

## **The CAP towards 2020 - Taking stock with civil society**

### **Workshop 1: CAP and food security**

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### **Solidarité's contribution to the debate on CAP and Food security**

Jacques Berthelot (jacques.berthelot4@wanadoo.fr),

<http://www.solidarite.asso.fr/Papers-2012>

There are two issues here: food security (FS) for the EU itself and for the rest of the world, particularly for developing countries (DCs), and first the least developed countries (LDCs).

### **I – The CAP and its own food security**

#### **1 – The CAP has always faced a structural trade deficit**

If this is already true for the agricultural trade balance it is even truer for the food trade balance.

##### **1.1 – The agricultural trade deficit**

The Eurostat data show that the average agricultural trade deficits were of ECU19.837 billion in the 1970s, of ECU14.804 billion in the 1980s, of €5.741 billion in the 1990s and of €2.514 billion in the 2000s, a decrease partly due to a large surplus in 2010 of €6.233 billion, and the surplus rose to €7.003 billion in 2011.

Table 1 – EU\* agricultural trade deficit in EUR-Euro million, 1972-2010

|        |        |        |        |        |        |        |        |        |        |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 1971   | 1972   | 1973   | 1974   | 1975   | 1976   | 1977   | 1978   | 1979   | 1980   |
|        | 9,988  | 16,741 | 18,645 | 14,785 | 22,663 | 25,210 | 22,839 | 24,960 | 22,700 |
| 1981   | 1982   | 1983   | 1984   | 1985   | 1986   | 1987   | 1988   | 1989   | 1990   |
| 12,220 | 15,618 | 16,345 | 18,666 | 17,674 | 15,297 | 14,915 | 15,913 | 10,902 | 10,488 |
| 1991   | 1992   | 1993   | 1994   | 1995   | 1996   | 1997   | 1998   | 1999   | 2000** |
| 10,070 | 7,195  | 2,054  | 6,437  | 10,321 | 7,233  | 4,447  | 6,483  | 4,824  | -1,653 |
| 2001   | 2002   | 2003   | 2004   | 2005   | 2006** | 2007   | 2008   | 2009   | 2010** |
| 5037   | 3670   | 2943   | 3414   | 1131   | -2911  | 4379   | 7079   | 2526   | -6,233 |

Source: Eurostat; \* EU6 up to 1972, EU9 from 1973 to 1980, EU10 from 1981 to 1985, EU12 from 1986 to 1994, EU15 from 1995 to 2003, EU25 from 2004 to 2006 and EU27 from 2007. \*\* a negative deficit means a surplus

However the deficits would have been much larger – and the rare surpluses much lower – if we take into account three elements:

1) The EU considers manufactured tobaccos (cigarettes, cigars) as agricultural products, which they are not and the US do not include them. The surpluses in manufactured tobacco reached €1.821 billion in 2000 – turning the agricultural surplus of €1.653 billion into a deficit of €179 million –, €1.571 billion in 2006 – reducing the surplus to 1340 million –, €2.281 billion in 2010 – reducing it to €952 billion – and €2.747 billion in 2011, reducing it to €4.257 billion.

2) A lot of trade is made under the inward processing regime (IPR) by which raw agricultural products are imported duty free as long as there are re-exported after processing, thus depriving the EU agricultural products from their domestic outlet. On average from 2000 to 2009 this has concerned 10.6% of agricultural exports, or €6.3 billion from €1.5 billion of agricultural products, implying a fake net surplus of €4.8 billion, and implying that there was no real surplus in 2010 and 2011 if the IPR trade was about the same as in the 2000-09 period. This corresponds to an internal social dumping against the EU farmers.

Table 2 – EU agricultural trade under inward processing regime from 2000 to 2009

| €million | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|----------|------|------|------|------|------|------|------|------|------|------|
| Exports  | 6488 | 6237 | 5857 | 5932 | 5948 | 6818 | 7920 | 8339 | 7085 | 6812 |
| Imports  | 2476 | 2225 | 2087 | 2043 | 2066 | 1995 | 2326 | 2429 | 2979 | 2426 |
| Balance  | 4012 | 4012 | 3770 | 3889 | 3882 | 4823 | 5594 | 5910 | 4106 | 4386 |

Source: Eurostat

3) The agricultural deficit would have been much higher without the huge export refunds, which have largely supported exports, particularly up to the 2000s.

