



Limitations of the Agriculture Strategies' Proposals on Reform of the CAP 2021-27 and counter-proposals for a more radical reform

Jacques Berthelot (jacques.berthelot4@wanadoo.fr), April 22, 2020

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Introduction

Agriculture Strategies (AS) has done a considerable analytical work to reform the CAP¹, but its proposals, often bold, remain trapped in what seems possible to reform without radically calling into question the ongoing process for the CAP 2021-27. Yet the current deep crisis of the global neo-liberal economic system revealed by the COVID-19 pandemic calls for a radical reform of economic, social and environmental policies in all countries and all areas, particularly agriculture, in line with the commitments made in 2015 on the Sustainable Development Goals (SDGs) and the Paris Climate Agreement. The European Green Deal that AS welcomes needs infinitely more radical reforms if it is not to remain an incantation.

¹ <http://www.agriculture-strategies.eu/wp-content/uploads/2020/03/NRS-PAC-Green-Deal.pdf>

This is why the alternative outlined here must start from all the positive aspects of these proposals but make them operational while completely forgetting the current state of positions on the future CAP emanating from the European institutions (Commission, Council and Parliament) or the Member States (MS). And by making the future CAP a model that allows all countries to rebuild their agricultural policies on food sovereignty without dumping on the rest of the world and by also radically rebuilding the WTO rules. Moreover, the proposals for radical reform of neo-liberalism based on breathtaking capitalism, which are flourishing in all areas and in all countries, encourage us to do this a fortiori for agriculture.

I – Lack of consideration of the impact of proposals on developing countries

This insufficient consideration mainly concerns the direct and indirect impact of EU dumping.

1.1 – AS recalls "that the WTO definition considers dumping as selling at a price below the domestic price and does not take into account the costs of production"

Yes, but Article VI of the GATT Agreement has been contradicted four times by the WTO Appellate Body, which has clearly redefined dumping – in the Dairy Products of Canada cases of December 2001 and December 2002, US Cotton of March 2005 and EU Sugar of April 2005 – as exporting "below the average national total cost of production without subsidies" and in the Cotton case, the Appellate Body found that US decoupled subsidies could not be notified in the green box. But the Triad countries (EU, US, Japan) refuse to recognize a value of legal precedent ("stare decisis") to the rulings of the Appellate Body.

1.2 – Do not blame the WTO for the disastrous rules imposed by the Triad

It is not the WTO Secretariat, a legal entity, including its Director, that sets the rules of the WTO, but its Member States (MS), and in fact the most powerful, those of the Triad. Despite everything, the WTO is not as bad as bilateral or plurilateral free trade agreements (FTAs) for the majority of its Member States, developing countries (DCs) that want to radically change its rules, but not abolish them².

For it was the EU and the US that negotiated the rules of the Agreement on Agriculture (AoA) face to face, at the same time as they took advantage of the criminal definition of dumping by the GATT to radically modify the CAP and the Farm Bill by sharply reducing the guaranteed minimum agricultural prices ("intervention prices" in the EU and "loan rates" in the US) thanks to compensatory subsidies whose more or less trade-distorting character they arbitrarily defined, including the green box for so-called decoupled aid. This is why the ambassador of Mauritius, representative of the African Group at the WTO, signed the AoA in Marrakech on 15 April 1994 "with his head on the block".

It is therefore erroneous to speak of "*decoupled aid, considered as the Holy Grail at the creation of the WTO*". Nor is it true that "*The United States, co-designer of this approach [of decoupled aid] with Brussels, waited for Europe to take this path of reform before taking the plunge in 1996, by decoupling its direct aid during the reform of the Fair Act*". It was the EU that followed suit, since decoupling was only introduced in the EU in 2003, since the CAP blue box direct aids of the 1992 and 1999 reforms required the production of the subsidized products (cereals, red meat, milk) and also imposed set-aside. Nor can it be said that "*the rise in international*

² *Rebuilding the WTO for a sustainable global development*, SOL, 9 January 2019: <https://www.sol-asso.fr/wp-content/uploads/2019/01/Rebuilding-the-WTO-for-a-sustainable-global-development-9-January-2019.pdf>

cereal prices observed in the early 1990s initially seemed to validate the decoupling approach", since decoupling did not take place until 2003. Moreover, the EU Court of Auditors' Special Report on cereals of 1999 does not, of course, mention decoupling, but only that "market balance was to be achieved by reducing prices so as to curb production, by making area aid independent of the actual volume of production, and by withdrawing land from agricultural production", but cereals had to be produced in order to receive the aid/ha as well as the set-aside aid³.

