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# Putting market regulation at the heart of the debate about the CAP

Equipping ourselves for food sovereignty

Brussels, November 2023





European Coordination Via Campesina (ECVC) is a grassroots organisation that currently brings together 31 national and regional organisations of peasants and agricultural and rural workers based in 21 countries across Europe. Food Sovereignty is at the heart of our work, the main aim of which is to defend the rights of peasants and agricultural workers, and to promote diversified peasant family farming. These principles, in turn, require food and agricultural policy that is legitimate, fair, solidarity-based, and sustainable. This is necessary to ensure food security and safety, public health, employment in rural areas, and also to respond to the issues of the global food crisis and climate change.

This document was produced collectively by members of ECVC.

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### Acronym table:

**CAP:** Common Agricultural Policy

**CMO:** Common Organisation of Agricultural Markets (originally Common Market Organisation)

**EAGF:** European Agricultural Guarantee Fund

**EU:** European Union

**GATT:** General Agreement on Tariffs and Trade

**GMO:** Genetically Modified Organism

**UN:** United Nations

**UNDROP:** United Nations Declaration on the Rights of Peasants and Other People Working in Rural Areas

**WTO:** World Trade Organisation



© Diego Kroeff

# Introduction

## Why do we need to talk about market regulation?

Ursula von der Leyen's current term as President of the European Commission, which has brought the European Green Deal, will end in a few months. While most of the objectives announced in the Farm to Fork Strategy have been undermined, as many farms move away from organic agriculture ("deconversion") despite the aim of reaching 25% organic agriculture by 2030, we are witnessing a dramatic loss of farmers in the European Union<sup>1</sup>, which will only worsen in the near future unless something is done.

The economic and social conditions faced by most farmers continue to deteriorate, and they are generally below those enjoyed by the rest of society in the EU. Access to healthy food is increasingly difficult for a growing number of citizens, particularly for the poorest. There are unprecedented environmental and economic crises in Europe (fires and floods around the Mediterranean, heat waves and droughts in many areas, green algae in France, etc.).

<sup>1</sup> B. Schuh et al., 'The Future of the European Farming Model: Socio-economic and territorial implications of the decline in the number of farms and farmers in the EU', Policy Department for Structural and Cohesion Policies, Directorate-General for Internal Policies, Brussels, Research for AGRI Committee PE 699.620, April 2022. Available at: [http://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL\\_STU\(2022\)699620](http://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL_STU(2022)699620).



The industrialisation of work on the land bears much responsibility for these crises, but this is not irreversible, particularly if we really allow farmers to carry out a transition to more sustainable and agroecological agriculture.

**In this document, we will explain why regulation of agricultural markets is the missing piece that will make it possible to achieve the European green deal and European open strategic autonomy. This regulation is essential for achieving food sovereignty in Europe. This correlates with a transition to more sustainable and agroecological models that allow re-territorialisation of food, observance of the right to healthy and appropriate food for the entire population, sufficient incomes for land workers, and a countryside that is full of life.**



**The definition of food sovereignty produced by La Via Campesina in 1996 is the right of countries and their population to define their agricultural and food policy, without dumping<sup>2</sup> on other countries.**

This definition was then supplemented in the Nyeleni Declaration (2007): it means the right of populations to healthy and culturally appropriate food, produced using ecologically healthy and sustainable methods. Food sovereignty puts the people who produce, distribute, and consume food at the heart of food policies and systems, instead of the demands of the markets and multinationals. It includes future generations and defends their interests.

Food sovereignty is also recognized in international law. Its definition is found in the preamble and article 15 of the United Nations Declaration on the Rights of Peasants and Other People Working in Rural Areas (UNDROP).



Food sovereignty © Rosanna prints

We believe it is impossible to achieve the objectives of the Farm to Fork Strategy, the CAP, and the UN Sustainable Development Goals, if the work of farmers and rural workers is not decently remunerated<sup>3</sup>, in accordance with article 16 of UNDROP. This is an essential condition to enable enough young people to enter the adventure of peasant agriculture, as is essential for the agricultural transition. The current lack of new entrants is certainly not due to a lack of people wanting to enter the profession. The reasons are economic and linked to rural living conditions.

Remuneration for the work of producers depends both on the prices paid by the people who buy their produce on one hand, and on the costs of production on the other. These costs are the cost of land tenure and the model of production chosen for the farm; i.e. the cost of inputs (equipment, machinery, seeds, fertiliser, phytosanitary products)

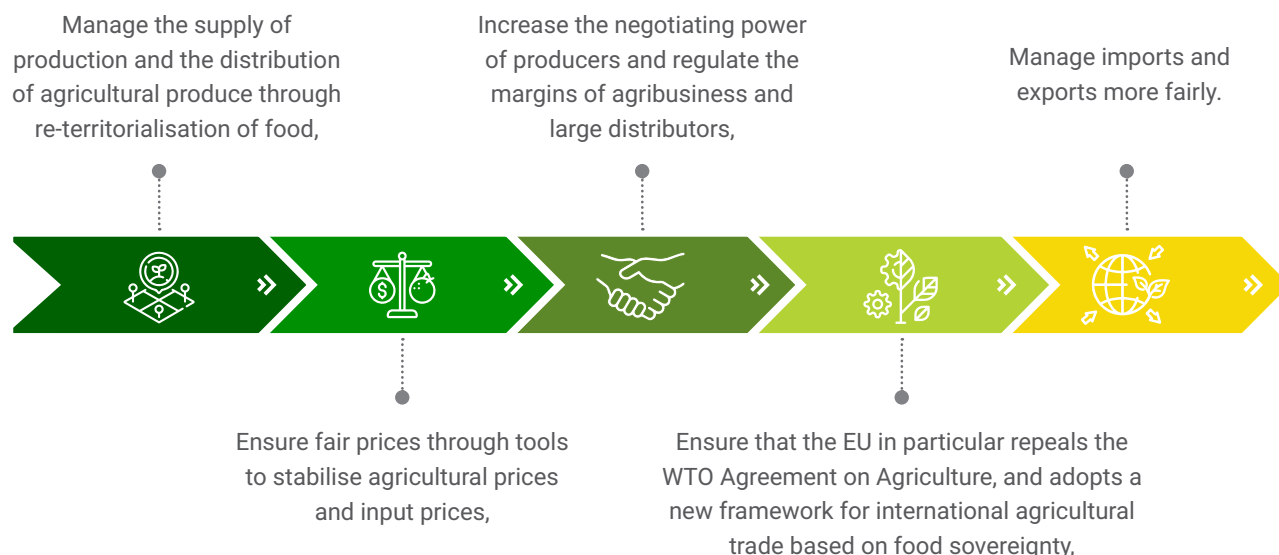
<sup>2</sup> Dumping means exporting at a price below average production costs in the exporting country, although the WTO uses a different definition: exporting at a price below the domestic market price. This different definition allows the EU to say that it has not been engaging in dumping since the CAP reform in 1992, in which it aligned its prices to those of international markets. This could not be argued under the first definition.