Table 3 – EU export subsidies (refunds) in EUR-Euro million, from 1986 to 2010

|       |      |       |      |      |      |      |      |      |      |
|-------|------|-------|------|------|------|------|------|------|------|
|       |      |       |      |      | 1986 | 1987 | 1988 | 1989 | 1990 |
|       |      |       |      |      | 7409 | 9375 | 9929 | 9714 | 7722 |
| 1991  | 1992 | 1993  | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
| 10080 | 9487 | 10159 | 8161 | 7802 | 7802 | 5705 | 5884 | 4826 | 5573 |
| 2001  | 2002 | 2003  | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| 3412  | 3439 | 3726  | 3384 | 3049 | 2489 | 1443 | 925  | 650  | 350  |

Source: EAGGF-EAGF

4) Furthermore, the large gap between the direct aids received by the EU15 and EU12 farmers – an average of €82 per hectare in 2009 in the EU15 against €85 in the EU12 – implied an EU27 internal dumping of €1.2 billion that year, or of 34%, on the EU15 net food exports of €3.5 billion to the EU12. This annual dumping of €1.2 billion on the EU12 is to be compared with the about €670 million of additional direct aids for the EU12 in 2020 implied by the European Commission's proposal of 12 October 2011 for a partial convergence between the levels of direct aids in the EU15 and EU12. Besides, the competitive edge of the EU15 over the EU12 due to this gap in the level of per hectare direct aids had a parallel import substitution effect whereby the EU15 imported less from the EU12 than it would have done with equal per hectare direct aids. Therefore the EU12 is more food insecure than the EU15.

## **1.2 – The food trade deficit**

It is considerably larger than the agricultural trade deficit because it takes into account the huge deficit in fish trade. From 2000 to 2010, the EU27 food deficit reached €16.8 billion on average, fish included or €4.9 billion without fish. Those deficits would have been much larger without the €10.7 billion in net exports of beverages, essentially wines and spirits, which are not basic food staples and have almost compensated the €12 billion deficit on the 58.7 million tonnes imports of feedstuffs plus oilseeds plus vegetable oils and fats.

Table 4 – EU27 food trade: average from 2000 to 2010

|                     | In 1000 tonnes |         |         | In €million |         |         |
|---------------------|----------------|---------|---------|-------------|---------|---------|
|                     | Exports        | Imports | Balance | Exports     | Imports | Balance |
| Live animals        | 247            | 12      | 235     | 1064        | 453     | 611     |
| Meat                | 2869           | 1424    | 1445    | 4450        | 4232    | 218     |
| Dairy products      | 2643           | 332     | 2311    | 5797        | 773     | 5024    |
| Fish                | 1562           | 4518    | -2956   | 2361        | 14151   | -11790  |
| Cereals             | 25454          | 14415   | 11039   | 6719        | 3389    | 3330    |
| Fruits & vegetables | 7990           | 20752   | -12762  | 6259        | 17503   | -11244  |
| Sugar               | 4709           | 5508    | -799    | 2036        | 2058    | -22     |
| Coffee-cocoa-tea    | 1015           | 5113    | -4098   | 5345        | 8999    | -3654   |
| Feedstuffs          | 3171           | 32351   | -29180  | 1931        | 6799    | -4868   |
| Food preparations   | 2032           | 668     | 1364    | 5545        | 1736    | 3809    |
| Beverages           | 8055           | 4602    | 3453    | 14568       | 3860    | 10708   |
| Oilseeds            | 875            | 18280   | -17405  | 324         | 5297    | -4973   |
| Fats                | 2160           | 8049    | -5889   | 2532        | 4647    | -2115   |
| Total               | 62782          | 116024  | -53242  | 57131       | 73899   | -16768  |
| Total without fish  | 61220          | 111506  | -50286  | 54770       | 59748   | -4978   |

Source: Eurostat

Table 5 – EU27 food trade from 2000 to 2010

| €million       | 2000  | 2001  | 2002  | 2003  | 2004  | 2005  | 2006  | 2007  | 2008  | 2009  | 2010  | Average |
|----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
| Exports        | 48058 | 49425 | 50559 | 48987 | 49210 | 52453 | 58442 | 62563 | 69221 | 62793 | 74464 | 56925   |
| Imports        | 59066 | 63311 | 63802 | 62341 | 65266 | 69445 | 75378 | 84265 | 94357 | 83204 | 89401 | 73621   |
| Deficit        | 11008 | 13886 | 13243 | 13354 | 16056 | 16992 | 16936 | 21702 | 25136 | 20411 | 14937 | 16696   |
| " in fish      | 9878  | 10770 | 10274 | 10255 | 9976  | 11458 | 13404 | 13544 | 13323 | 12694 | 14008 | 11780   |
| " without fish | 1130  | 3116  | 2969  | 3099  | 6080  | 5534  | 3532  | 8158  | 11813 | 7717  | 929   | 4916    |

Source: Eurostat, CTCI Rev.3, codes 0, 11, 22, 4

### **1.3 – Conclusion: the EU structural food deficit renders the EU highly food insecure**

Up to now the EU has faced a huge structural food deficit which makes it highly food insecure, given its large dependency from, not only tropical products that it cannot grow such as coffee-cocoa-tea (€654 billion) or bananas (€543 billion), but also from products that it could grow such as protein feed, oilseeds, fruits and even bovine and poultry meats where its deficits are increasing. As for the fish deficit, the EU has a large responsibility in the depletion of fish resources that the United Nations have just underlined so that it must absolutely reduce its imports.