The best denial of the absurdity of decoupling comes from Michel Jacquot of the Academy of Agriculture and former director of the EAGGF (European Agricultural Guarantee and Guidance Fund) from 1987 to 1997: *"All these people are still living in the simplistic scheme that was sold to them in 1992... according to which there were... direct income aids which also had to be reduced unless they were decoupled. There was nothing fair about that scheme. Indeed, how can one imagine that a subsidy of any kind, a SFP or a PPS, does not have an effect on exports (or imports)... Bullshit! Total blindness! It took, at the EEC level, the WTO Appellate Body on Sugar (of April 2005)... that "any payment financed by virtue of a government measure in the form of a transfer of resources through cross-subsidization is an export subsidy" to open their eyes. But the Commission has never said this openly, since decoupling has been presented – and continues to be presented – as the magic potion for saying and affirming, as LE FOLL said, that "we"... were no longer subsidising exports. Until when will we continue to lie?"⁴.*

This is why also to say as AS that *"European agriculture finds itself between the hammer of the highest production standards in the world and the anvil of the race for competitiveness on international dumping markets"* forgets to underline that the EU has a majority share in this. So dumping would persist with SA's reform proposals.

1.3 – EU farmers are not unprotected against world prices

On the one hand, for AS *"It will be a question of showing that the EU ceases to consider that its political decisions have no effect on international markets", that "the fight against dumping could thus be at the heart of a renewed multilateralism" and that "restoring agricultural prices to their equilibrium level would make it possible to make the 500 million farming families, which represent more than 40% of the world's population, solvent. This would be a colossal driving force for the entire economy of the planet. This is all the more important as the Commission Communication on the Green Deal mentions that climate and environmental issues should be at the heart of the discussions at the 2020 summit between the African Union and the European Union".* Very good, but it is wrong to say that EU farmers are *"directly connected to these dumping prices... with no protection other than decoupled aid planed down year after year"*, forgetting its high, over-quota tariffs (DD) on basic food products – including medium and low quality wheat, barley, rice, sugar, dairy products, red and white meat (via feed aid) – plus high subsidies (not only decoupled subsidies whose decrease has been largely compensated by new coupled aid) which are part of the total protection rate⁵.

³ https://www.eca.europa.eu/lists/ecadocuments/sr99_02/sr99_02_fr.pdf

⁴ <http://blogs.mediapart.fr/blog/j-berthelot/260514/les-subventions-de-lue-lexportation-suite>

⁵ *From customs duties to total agricultural protection: the case of the European Union-West Africa trade*, SOL, April 19, 2018: <https://www.sol-asso.fr/wp-content/uploads/2019/01/From-customs-duties-to-total-agricultural-protection.-April-19-2018.pdf>

1.4 – The poorest DCs cannot protect themselves from EU dumping

It is not enough to write "*The EU must show that it is ready to give itself the means to work towards the environmental transition of European agriculture*", to plead for "*a new trajectory of CAP reform that will restore the EU's sovereignty in food, agricultural and environmental matters*" and to invoke the SDGs, if this CAP reform does not simultaneously allow the developing countries to do the same. That is to say, if one does not take into account that, in addition to EU dumping, the EU is also imposing constraints on developing countries that prevent them from raising their customs duties (CDs), either indirectly through the structural adjustment plans (SAPs) of the IMF and the WB, or directly through bilateral FTAs, especially EPAs where it obliges ACP countries to reduce by 80% their CDs on their imports from the EU. Not forgetting the AfCFTA (African Continental Free Trade Agreement), which it supports politically and financially, which plans to reduce by 90% intra-African CDs from which EU multinationals would greatly benefit.