<sup>3</sup> The International Labour Organisation (ILO) defines decent work as follows: "Decent work sums up the aspirations of people in their working lives. It involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for all, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men." Available here <https://www.ilo.org/global/topics/decent-work/lang-en/index.htm> Viewed on 19/09/2023.

and production methods. In each link of the food supply chain, we observe an increased concentration of market power in the hands of a small number of actors. The paradox is that the EU, instead of regulating concentration to limit and stop the phenomenon, promotes new draft bills to grant even more power to these industries and feed the environmental destruction behind these technological models.

The vision proposed in this document puts fundamental food rights at the heart of these objectives. We need to ensure a food supply that is appropriate in quantity and quality for the needs of populations, particularly the poorest, as their numbers are growing across the EU. Food prices should be stable and affordable for everyone, while ensuring a decent income for workers in food systems, whether they be peasants, salaried workers, or employees of agribusiness. These prices should reflect the costs of production applying high environmental and social standards. It is not a question of continuing with the short-term approach that has imposed market deregulation for decades.

To allow fair prices, on the basis of sustainable and agroecological production, we need to:



**We advocate leaving the current paradigm of agriculture based on public subsidies, so that European prices for agricultural produce can be maintained at a stable level that appropriately compensates land workers, whose income is largely based on them.** To provide a clear perspective, this publication will offer analysis of the negative effects of market deregulation since 1992, and it will also propose a tool kit for regulation of agricultural markets as a contribution to strategic debates on the implementation of market regulation in the current context.





Demo at the EU Council against Blair House agreement - Gaby Dewalle - CPE Board member, 1992 © CPE

# Part 1

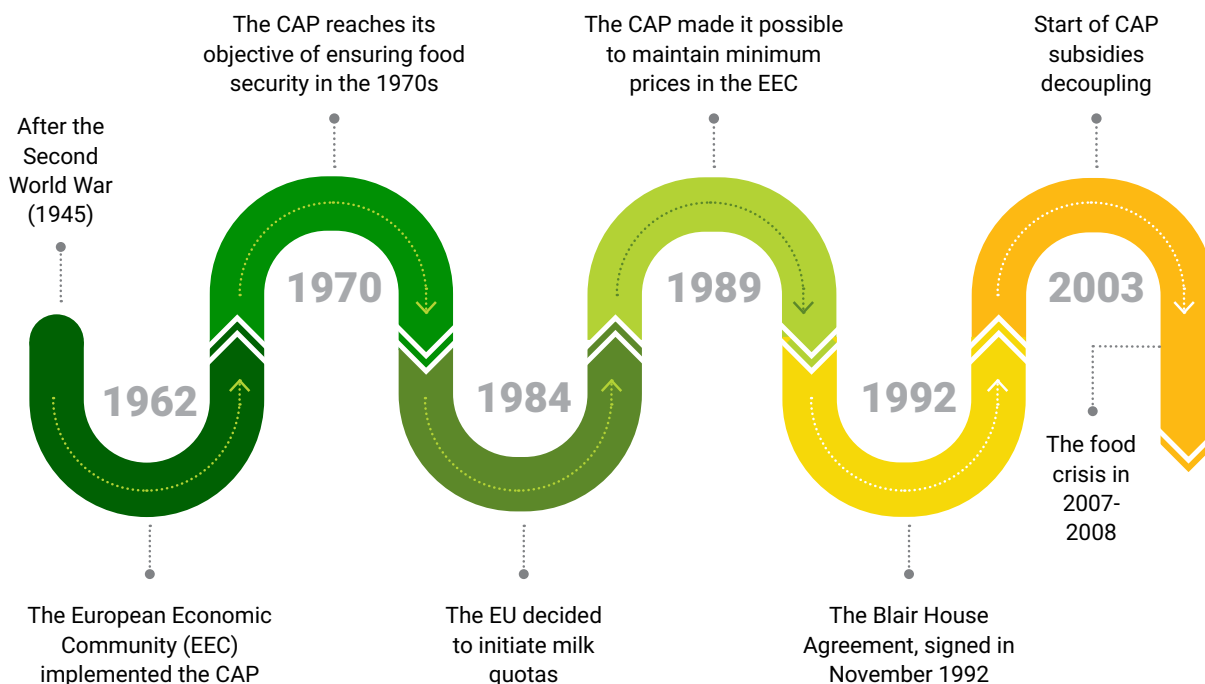
## **Analysis of 30 years of deregulation: a story of failure**

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Since the Blair House Agreement in 1992, and the WTO agreement in 1994, regulation of agricultural markets has decreased significantly in Europe.