Furthermore it is clear that, with the fast increasing population in DCs and emerging countries, they will export less and less non basic staple foods so as to feed their population.

But there is a more fundamental reason to worry about our food future: the absurd stance taken by the EU in multilateral and bilateral trade negotiations and agreements where the EU agreed deliberately to sacrifice its agriculture and farmers as a bargaining chip to open the markets of the other countries to our exports on non-agricultural products and services. Thus in the Doha Round the EU agreed, if the Round is concluded, to cut by 80% its overall trade-distorting domestic support (OTDS) and by 54% its average agricultural tariffs. In so doing the EU pretends that no WTO Member would challenge the trade-distorting nature of its alleged decoupled Single Payment Scheme, although the US fixed direct payments were judged not to be in the green box by the WTO Appellate Body the 3 March 2005. It is one of the reasons why the 2012 Farm Bill adopted by the US Senate deleted definitely these fixed direct payments, another reason being the politically unsustainable argument that these payments benefit mostly to cereals and oilseeds whose prices have soared and would remain at a high level.

And it is because the whole CAP strategy has been devised since 1992 to satisfy the decoupled status of its agricultural subsidies that it has abandoned all the market mechanisms so necessary to ensure its food security: minimum (intervention) prices, efficient import protection, production quotas, etc.

## **II – The CAP and the food security of the rest of the world**

EU has many responsibilities in the growing food insecurity of the poorest DCs.

### **2.1 – The EU received an average food aid of €34 billion from DCs in the 2000s**

Given its average food deficit of €16.8 billion in the 2000s and its average food trade surplus of €17.4 billion over the developed countries from 2001 to 2010 – of which €11.9 billion over Western countries and €5.5 billion over Russia –, the end result is that the EU food deficit vis-à-vis DCs was of €34.2 billion. Therefore, before contemplating to feed the hungry countries, the EU should cease to be fed by them.

## **2.2 – Nevertheless on average the EU27 exported €33.6 billion of food products to DCs from 2000 to 2010, €10 billion more than to developed countries.**

But those exports would not have been possible without a considerable dumping. Let's take some products as examples.

1) The EU dumping of cereals in 2006: the EU-27 exported 27.3 Mt or 10.3% of a production of 266.5 Mt, of which 17.6 Mt of raw cereals and 9.8 Mt of cereals included in processed products: flours, semolinas, cereals germs, feedstuffs, malt, beer, whisky, wheat gluten and cereals preparations (starch, biscuits, pastry, breads, etc.). Total subsidies reached €1.960 billion, within which the €206 million of export refunds – represented only 10.5% and the €1.754 billion of domestic subsidies 89.5%. As the value of the exported cereals were of €3.583 billion, at 131 €/t on average, the average dumping rate was of 54.7%<sup>1</sup>.

2) The EU dumping of dairy products from 2000 to 2010: the average dumping rate was of €68.6 per tonne of milk-equivalent exported when we take account of the non-specific subsidies and of €22.3/t for specific subsidies only. Compared to the average value of €31 per tonne of milk-equivalent exports, this represented an average dumping of 38.5% with non-specific subsidies and of 27.9% for specific subsidies only. The two main posts of specific aids are the direct payments to milk producers from 2005 and those to the feed of EU origin consumed by dairy cows. The non-specific subsidies (NSS) are those of the non-specific amber box and traditional green box allocated to milk in the same proportion as the share of milk production value in the whole agricultural production value.

3) The EU15 dumping on meats from 2006 to 2008: in carcass-weight equivalent 10.9% of meats were exported with an average dumping rate, measured by the ratio of total subsidies to the export value, of 33%, of which 58% for bovine meat, 29.5% for pig meat and 35% for poultry meat and eggs. The main subsidies are on feed, particularly for pig and poultry meats which do not avail of direct payments as bovine meat. As export refunds have decreased a lot in that period, the percentage of domestic subsidies was of 97.3% for pig meat, 83.7% for bovine meat and 82.8% for poultry meat-eggs. If we take only into account the specific subsidies, the dumping rates were of 21% for all meats, of which 47% for bovine meat, 17.2% for pig meat and 22.6% for poultry & eggs. Per tonne of carcass-weight equivalent, total subsidies (specific and non-specific) to exports were on average , from 2006 to 2008, of €19 par all meats and eggs, of which €113 for bovine meat, €498 for pig meat and €422 for poultry meat and eggs. Considering only specific subsidies gives €328 for all meats and eggs, of which €900 for bovine meat, €290 for pig meat and €273 for poultry met and eggs.

