productivity in developing countries, the EU could fund R&D there through its aid budget as well as disseminating suitable technologies and equipment.

Food safety is an imperative. Unfortunately, the EU's food-safety standards are often a form of covert protectionism.[18] And despite these ostensibly high standards, EU policies have not protected Europeans from one food-safety scandal after another: BSE, foot-and-mouth disease, listeria in Italian cheese, dioxin in Irish pork, nitrofen in German poultry, salmonella in British eggs, to name only six. Arguably, the CAP makes European food less safe, since by raising land prices, it encourages farmers to cut corners to economise on space. Chickens raised in cramped cages are pumped full of antibiotics to stave off infection. Pigs are fed sewage and raised near contaminated

15. European Commission, *The Common Agricultural Policy after 2013. Public Debate. Summary Report*, 2010.

16. Eurostat, *Regional Yearbook 2009. European Communities*, 2009.

17. See *OECD-FAO Agricultural Outlook 2010-2019* (OECD: Paris, 2010). The OECD-FAO projections suggest that food production is – and demand for food are – robust and set to rise through at least 2019.

18. For instance, a World Bank study estimated that the EU's insistence on lower levels of aflatoxins than the World Health Organisation deems necessary would save not even one European life a year while cutting exports of cereals, dried fruit and nuts from nine poor African countries that are reliant on the European market – Chad, Egypt, Mali, Nigeria, Senegal, South Africa and Zimbabwe – by two-thirds, or $700 million. See Tsunehiro Otsuki, John Wilson, Mirvat Sewadeh. *Saving Two in a Billion: A Case Study to Quantify the Trade Effect of European Food Safety Standards on African Exports* (Washington DC: World Bank, 2000).

'Farming should take place in areas where it can be competitive, not subsidised in areas where it cannot be.'

19. William W. Lewis and Ann Mettler, *Consumers and Competition: Unlocking Europe's Drivers of Productivity* (Brussels: The Lisbon Council, 2007).

20. European Commission, *The Common Agricultural Policy after 2013. Public Debate. Summary Report*, Brussels, 2010.

21. BirdLife International, *Could Do Better - How is the EU Rural Development Policy Delivering for Biodiversity?*, May 2009.

industrial sites. Rather than grazing on grass in open pastures, cows were fed sheep remains. And when contagious diseases strike, they spread rapidly from one crowded farm to another. Worse, the EU's response to food-safety problems is conflicted, with powerful agricultural lobbies often overriding the wider public interest.

Food safety is best guaranteed through rigorously independent and properly enforced food-safety standards, quality-assurance certification, and competition among trusted brands with a strong incentive to live up to their reputation. A scheme whose primary purpose is to promote producer interests rather than consumer ones does not help.[19] There is no need to compensate European farmers for complying with high EU food-safety standards, which also apply to imported food and thus do not place EU farmers at a competitive disadvantage.

Enforcing minimum EU standards is also a better way of promoting animal welfare. If consumers are willing to pay a premium for food produced under higher animal-welfare standards, the best solution is for independent, non-governmental certification bodies, along the lines of the Forest Stewardship Council, to label it as such. And since livestock roam freely in countries such as Argentina and New Zealand, animal welfare would improve if we ate more Argentine beef and New Zealand lamb.

In a recent summary of proposals on reforming CAP, the Commission states: "There is a clear link between agriculture, the environment, biodiversity, climate change and the sustainable management of our natural resources such as water and land."[20] Indeed – and it is a negative one. Very little of the CAP budget goes to promoting environmental protection, while it continues to subsidise many environmentally harmful practices. Far from being stewards of Europe's environment, EU farmers despoil it – and, unlike other polluters who are expected to pay for the damage they cause, they escape scot-free, or are even compensated for cleaning it up. Over half of Europe's rivers are heavily polluted with fertilisers; the toxic chemicals that farmers use poison water supplies; pesticide use in some areas is 10 times what it is in Australia or Argentina. The CAP subsidises crops that require irrigation, like maize, tobacco and sugar beet, in Mediterranean countries like Spain where water is in short supply. It has also encouraged over-intensive agriculture: British hedgerows have been cut down, Polish and Romanian wetlands drained, and French wildlife habitats invaded by crops and livestock. Farmers in Cyprus are paid to plough up hilly slopes, increasing soil erosion.[21]

Axis 2 of the CAP's second pillar – improving the environment and the countryside – therefore needs modernisation. Under the polluter pays principle, farmers should pay for cleaning up the environmental damage they cause. Environmental subsidies should be hived off from the CAP and available to all parties who act to limit environmental damage that is not of their making and improve the local environment. Payments to farmers in areas with handicaps should be abolished:

'If EU governments are serious about tackling climate change, agriculture, a big source of emissions, should be included in Europe's emissions trading scheme.'

farming should take place in areas where it can be competitive, not subsidised in areas where it cannot be.