At the end of the 1980s, the context was favourable for Neoliberals: the impending fall of the USSR gave them ideological latitude to push their dogma of deregulation. The United States, who regulated the international markets while leaving a third of their area fallow, wanted to change the European Common Agricultural Policy (CAP), as it made the EU a stronger export power in the international market. In the quest for internationalisation, companies from these two regions sought to create new markets. While the EU needed to control its agricultural expenses, which had continued to increase with the surpluses, third countries suffered from EU dumping exports.

Food was seen as a strategic sector, but as there was an agricultural exception, it was not included in the international free trade system. From 1986, the Uruguay Round of the GATT negotiations aimed to include agriculture and food in the globalised economy, dominated by a handful of countries and their companies. These negotiations would ultimately produce new rules for international trade, which favoured an agenda of deregulation and the creation of the WTO.



# 1

## The dismantling of market regulation after the Blair House Agreement

### Production surpluses

After the Second World War, the European Economic Community (EEC) implemented the CAP. One of its four objectives was to ensure food security for the population, and in order to increase agricultural production, in 1962 the CAP offered a guaranteed price whatever quantity was produced. The policy achieved its objective in the 1970s, but production continued to be stimulated, and production surpluses accumulated. Intensive and unsustainable agricultural practices developed, to the detriment of the environment. At this time, effective tools should have been developed, to regulate production volumes.

It was not until 1984 that the EU decided to initiate milk quotas, to stabilise production and reduce spending in the sector. Each milk producer then had a milk production quota, and would be penalised for exceeding it. For cereals, however, a guaranteed maximum quantity system was implemented at European level: above this level of production across Europe, the price went down. As the quota was set at European level, not at the level of producers, it could not be effective: each producer hoped that their neighbour would reduce production, and European production continued to increase, and with it EU spending.

### Market organisations by sector

In the late 1980s, the CAP made it possible to maintain minimum prices in the EEC. The CAP was principally based on 18 sectoral Common Market Organisations (CMOs) that defined minimum intervention prices for the production in the 6 largest countries in the EEC, and tariff protection on imports and export subsidies.

### The Blair House Agreement put a brake on export subsidies

From 1962, import protection allowed higher prices on the internal European market than on international markets. European produce was no longer competitive internationally, but to overcome this difficulty and to sell its production surplus, the EU provided export subsidies to lower the prices of European produce sold on international markets. In the United States, the Farm Bill was a comparable system to provide public support for agriculture. Export subsidies were strongly criticised by many other countries (particularly the Cairns Group, which brings

together large agricultural exports including Australia, Brazil, Argentina, South Africa, and Canada), who viewed them as instruments of market distortion that harmed their own exports. In parallel to the Uruguay Round, the United States and the EU also built a system as a response to criticisms, while still maintaining an advantage in international agricultural markets: **The Blair House Agreement, signed in November 1992, was to provide the basic structure for the GATT/WTO agreement adopted a year later in Geneva.** This agreement **lowered customs duties for imports, lowered export subsidies, and progressively dismantled market regulation mechanisms.**

### **Direct payments in response to international price alignment**

European and US agricultural prices would align with those of international markets, which were often below production costs. To compensate for this reduction, direct payments to farms were implemented. **The direct payments were allocated on the basis of hectares.** As they were not capped per farm, these payments increased the rate at which farms increased in size. As the WTO agreement states, most direct payments should no longer be linked to production from 2003. This means that the payments are linked to area, whether it is cultivated or not (the only obligation is to maintain the area, i.e. not leave it fallow). It was hoped that decoupling CAP subsidies would regulate the failings in the agricultural model: stop overproduction and increase prices. It was based on the hypothesis of the efficiency of agricultural markets, as they would allow prices to return to a level of balance. In a real piece of magical thinking, it was thought that the decoupling would eliminate the need for any form of public intervention in agricultural markets: if subsidies were provided independently of production, the distortions would be eliminated and the markets would balance out. This did not take into account the structural instability in agricultural markets, which was laid bare by the food crisis in 2007-2008: agricultural prices doubled or tripled, casting doubt on the WTO's approach to agriculture. Slight variations in production or stocks were enough to trigger extreme variations in price. When food security is at stake, speculation is inevitable.

After the great reform of 1992, the CAP was amended several times (1999, 2003, 2008, 2013, 2021). The remaining tools for regulation were to disappear: milk quotas in 2015, sugar quotas in 2017, etc.

### **Risk management**

To protect farms from increasing fluctuations in agricultural prices following market deregulation, the CAP created tools for managing economic uncertainties in 2013, and risk management is integrated in the second pillar. An increasing number of peasants have been forced to take out private insurance, particularly to manage climate variations that affect production. This is another step towards the financialisation of agriculture.

## **2 Who gains and who loses out from market deregulation?**

### **2.1 Who gains from market deregulation?**

**Agribusiness companies have most to gain.** Indeed, the significant drop in agricultural prices after the reform in 1992 enabled these companies to buy agricultural products for prices often below the cost of production, without being obliged to pass on this price reduction to consumers. They also significantly increased their profit margins. Ultimately, they have been the ones to benefit from direct payments to farms.

**The industries supplying the food system seized control of a market that is highly lucrative, as it creates dependency, to the detriment of environmental and social considerations.** They are essentially multinationals, and they quickly increase their influence at national and international level through mergers and acquisitions, cross-licensing, cooperation strategies between competing companies, and tying: the

increasingly common practice of selling packages of various products that are sometimes very different from each other, but complementary. The practice of tying a seed (GMO) to a herbicide is well known, but a more recent version is to use technical support software to tie an agricultural machine to growing operations, to irrigation plans, to use of fertilisers and seeds, and, ultimately, to a harvest insurance package. Their strategy is to create dependence across the entire production process.

