Parliamentary Assembly
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COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

Resolution 1470 (2005)[1]
Final version

The costs of the Common Agricultural Policy

Parliamentary Assembly

1. The Parliamentary Assembly recognises that the Common Agricultural Policy (CAP) of the European Union (EU) is a policy determined by the circumstances of post-war Europe to safeguard and ensure its food supply. Those circumstances have changed. It is time to reconsider the CAP in the light of its costs and effects, not only in Europe but also for developing countries, and to take more account of the non-economic effects of agriculture.

2. The Assembly recalls its Resolution 1322 (2003) on challenges for a new agricultural policy and notes that the CAP has met its original aims of guaranteeing food supplies and income for farmers. It has also promoted rural development and has been beneficial to rural communities, particularly in protecting Europe's cultural heritage and traditions.

3. Agriculture has been in difficulty in Europe for some years. The number of people it employs and its relative contribution to the gross domestic product, within the limits of that definition, are in decline. Young people are no longer attracted to this activity, which has been overtaken in its contribution to the economy by other sectors.

4. The Assembly welcomes the recent package of CAP reforms as a tentative step forward in addressing the challenges faced by the CAP and refocusing on the protection of the environment and animals and on its social effects. The new reform is an opportunity for farmers to improve their services to consumers, the environment and rural areas, and to offer fresh prospects to farming families.

5. There is a need for a shift in focus to tackle some of the negative effects of the CAP and the problems caused to developing countries, consumers, industry and the environment.

6. In developing countries, agriculture is often the main economic activity. These countries mostly carry out a traditional form of agriculture, aimed at home consumption and the local markets, whose future is threatened. It is subject to competition, also on the local markets, from commodities produced by major agricultural and food-processing companies, many of them multinationals. Rural populations are drifting into the cities, where there is too often a dearth of job opportunities, housing and services, which results in serious social problems.

7. The governments of developing countries endeavour to secure hard currency to be able to import goods and services from developed countries and, despite the problems this causes on the domestic front, they give precedence to major enterprises able to export agricultural products. This policy suffers from restrictions to free trade imposed by advanced economies such as those of the United States and the European Union. The Assembly observes these contradictions and notes the need for the EU to shoulder its responsibility for the complex effects of its agricultural policy on developing countries.

1. Assembly debate on 7 October 2005 (32nd Sitting) (see Doc. 10649, report of the Committee on the Environment, Agriculture and Local and Regional Affairs, rapporteur: Mr Flynn). Text adopted by the Assembly on 7 October 2005 (32nd Sitting).

8. The Assembly recalls Resolution 1449 (2005) on the environment and the Millennium Development Goals and notes that agriculture can be a major force in reducing poverty by improving employment prospects and creating wealth. However, the EU must carefully assess the effects of its agricultural policy both within Europe and in developing countries and take appropriate action to meet its commitments to reach the Millennium Development Goals, including through its agricultural policy.

9. The negative effects of the CAP are clear in the impact that the European Union's sugar regime has had on many developing countries, where sugar can be produced more easily and at lower cost. The Assembly condemns the EU sugar regime for awarding large subsidies to already highly profitable companies and hindering the ability of developing countries to escape poverty. While providing aid to developing countries, potential income is cut through trade restrictions. This situation is no longer tenable.

10. The Assembly notes that consumers in the European Union pay twice for the Common Agricultural Policy: through taxation, farmers and consumers are the victims of this policy, which results in lower income for farmers and high food bills for consumers.

11. The CAP remains a significant burden on the budget of the European Union, while other challenges, such as scientific research, territorial cohesion, common defence, etc., demand new resources. The use of CAP resources must not become counterproductive and therefore its effects on manufacturing industries must be taken into account as they can be very negative at times, as in the case of the sugar industry. Some CAP schemes have had a negative impact on linked industries causing job losses, for example amongst manufacturers of sugar-based products.

12. In addition, there is concern about the way subsidies are distributed. Large financial awards are being made to the largest farms, dispelling the idea that the CAP protects the smallest farmers. The decision by the United Kingdom Department for Environment, Food and Rural Affairs to publish the recipients of subsidies (names and amount received) in March 2004 is to be welcomed. It is revealing that the CAP does not primarily help small farmers.

13. The Assembly regrets that some elements of the CAP which have promoted intensive farming, alongside developments in technology, have also indirectly contributed to the destruction of habitats, pollution and a decline in the bird and animal species dependent on those habitats for their survival. Bird species have been recognised as indicators of this. Across Europe, the population of many farmland birds have been severely damaged as a result of this trend. For instance, the population of a farmland bird, the skylark, has declined by 52% in the UK.

14. Without further reform, the Assembly is concerned about the long-term future of bird and animal species in Europe and the resources needed to repair the environmental damage caused by intensive farming.

15. New Zealand offers an example of what can happen when subsidies are removed. Subsidies became unsustainable and were removed in 1984. It is notable that agriculture in New Zealand did not go into decline; productivity improved, environmental damage was reversed and the industry now responds to market and consumer demand. Important lessons can be learned from this example, even though the situation of agriculture in many parts of Europe cannot be compared with that in New Zealand in terms of rural population density, production tradition and complexity, links between agriculture and other local sectors such as tourism and the links between agriculture and landscape and environmental quality.

16. Switzerland offers a contrasting example combining high subsidies with environmental protection. This principle is incorporated in the Swiss Constitution. The integration of such a concern into agricultural policy is a wise choice, and subsidies are not handed out to farmers with high incomes. Swiss agricultural policy, although costly, is noteworthy above all for rewarding farmers for caring for the environment and maintaining the landscape in the course of their activities.

17. Consequently, the Assembly recommends that the institutions and member states of the European Union consider the following issues in current and future reforms of the CAP:

17.1. the CAP's impact on developing countries, the environment, consumers, taxpayers and other industries and how to address this matter;

17.2. the urgent need to address the effects of the CAP on developing countries, particularly through schemes such as the EU sugar and tobacco regimes;

17.3. the important lessons that can be learned from the examples of New Zealand and Switzerland;

17.4. the role that agricultural policy can play in promoting rural development, protecting cultural heritage, traditions and landscapes;

17.5. the need to develop a more efficient and fair system remunerating the non-economic services supplied by farmers: the protection of the environment and of animals, the maintenance of landscape, their contribution to the social and economic life of the outlying regions and preservation of water, air and soil as life's essential elements;

17.6. the need to require the publication of all aid recipients and amounts received to introduce greater transparency and accountability;

17.7. the need for reform to encompass all interests and not just those of the farming sector;

17.8. the need to focus on the environment, particularly in the context of imminent problems predicted as a result of climate change, and on society by occupying the whole territory to ensure its upkeep;

17.9. the expediency of devising a system of subsidies according to land area and taking account of farmers' assets and income so that small farms are afforded better protection.