The presumption that imported food is more damaging to the planet is often false. According to a study by Britain's Department for Environment, Food and Rural Affairs (Defra), 85% of the environmental cost of food transport is incurred within Britain, not least when lorries are stuck in traffic, so road pricing and improving food distribution would bring the biggest benefits. And while it is true that flying in food generates greenhouse-gas emissions (although shipping it much less so), EU production methods often generate higher emissions that more than offset the lower transport-related ones.

In most of Europe, livestock have to be kept in heated barns over the winter. In northern parts, tomatoes and other produce are grown in heated greenhouses. But such measures are not needed in warm places such as Brazil.[22] Researchers at Lincoln University in New Zealand found that lamb raised on the country's clover-choked pastures and shipped 11,000 miles by boat to Britain produced 700kg of carbon-dioxide emissions per tonne while British lamb generated 2,900kg, in part because poorer British pastures force farmers to use feed. Similar figures were found for dairy products and fruit.[23]

Green beans air-freighted from Kenya have a sticker with the image of a plane on it to indicate that carbon dioxide was emitted in bringing them to the United Kingdom. Yet because beans air-freighted from Kenya are produced using manual labour rather than tractors, cow muck as fertiliser, and with low-tech irrigation systems, they cause fewer emissions than British ones grown in fields on which oil-based fertilisers have been sprayed and which are ploughed by tractors that burn diesel.[24]

The best way to limit climate change is to tax greenhouse-gas emissions so that food prices reflect their full environmental cost. If EU governments are serious about tackling climate change, agriculture, a big source of emissions, should be included in Europe's emissions trading scheme.

Conclusion

The CAP is fundamentally flawed – and in an age of budgetary constraints, it has become an unaffordable folly. Instead of trying to justify a fiscally regressive, protectionist racket by cloaking it with other, more modern objectives, it would be better to pursue desirable social and economic goals in other ways. The EU should not allow its future to be hijacked by special interests. True Europeans should be willing to slay sacred cows such as the CAP to equip the EU for the challenges of the 21st century. Only if the Commission tries a fresh approach, making its oft-proclaimed "strategic priorities" into fiscal and budgetary priorities as well, will the Europe 2020 strategy prove successful.

22. *The Economist*, "The Miracle of the Cerrado," 26 August 2010.

23. James McWilliams, "Food that Travels Well," *The New York Times*, 06 August 2007.

24. Robin McKie, "How the Myth of Food Miles Hurts the Planet," *The Observer*, 23 March 2008.

‘Diversity of supply, rather than self-sufficiency, is the best guarantor that food will not run short.’

Executive Summary

Key recommendations:

- EU agriculture ought to be modernised along the lines suggested in the liberalisation scenario of the Scenar 2020-II study commissioned by the European Commission.
- The first pillar of the CAP should be phased out. All tariffs, quotas and other trade barriers should be abolished. This will make EU agriculture more competitive, not destroy it.
- Ideally, EU governments would not support farmers at all. But if they insist on doing so, they should do so nationally, subject to EU state-aid rules and other constraints.
- CAP subsidies should not be replaced with harmful regulations whose costs to consumers, taxpayers and poor foreign farmers are opaque but no less real.
- EU funding for agricultural research and development should be integrated into broader R&D initiatives.
- Help for people on low incomes should be provided by national governments, based not on people’s job or location, but on their need.
- Depressed rural areas should be helped in the same way that struggling urban, suburban and industrial ones are – through regional development funds.
- Diversity of supply, rather than self-sufficiency, is the best guarantor that food will not run short. If prices rise, the poor could be compensated through national welfare systems. And without the CAP, food prices in the EU would be permanently lower.
- To improve agricultural productivity in developing countries, the EU could fund R&D there through its aid budget as well as disseminating suitable technologies and equipment.
- Food safety is best guaranteed through independent and properly enforced food-safety standards and other measures. There is no need to compensate European farmers for complying with these standards, since they also apply to imported food and thus do not place EU farmers at a competitive disadvantage.
- Along with minimum EU animal-welfare standards, food produced under higher standards should be labelled as such by independent, non-governmental certification bodies, along the lines of the Forest Stewardship Council.
- To limit climate change, greenhouse-gas emissions – including those of EU agriculture – should be taxed so that food prices reflect their full environmental cost.
- Under the polluter pays principle, farmers should pay for cleaning up the environmental damage that they cause. Environmental subsidies should be hived off from the CAP and available to all parties who act to limit environmental damage that is not of their making and to improve the local environment.

‘The CAP costs poor countries more than they receive in overseas aid from the EU.’