**The banking and trade system profits from the growing capitalisation of agricultural companies that choose industrialisation and therefore need constant access to loans.** As companies take on debt, this is a source of wealth for the banking system. These companies are pushed to increase mechanisation and digitisation of their farms, and in addition there are construction costs to meet the new requirements for hygiene and animal well-being.

Increasingly, on international markets, financial speculators have encouraged instability of prices for raw materials, to gain enormous profits.<sup>4</sup> The finance industry will now even buy land from farmers who cannot pay them back themselves.

## 2.2 Who loses out?

**For the countries of the Global South,** the new rules of international trade introduced in 1994 are doubly unfair. On one hand, poor countries do not have the means to fund their agriculture like the USA and the EU through subsidies or direct payments. On the other hand, the WTO agreement forces all countries to open their markets to agricultural and food imports, to dismantle their customs barriers, and to deregulate their agricultural markets. Developing countries have special rules that allow them to keep their customs duties, but these are often very weak and can be slashed by bi-regional trade agreements like Economic Partnership Agreements (EPAs). So the countries of the South do not just lose the foreign-currency income that is vital for their budgets and their public services, but also the tools to protect and support their agricultural sectors. Market liberalisation also has the disastrous effect of transferring the prices of the international market to the domestic market, thus also transferring the volatility and the impact of speculation. In poor countries, this increases poverty among rural populations.

**In Europe,** market deregulation and implementation of area-based payments have also had severe consequences. **Small and medium-sized farmers have been hit hard by the drop in agricultural prices,** and uncapped direct payments per hectare create economic rent. The CAP thus favours concentration of land and agricultural production, and accelerates the disappearance of farms, particularly small and diversified farms, especially those engaged in multicrop-livestock farming. These farms are particularly disadvantaged by the implementation of exclusive thresholds (minimum threshold for access to subsidies for beef, sheep, dairy, to natural handicap allowances etc.): farm speculation increases.

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<sup>4</sup> For example, in 2011, on the Chicago stock exchange, the volume traded on the wheat futures markets was nine times greater than actual annual production. Ultimately, this leads to a fictional market and a complete disconnect between the actual market and the futures market. The profits to be made are considerable. For more information, see this clear and compelling sheet: SOS FAIM, 2017, 'la spéculation financière sur Les Matières Premières Agricoles'. Available here: [https://www.sosfaim.be/wp-content/uploads/2017/02/Fiche\\_sp%C3%A9culation-BD-1.pdf](https://www.sosfaim.be/wp-content/uploads/2017/02/Fiche_sp%C3%A9culation-BD-1.pdf) (viewed on 03/10/2023)

Ultimately, by opening markets, the GATT agreement and the reformed CAP strengthen international competition while increasing imports and exports. Although not directly linked, **internationalisation of food systems means that the more the EU exports agricultural produce, the more it imports**. The EU loses a growing proportion of its domestic market to imported produce. It remains the second largest importer of agri-food products in the world, and the largest exporter. A good example is the fruit and vegetables sector, in which the EU is the largest importer, although it has the capacity to produce fresh, high-quality foods.

These developments are to the detriment of **ecosystems and the quality of food production**. Being competitive is the key priority: monoculture and industrial livestock farming increase in the quest for the lowest prices, leading to increased use of pesticides and synthetic fertilisers, confinement of animals in factory farms, where working conditions are deplorable etc. 60 to 70% of European land is in a poor state, due to erosion, urbanisation, compaction, extraction, or pollution.<sup>5</sup> The industrialised agri-food sector is one of the sectors that emits most greenhouse gases. Droughts rage across many regions of Europe. Health problems linked to food are increasing considerably.

Furthermore, the centralisation of the processing and sale of food products and the rapid disappearance of small-scale processors of food products is weakening many rural areas, making it harder to implement short food supply chains that would make it possible to restore the balance of power in the upstream and downstream market. It is worth noting that certain regions, where new small-scale processors manage to enter the market, are managing to resist this logic.

These developments are mainly justified by political decision makers in the interests of **“consumers”**, who would supposedly benefit from a reduction in food prices. However, on one hand, the vast majority of retail food prices have not fallen, and on the other hand, the quality of products has worsened considerably.<sup>6</sup> An increase in poverty and a lack of access to food (let alone high-quality food) have been widely observed in the EU: 7% of Europeans did not have enough to eat in 2020, while the number of malnourished people cannot be estimated. Furthermore, more and more people are making use of food banks: there has been an increase in demand of 25% in France and a third in Belgium over recent years.<sup>7</sup> Ultimately, food inflation rates have reached 20% in many European countries in 2023, which is unprecedented in peacetime.

**In the countries of the South, where a large proportion of the population is made up of peasants**, the drop in agricultural prices is having dramatic effects on extreme poverty in the countryside and the resulting rural exodus. In Europe as well, working conditions and income have drastically worsened for rural workers, and migrant workers in particular.

In a deregulated market, producing as cheaply as possible and grabbing as many public payments as possible become the rules of a damaging game, in which, ultimately, the only real winners are the multinational companies upstream and downstream, large farms, and the banking systems.