## **2.3 – Forcing the ACPs countries to sign and ratify the EPAs is criminal**

According to FAO, SSA food deficit (fish excluded) was multiplied by 5.6 from 1995 (\$1.9 billion) to 2007-09 (\$10.1 billion), an annual rise by 12.7%. If we exclude the net trade in coffee-cocoa-tea-spices – which are not basic staples – the food deficit was of \$15.7 billion in 2007-09, an annual rise by 16.3%, increasing 6.9 times faster than population. Despite these large imports – or rather because of them – 30% of the SSA population suffer from hunger.

For West Africa the food deficit (fish excluded) jumped from \$695 million in 1995 to \$3.8 billion in 2007-2009, an annual rise by 12.9% (5.6 times faster than population), but, if we exclude the net trade in coffee-cocoa-tea-spices, the deficit reached \$8.6 billion in 2007-2009 against \$2.8 billion in 1995, an annual rise by 8.3%.

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<sup>1</sup> <http://www.solidarite.asso.fr/IMG/pdf/The-dumping-rate-of-the-UE-27-exported-cereals-in-2006.pdf>

In the EPAs negotiations the EU has repeated that the issue of agricultural subsidies can only be dealt with at the WTO level. Given their huge level, the ACPs should not sign the EPAs<sup>2</sup> before the conclusion of the Doha Round where this issue is a key component and was even its main stumbling block.

#### **2.4 – The EU co-responsibility with the US for their biofuels policies and their impact on the levels of global cereals stocks and food prices**

From 2005-06 to 2007-08 the reduction in the EU plus US cereals stocks has exceeded by 36% the reduction in global stocks and, from 2008-09 to 2010-11, it has exceeded it by 42%. Indeed in 2007-08 the EU was a net importer of 10 million tonnes of cereals (net imports of 15 million tonnes of coarse grains and net exports of 5 million tonnes of wheat)<sup>3</sup>.

The main reason of these falls in US and EU cereals stocks was their bioethanol policy, clearly much larger and detrimental in the US where 40% of their maize crop was processed into ethanol in the last 3 years. But the EU is also devoting a very significant quantity of cereals to ethanol: 10.5 million tonnes in 2010 and the EU is contemplating to devote 30.3 million tonnes in 2030, a pure madness, even on pure economic terms given the growing deficit in cereals of our neighbours in Africa and Middle East! Not to speak of the EU main responsibility in the spikes of oilseeds prices given its biodiesel policy.

#### **Conclusion**

Let us give the conclusion to Pascal Lamy and Franz Fischler, the two EU Commissioners for trade and agriculture, in an article of 8 September 2003 signed jointly, on the eve of the Cancun WTO Ministerial: *"Us, Europeans, we refuse to submit fully agriculture to the law of comparative advantages, that of the pure liberalism. Agriculture is not coal, and our farmers will not be the miners of the 21<sup>st</sup> century, doomed inexorably to disappear given their supposed economic inefficiency... Maintaining border protections, for those who want it, is not only legitimate but also necessary... Together with the low income countries, we share the concern of not opening agriculture to the large winds of liberalism... The trade balance of low income countries has a trade deficit of 2 billion euros in bovine meat, ovine meat, sugar and cereals. The wealthiest countries of the Cairns Group are net exporters of these food products with a surplus of 17 billion euros. Who could be convinced that a total liberalization will benefit the poorest countries?"*<sup>4</sup>.

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<sup>2</sup> More on the EU and EPAs in J. Berthelot, *Time is up to stop the EU-ACPs EPAs negotiations*, Solidarité, 23 June 2012, <http://www.solidarite.asso.fr/Papers-2012>

<sup>3</sup> J. Berthelot, *US and EU lower cereals stocks and new hikes in food prices ahead*, Solidarité, November 11, 2010, <http://www.solidarite.asso.fr/Papers-2010>

<sup>4</sup> Pascal Lamy, *Cancun: agriculture and liberalism*, [http://ec.europa.eu/archives/commission\\_1999\\_2004/lamy/speeches\\_articles/spla186\\_fr.htm](http://ec.europa.eu/archives/commission_1999_2004/lamy/speeches_articles/spla186_fr.htm)