Key findings:

- The CAP is regressive and unaffordable. It damages Europe’s economy, distorts the EU’s priorities – and fails even to achieve its purported aims, such as promoting a competitive agricultural sector, supporting farmers’ and rural incomes, boosting rural development, ensuring “food security,” and delivering public goods, such as food safety, animal welfare and environmental protection.
- The main beneficiaries of the CAP are large (often hereditary) landowners and big agribusinesses, not the small farmers it purports to help.
- The CAP cost Europeans €114.6 billion in higher taxes and food prices in 2008. That is 0.91% of EU GDP – or nearly €1000 a year for a typical family of four. And since the poor spend more of their income on food, the CAP is particularly regressive.
- The CAP also harms poor farmers in developing countries. It costs poor countries more than they receive in overseas aid from the EU and encourages irregular migration.
- The CAP acts as a tax on competitive industrial and service sectors, crimping economic growth. It also legitimises protectionist arguments and is a major obstacle to global trade liberalisation, depriving EU businesses of export opportunities and Europeans of good jobs.
- The CAP gobbles up over 40% of the EU’s budget. Since public finances are extremely tight, and there is little appetite for increasing the EU budget beyond the current 1% of EU GDP, propping up yesterday’s jobs and today’s powerful vested interests stunts the EU’s ability to promote the skills, businesses and better-paid jobs of the future.
- DG Agriculture’s claim that the recent Eurobarometer survey shows that Europeans support the CAP is misleading. The question was poorly framed and only 13% of respondents even claimed to have a clear idea of what the CAP is. A December 2008 Eurobarometer reported that 38% of respondents wanted the EU budget to be spent on economic growth and 36% on employment and social affairs, respectively; only 14% wanted the EU budget to be spent on agriculture and rural development.
- The CAP has clearly failed to promote a competitive agricultural sector; otherwise, why is it still deemed to need EU support?
- The CAP does a poor job at supporting the incomes of poor farmers and people in rural areas. It is also not obvious why such people deserve special assistance.
- Far from promoting rural development, the CAP retards it. It traps people in uncompetitive – and therefore precarious – jobs, instead of encouraging them to retrain. And by raising the cost of rural land and reducing the supply available for more welfare-enhancing uses, it throttles sustainable and diversified rural development.

‘Arguably, the CAP makes European food less safe.’

- At a time when so many Europeans overeat and so much food goes to waste, fears about “food security” are overblown. Given the harm that the CAP does to farmers in developing countries, the notion that it enhances global food security is ludicrous.
- Despite the EU’s ostensibly high food-safety standards – often a form of covert protectionism – the CAP has not protected Europeans from successive food-safety scandals. Arguably, it makes European food less safe (and harms animal welfare), since by raising land prices, it encourages farmers to cut corners to economise on space. Worse, the EU’s response to food-safety problems is conflicted, with powerful agricultural lobbies often overriding the wider public interest.
- Very little of the CAP budget goes to promoting environmental protection, while it continues to subsidise many environmentally harmful practices. Far from being stewards of Europe’s environment, EU farmers despoil it – and unlike other polluters they are not made to pay for the damage they cause.
- The presumption that imported food is more damaging to the planet is often false, since fertiliser-heavy EU production, particularly in areas with cold winters, tends to generate more greenhouse-gas emissions.

'Instead of trying to justify a fiscally regressive, protectionist racket, it would be better to pursue desirable social and economic goals in other ways.'

Annex 1: Who Gets What from the CAP?

As the EU budget debate heats up, member states that receive large amounts of CAP subsidies will fight hard to keep them. Below is a summary of who gets what from the CAP. Figures are for 2008 in millions of euros.

Member State	Direct aid and market related expenditure	Rural development	Fisheries	Other	Preservation and management of natural resources
Belgium	706	74	9	30	819
Bulgaria	179	241	0	0	420
Czech Republic	405	246	3	1	655
Denmark	1.058	111	26	40	1.235
Germany	5.707	872	13	14	6.606
Estonia	43	52	1	1	97
Ireland	1.308	364	19	1	1.692
Greece	2.535	859	44	7	3.445
Spain	5.734	1.182	153	14	7.083
France	8.935	1.005	62	12	10.014
Italy	4.272	1.048	69	19	5.408
Cyprus	29	22	4	0	55
Latvia	65	123	1	1	190
Lithuania	175	74	3	1	253
Luxembourg	36	13	2	2	53
Hungary	516	160	3	2	681
Malta	1	9	1	0	11
Netherlands	917	36	4	7	964
Austria	744	470	0	4	1.218
Poland	1.461	1.084	112	1	2.658
Portugal	700	635	36	2	1.373
Romania	480	562	17	1	1.060
Slovenia	48	92	3	0	143
Slovakia	167	188	1	1	357
Finland	559	274	3	4	840
Sweden	745	202	8	4	959
United Kingdom	3.226	529	38	11	3.804
TOTAL	40.751	10.527	635	180	52.093

Source: European Commission

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