<sup>5</sup> European Commission, February 2023, “call for evidence for an impact assessment of the Soil Health law” Available at: [https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13350-Soil-health-protecting-sustainably-managing-and-restoring-EU-soils\\_en](https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13350-Soil-health-protecting-sustainably-managing-and-restoring-EU-soils_en) (viewed on 12/09/2023)

<sup>6</sup> The results of the following report strongly support the claim that healthy food is no longer available to consumers: WWF, 2023, “Who determines the cost of food?” Available online: <https://www.wwf.eu/?11764791/Who-determines-the-cost-of-food> (viewed on 03/10/2023)

<sup>7</sup> United Nations Regional Information Centre for Western Europe, 2020, “En Europe, la pauvreté et la faim augmentent” Available at: <https://unric.org/fr/en-europe-la-pauvrete-et-la-faim-augmentent/> (viewed on 11/08/2023)

### 3

## 30 years on from Blair House: Assessing the consequences and facing current challenges.

**The deregulation of agricultural markets deepened at the start of the 21st Century through the signing of several bilateral free trade agreements.** Far from allowing “underdeveloped” countries to catch up, the globalisation of the economy has increased inequalities, both between rich and poor countries, and even more so within each of these countries, where elites are well integrated into the globalised economy, and a growing section of the population is excluded. The environmental crisis is currently recognised to be a fundamental issue for humanity, as is the damaging role of industrialised agriculture in the erosion of ecosystems.

**Since the 1990s, peasant movements and civil society organisations have strongly criticised this model, denouncing the social and environmental damage it causes.<sup>8</sup>**



La Via Campesina, Seattle, 1999 © LVC

**More people have become aware of the fragility of the globalised economy thanks to various phenomena: the COVID 19 pandemic followed by the war in Ukraine, the domination of the global production system by speculative financial capital, and repeated disruptions of long supply chains that are essential for industrialised agriculture.** In the course of a few months, international trade became completely disrupted due to speculation on agricultural products through the futures markets, and stock market speculation on energy. It became impossible to source

<sup>8</sup> The riots in Seattle in 1999 were a key point in the expression of this criticism. La Via Campesina has played a central role in this. Look at the Wikipedia page on the event, for example: [https://en.wikipedia.org/wiki/1999\\_Seattle\\_WTO\\_protests](https://en.wikipedia.org/wiki/1999_Seattle_WTO_protests) (viewed on 09/12/2023)

certain products that had become essential for the agri-food industry. There was extreme price volatility on international markets, and intense financial speculation, especially on fertilisers and the most important agricultural products. It became impossible for a certain number of countries, and especially for the poorest populations, to deal with food inflation.

This vulnerability to speculative financial capital has terrible consequences for populations:

- The destabilisation of neighbouring countries increases the number of people hoping to migrate to Europe, and the risk of political and security instability.
- There is also a crisis within European Union countries, as a growing proportion of the European population cannot feed themselves adequately, and there is a social crisis linked to the increase in social inequality. This leads to political crises, as the number of protest groups grows, and there has been a disturbing rise in the extreme right.

### **Financialisation of nature: a political trap that benefits polluters**

As we have shown, the current food system is in a sorry state. Announcements of various payments for ecosystem services, and markets for carbon, biodiversity, or water quality, risk leading to the financialisation of nature for the benefit of private interests. Can you put a price on a dragonfly? Given the planned budgets, there is a risk that the public budget for the CAP will be replaced by payment initiatives coming directly from companies engaging in greenwashing. This would also allow the continuation of a system of grants disconnected from the real needs of the agricultural sector. This logic is not based on the common good, but it represents a real economic windfall for polluters, who can create a speculative market for the living world to wash away their emissions.

If agricultural land is brought into the carbon market, as is currently under discussion in the EU, this risks perpetuating economic rent per hectare, once more favouring large farms.

### **Humanity is reaching planetary limits... but this is not irreversible**

Faced with current challenges, economic globalisation is running up against limits. It is high time to change the paradigm, and to restore the mechanisms for regulating the agricultural market, for managing and distributing production, and for enabling the transition to systems that are more resilient to climate change.

The next section will explore the different options to enable market regulation and to ensure fair prices.



60 years of CAP, Roma, 2017 © ECVC

# Part 2

## Rethinking market regulation to face the challenges of our time

We must rethink the objectives and forms of agricultural market regulation in the light of current issues. The environmental crisis should be taken into account far more than was the case in the 20th Century. Furthermore, trade policies implemented since the 1960s were strongly influenced by neo-colonialism, and this is unacceptable.

**Regulation of agricultural markets is part of building food sovereignty. The key objectives of this regulation should be:**



transition of agricultural and food systems to more sustainable and agroecological models that are consistent with the limits of the ecosystem;



ensuring a decent (fair and stable) income for food producers and all workers in the food and agri-food sectors;



maintaining/developing the presence of many peasants across all territories, on farms of a more human scale, i.e. promoting establishment of 10 million new farms by 2040;





democratising food systems and developing governance to strengthen the position of producers;



guaranteeing an accessible food supply for populations, even in times of crisis;



distributing livestock and plant production in a balanced way across all territories;



stopping the damage to farming communities in third countries.

We have intentionally excluded competitiveness from these objectives, as it is vital to start by accomplishing the objectives listed above.

## 1 A European and international issue

The European Union must offer alternatives in response to the food, ecological, and social crises. La Via Campesina, the global peasant movement of which ECVC is a member, argues for the need to repeal the WTO Agreement on Agriculture, and adopt a new framework for international agricultural trade based on food sovereignty. Various countries have decided to stop following the current rules of the WTO for the good of their population. Two examples:

- Since 2008, in WTO negotiations, India has defended its right to finance food stocks although this is forbidden by WTO rules. Twenty seven countries have built up stocks since the start of the war in Ukraine, including some EU countries.
- In 2018 and 2020, Argentina dramatically increased its export duties on cereals, in order to replenish state coffers, which had been severely affected by devaluation of the Argentine peso. Although export duties are not regulated by the WTO, it is still a measure to protect domestic production, which helped rebalance the economic state of the country, albeit temporarily.



Milk action on January 2017 in front of the EU Commission to protest against the end of milk quota © Brollywood Studio

## 2

## Instruments to consider for regulating European agricultural markets

This section looks at the panorama of instruments available to the EU, or which it could build up, to ensure fair prices and resilient, sustainable, and democratic European agricultural and food systems.

### 2.1 Tools to manage supply are a pre-requisite

“Producing enough, not producing too much”,  
to work towards re-territorialisation of food systems.

First of all, it is essential that market regulation includes management of supply based on (1) management and distribution of production that responds to demand for food and the capacities of territories, and (2) a guarantee that “farm gate” prices cover the costs of production and remunerate the peasants.

While the objective of adjusting supply to meet European food needs seems more relevant than ever, with some sectors in chronic overproduction while the EU has become hyper-dependent on imports in other sectors, it seems necessary to rethink this supply management in the light of the current environmental and health crisis. Overproduction and dependence are often two sides of the same coin in the industrialised agricultural model.

Supply management has proved its worth in the history of the CAP, notably through quotas (for milk, sugar beet, etc.), and wine-growing rights. Thus, the price of milk has been more stable than other farm produce (pork, poultry, fruit and vegetables), and EU spending in this sector has reduced.

Supply management tools should also take into account the need for re-territorialisation of European agriculture.<sup>9</sup> This would involve a more appropriate territorial redistribution of farming, particularly livestock farming, to avoid too great a concentration in certain regions, leading to monoculture, and a complete absence in other regions. Likewise, production of fruit and vegetables should be encouraged and rearranged in a more balanced way.

#### The possible tools:



**Using regular debate to determine a desirable level of European production**, taking into account European needs and possible exports without any form of dumping.



**Territorialised quotas, by producer.** These quotas should be extended and adapted to other areas of production<sup>10</sup> and they should be regularly re-adapted to suit demand, to be consistent with the needs in the territories. They can usefully compete to help production systems evolve, offering higher and more stable prices to producers, while integrating differences in sustainability

<sup>9</sup> For more detail, see the ECVC publication: European Coordination Via Campesina, 2023, Livestock Farming in the European Union: Supporting an Ambitious Transition to Peasant Farming, Brussels. Available here: <https://www.eurovia.org/publications/livestock-farming-in-the-european-union-supporting-an-ambitious-transition-to-peasant-farming/>

<sup>10</sup> Management of individual instances of overproduction should be handled on a case-by-case basis: this issue cannot be managed in the same way for perennial crops as for grapes or fruit trees, or diverse production on small plots, like vegetables.

between production systems. Furthermore, this type of instrument is promoted and has proven effective in other EU policies, such as oil policy. However, there are also examples of how supply management tools are used for the joint management of natural resources and market balancing, e.g. fishing quotas are the main tool for the Common Fisheries Policy. The improvement in fishing resources in the areas under quota has been proven.<sup>11</sup>

Finally, livestock production, particularly dairy farming, is characterised by significant unrecoverable fixed costs. This means that adjustment through price does not work well, particularly in the case of price reductions; for this reason, milk quotas were preferable to a price reduction in the early 1980s to stem overproduction.



**Inclusion of partly market-based production rights in this system has negative and positive externalities.** This type of instrument has the benefit of being a self-financing way to reduce production or encourage less sustainable producers to leave the sector. This instrument should always be considered for a form of transition, so as not to hurt the most vulnerable members of the population financially.



**The main weapons against different forms of speculation are food stock policies.** A policy of holding minimum European stocks of cereals, and oil and protein-rich crops, to ensure food security in case of crises and climate hazards, and to limit price rises.



**An agenda geared to leaving productivist practices** with the aim of reducing the negative environmental, social, and economic impacts of agricultural production. What we are talking about here is a ban on construction of any factory farms, a transition to closure of existing factory farms, and a transition to ending the use of synthetic fertilisers and pesticides, etc. This would necessarily involve implementation of a realistic agenda, taking into account accompaniment measures towards a change in practice.



**A ban on use of animal feed based on imported GM products.** This makes it possible to limit overproduction of meat and milk, and to favour relocalisation of forage, rebalancing the areas used for growing cereals and oil and protein-rich crops.



**Differentiated and digressive prices** depending on the quantities produced and/or the farming practices applied. This could consist of three different prices: rate A is high up to a certain production threshold with desirable practices; followed by rate B, which is less advantageous, for a higher production volume; then rate C, which is much less advantageous, to discourage the highest production volumes with particularly polluting practices, for example.



**Price tunnels** involve defining the minimum and maximum limits between which the agreed price can vary, to take into account production costs. In this context, the law should guarantee that the price that the farmer charges covers the production cost, which should ensure environmental sustainability and agroecological models.

<sup>11</sup> See the annual communication from the European Commission on the state of fish stocks: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM:2019:274:FIN> (viewed on 06/10/1023)

## 2.2 Public regulation of responsibilities of upstream industries

Given current developments and the displacement of market power along the value chain, it is necessary to regulate upstream industries. Fixing prices for agricultural and/or food products depends increasingly on upstream industries, which are generally subject to fewer constraints than downstream industries in the agricultural sector (in terms of public policy and antitrust rules). Indeed, suppliers of inputs operate within an oligopoly: a few actors control the key parts of the market, imposing prices and terms on the rest of the chain, although the degree of market power varies depending on the specific input. This means that these suppliers can govern an entire supply chain and condition the activities of farmers through their technological, commercial, and process decisions. More generally, they have the capacity to steer an entire branch of the agricultural system, industrialised agriculture, which has almost no autonomy - as was demonstrated during COVID.

**We must control and limit companies that supply the means of production** (rejecting all recognition of patent rights on information gathered from farms; strictly applying antitrust laws; stopping stock market speculation on energy, fertiliser etc.)

## 2.3 Regulation of public stocks

**Maintaining public stocks** is vital to allow price stabilisation and ensure income for farmers, with affordable prices for the population, particularly during times of crisis or harvest variation.

Building stocks to ensure food provision has been one of the main roles of states since their creation, although this practice is illegal according to WTO rules. Following the example of Asian countries, particularly India, mentioned at the start of this section, it is vital that the European Union implements public stocks. Significant price fluctuations over recent years, as well as in the long term, illustrate that this speculation has an impact on peasants and on all citizens, particularly the poorest.



Mobilisation against the WTO, Geneva, 11 June 2022 © ECVC

## 2.4 Tools for stabilizing fair agricultural prices

As explained in the introduction, purchase prices based on social and environmental sustainability and agroecology, should cover production costs.

European competition law regarding agricultural products must be revised to allow a policy of guaranteed prices, which should achieve the following:

- allow producers' organisations to negotiate differentiated prices;
  - forbid abuse of a dominant position;
  - forbid downstream purchases below cost prices;
  - authorise implementation of local supply clauses in public procurement;
  - authorise limitation of competition between territories.
- **The European directive regarding unfair trading practices in relationships between companies within the agricultural and food supply chain** came into force in 2007, and it represents an opportunity that should be consolidated. Its national transposition in Spain, through the **Food Chain Act** provides a good example. This law obliges each link of the food chain to cover its production costs, starting with producers. Producers have the right to anonymously report a purchase of their produce at a price below their production costs, this price being set by the producers themselves for their produce on a case-by-case basis. Thus, purchase of produce at a loss can be punished with a fine of 3,000 to 100,000 euros. Repeat offenders can be fined at a higher rate, from 100,000 to 1 million euros. During the first quarter of 2023, the Spanish government announced that 55 companies had been sanctioned.<sup>12</sup>
- **Minimum intervention prices:** The minimum intervention price is the guaranteed minimum price for which producers can sell their non-expired produce to national bodies, depending on the European Agricultural Guidance and Guarantee Fund (EAGGF). These bodies intervene when, because of excess supply, prices drop significantly below the guide price. This obligation to buy at a minimum price protects farms against excessive market fluctuations. These minimum intervention prices are currently set well below production costs and below market rates. This means that they are never used, but the system should be reformed to make it applicable beyond great crises. Unlike the original CAP, this is would only be envisaged with supply management; otherwise the mechanism would favour surpluses and intensive, low-cost production methods, it would be a great burden on the CAP budget, and it would create public surpluses that would have to be disposed of through food aid or export.
- **Price tunnels:** price tunnels consist of minimum and maximum limits between which the agreed price can vary, to take into account production costs. An administrative fine would be imposed if a seller or buyer of relevant agricultural produce in a sector included in the experiment failed to fulfil their obligations and opposed use of the price tunnel.

<sup>12</sup> See data from the Ministry of Agriculture, Fisheries, and Food (viewed on 10/8/2023) [https://www.aica.gob.es/Data/UPLOAD/PUBLICACION\\_DE\\_SANCIONES\\_01.PRIMER\\_TRIMESTRE\\_DE\\_2023.pdf](https://www.aica.gob.es/Data/UPLOAD/PUBLICACION_DE_SANCIONES_01.PRIMER_TRIMESTRE_DE_2023.pdf)

## 2.5 Geographical labelling

Geographical labelling systems can allow us to guide the market. They can stop the food industry from competing anonymously by using very low-cost raw materials produced using unsustainable practices. In the context of food sovereignty based on re-territorialisation of food, it is worth helping to strengthen the differentiation of markets, favouring regional and high-quality markets, along with more direct distribution channels, maintaining accessibility for the poorest citizens. Allowing useful labelling also strengthens producers' cooperatives.

## 2.6 Effective crisis management

There is already a safety net for market crises, in the form of Common Organisations of Agricultural Markets (CMOs). This includes support for crisis storage, protection against imports (customs duties, etc.) as well as exceptional measures in the event of serious market disruptions. The European Commission is only responsible for activation of these instruments, but it is rare for this to happen, and even more rare for it to happen in time. This is because these evaluations are often based on the influential interests of the processing industry, and also on the fact that markets are not affected at the same time as the farms. So CMOs could be strengthened in the following ways:



**A constant early warning system** is needed, to detect market crises at an appropriate point. To this end, independent market observatories should be extended to cover all sectors of agricultural production.



To complement this, **a multi-level crisis management system** should be implemented to react quickly to emerging market crises. The agricultural sector should be organised in such a way that production quantities can be regulated within binding time limits. The necessary funding should be ensured not just through the EU crisis fund, but also for the sector (Art. 219 - 221 CMO), building on the example of the success of subsidies to support reduction in milk production in 2016.

Article 222 of the CMO, for its part, allows manufacturers and cooperatives to organize temporary cartels (6 months). This strategy has not proven successful because it is based on a false belief that increasing competition would resolve structural crises."

## 2.7 Measures regarding imports



**Measures relating to EU imports could be implemented for agricultural produce that would compete with existing production in Europe.** It is important to strengthen or re-establish: adjustable tariffs; health, social and environmental standards at least comparable to inter-European standards; import quotas; minimum entry prices. When these standards are implemented, special care should be taken to improve rather than negatively affect the food sovereignty of third countries. This last point is one of the main criticisms made of the mirror clauses, particularly as promoted under the French presidency of the EU in 2022, for example.



One should also question the obligation to import 5% of production (from the WTO agreement in 1994) and the fact that decoupled direct payments should be considered as non-distorting: This is incorrect as they allow the EU, as with export subsidies, to export at prices below production costs, damaging the agricultural systems of third countries.



**Within the EU itself, competition between member states could harm producers and food systems.** This means it is necessary to harmonise (by levelling up) taxation, social policies, and environmental standards, which play an important role in production costs.



**Minimum entry prices** would be advantageous as part of a radical change in perspective for the European single market. These involve limiting imports to products for which the price is at least above a minimum price, which would be defined as the average cost price in the EU. As well as avoiding unfair competition with local produce, these minimum entry prices would inject some of the price into exporters' systems, as they would allow an increase in the quality of produce supply, and thus the social and environmental conditions of production.



**Removal of all direct or indirect export subsidies and credits.** If direct payments to producers enable exports at prices below the average cost of sustainable production in Europe, these products should be subject to an export tax, so the European budget could recoup the subsidies that allowed the producer to sell at a price below the cost of production. Maintaining the ban on export subsidies is crucial.



**In case of a crisis in a third country, special attention should be paid to ensure that European food aid never damages local production,** which is vital for the resilience of populations and the recovery of countries.

## 2.8 Ensure market access for farmers and the democratisation of food systems

Within the objectives of the Farm to Fork Strategy, it is imperative that the European Union implements a framework law on all food systems, with a strong focus on access to high-quality food for all.



**Promoting peasants' access to public procurement contracts:** Establishing a link between public canteens and small farmers provides a regular source of income for these farmers, and helps develop organic agriculture. The EU should use its upcoming law on sustainable food systems to facilitate territorialised food systems, and particularly territorialised public procurement contracts; i.e. they should be consistent with the territories in question (their ecosystems, their geography, their culture etc.). 50% of public procurement contracts should be local, sourced from small and medium-sized farms. This would involve making calls for tender for public procurement contracts accessible and transparent for small and medium-sized farms, and developing canteens that can cook using raw produce, and artisanal processing workshops.



**This framework should encourage short supply chains and strengthen local and regional markets** instead of supermarkets and intermediaries. It should be geared to strengthening the connection between rural and urban areas, and reducing the carbon footprint of the entire supply chain. Short supply chains are more stable than anonymous deals,<sup>13</sup> and they often provide a better deal for peasants who want to strengthen their roots within their territory. This also implies health rules adapted to non-industrial production. Short food circuits also involve decentralisation of the food industry, favouring development of small and medium-sized industries that source supplies in the territories.

<sup>13</sup> F.Galli, G. Brunori (eds.) (2013) Short Food Supply Chains as drivers of sustainable development. Evidence Document. Document developed in the framework of the FP7 project FOODLINKS (GA No. 265287). Laboratorio di studi rurali Sismondi, ISBN 978-88-90896-01-9



**Finally, the European Union should embrace food social security<sup>14</sup>** as the main viable solution to really guarantee access to food for all. This system should be based on three pillars:

- a. proportional contributions based on income,
- b. universal redistribution, and
- c. democratic agreements for sustainable, fair produce with short food circuits.



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### **3 Prospects for a transition to more sustainable and agroecological agriculture using the Common Agricultural Policy**

Despite its budget of more than 50 billion euros per year, the CAP has been ineffective over recent decades, and it has ended up undermining social and environmental objectives. In the context of a climate crisis and global instability, with a view to open strategic autonomy, it is necessary to re-establish the nurturing role of a common food and agriculture policy and its price-stabilising function.

An approach with a focus on quantities, and a realistic and clear agenda are indispensable, to ensure continuous accompaniment of farmers through long-term transition contracts.

A farm transition will be more widely accepted if producers know that they can rely on fair and stable prices. If these prices form the basis of agricultural income, this will free the CAP budget to help farms move towards more sustainable, agroecological forms of production, and to support farms in geoclimatically disadvantaged regions, where production costs are higher: **We can only maintain peasant agriculture on all territories if there is a specific support system.**

<sup>14</sup> See the many studies carried out in France (<https://securite-sociale-alimentation.org/>) and in Belgium (<https://www.collectif-ssa.be/>) on this subject.





Measures should be inter-linked in a consistent way, allowing long-term functioning with high ecological and social standards. For a period of transition from the current CAP, this implies:

- That the EU implements the instruments for market regulation and supply management listed above, and re-orientates the subsidies for the 1st pillar of the CAP, prioritising the agroecological transition of farms.
- **Digressive payments calculated on the basis of the number of people working on a farm, with a cap of 60,000 euros per farm.**
- **Favouring new entrants and passing on farms.**
- In disadvantaged zones, **grants lined to production, covering the higher production costs linked to natural and structural handicaps** (abandonment, remoteness, logistical challenges, etc.).
- **Support for best practices:** grass-fed livestock farming, organic agriculture, multifunctionality, agroforestry, preserving strong biodiversity, peasant seed systems, etc.
- **Support for the transition to best practices**, in continuity with transition contracts.
- **Focus rural development policy on the (re)development of the decentralised artisanal food processing and regional value chains**, and on farm diversification, strengthening producers' groups and gender equality.
- **Subsidies linked to income for loss-making products in under-developed sectors** (for example, protein-rich crops).

Likewise, to maintain the small farms that play an essential role in local food and rural life, particularly in Romania, in Poland, and in Italy, specific grants should be allocated, regardless of production level.

These points are intended to open a debate, and there is a need for more in-depth analysis that is not included in this document.



# Conclusion

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One of the stated aims of the European Common Agricultural Policy is to ensure sustainable agriculture in European territory. However, one can hardly observe any improvement over the last thirty years. In fact, we have witnessed a worsening of the state of the environment, social fabric, and public health. Instead of exacerbating these problems, ECVC proposes a paradigm shift so that market regulation and fair and stable food and agricultural prices can pave the way for a fair and planned transition of European food systems towards re-territorialisation, and establishment of 10 million new farms in Europe, which are a vital condition for food sovereignty. Food sovereignty includes realisation of the fundamental right to food, democratisation of food systems, and a paradigm shift towards international solidarity. This should be the new compass for the European Union in the 21st Century. This is the direction to go, for open strategic autonomy to work.

A consistent approach is also needed on another front: The European Union should support the adoption of a new international framework for agricultural trade based on food sovereignty as defined in UNDROP.

ECVC is aware that these changes would represent a Copernican revolution for the European Union. This document is intended to encourage debate and to open people's minds to options that have been avoided for too long.



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