1.5 – Writing that "dumping on international markets is not reprehensible when it is already taking place on the internal market" is a huge slip of the pen

And this contradicts the statement that "*It will be a question of showing that the EU ceases to consider that its political decisions have no effect on international markets*", even if dumping is practised by the EU15 on the EU13 in view of the higher aid per ha or AWU of the EU15.

1.6 – The EU must respect the policy of coherence for development (PCD)

Saying that "*The European Green Deal must constitute a crucible where Community policies will find new vigour synonymous with effectiveness and coherence*" must also respect the policy of coherence for development (PCD) provided for in Article 208 of the Treaty on the Functioning of the EU (TFEU) of 2012: "*The Union shall take account of the objectives of development cooperation in the implementation of policies which are likely to affect developing countries*".

II - The inadequacy of the CAP reform proposals

2.1 – Making biofuel production more flexible

This flexibilisation according to market prices for fuels is unrealistic because it presupposes maintaining production capacity to cope with the fall in fuel prices independently of the evolution of agricultural prices, whereas the evolution of these prices must also be taken into account. The proposal "*for a dialogue between major biofuel-producing countries to make national policies more flexible and coordinated... to stabilize international markets*" is unrealistic because biofuel-exporting countries – which are also exporters of their raw materials: cereals, sugar cane or sugar beet – seek to maximize their income from these raw materials and the biofuels derived from them in order to increase world cereal and sugar prices, not at all to stabilize them, to the detriment of net importing countries.

Manzoor Ahmad, Pakistan's former ambassador to the WTO, cited on 25 September 2012 during the WTO Public Forum the case of Pakistan, which had exported wheat in early 2007 and was forced to re-import it at a much higher price after the huge price increase. It had to impose a 35% tax on wheat exports in the second half of 2008 and then ban exports and import 1.7 million tonnes of wheat. Mansoor Ahmad criticised the US and EU for taking huge

amounts of grain off the market to be used for biofuels at a time when world grain prices were rising rapidly, and he added that these transfers of grain to biofuels amounted to very large export restrictions. In other words, before lecturing the rest of the world on the need to ban export restrictions, the US and EU must stop their massive diversion of grain to biofuels.

2.2 – The limits and ambiguities of counter-cyclical aids

Counter-cyclical direct aids, which come under the EAGF (1st pillar), contradict the principle of annuality of the EU budget whereas more flexibility would be possible if they were in the EAFRD (European Agricultural Fund for Rural Development, 2nd pillar) which is limited to rural development adopted for 5 years, even if Member States (MS) can choose in their National Strategic Plan (NSP) to transfer 15% from the EAGF to the EAFRD or vice versa. However, as these options will differ from one MS to another and as the majority of direct aids will remain in the first pillar subject to annual expenditure, there will be no common counter-cyclical direct aids and this will create distortions of competition between MS. Secondly, if prices are particularly low in the first years of the multiannual budgetary framework of the CAP, appropriations will quickly be exhausted and there will be none left for the following years if prices remain low.

In the US, counter-cyclical aids – which are of three types: marketing loans, plus either Price Loss Coverage (PLC) or Agricultural Risk Coverage (ARC), which are an inverse function of the level of domestic agricultural prices – do not have the same constraints. Although the Farm Bills are voted for 5 years (sometimes 6), the CBO (Congress Budget Office) can vary, up or down, the annual expenditure, which Congress must however approve, taking into account the annual revision of the 10-year budget projections based on the evolution of the economy⁶. Thus, a favourable trend in agricultural prices implies less counter-cyclical aid but more pro-cyclical agricultural insurance aid. As the projections for insurance aid from 2019 to 2023 (\$38.010 bn, bn) are higher than those for counter-cyclical aid (\$31.440 bn), total agricultural aid would not be counter-cyclical.

2.3 – The food sovereignty of the EU and other countries is non-negotiable

To write that "*If the European Union massively uses access to its internal market as a quid pro quo in order to raise production standards in our trading partners, this will be a major turning point for international trade*" is absurd and in line with the policy of DG Trade which opens up tariff rate quotas in its FTAs in return for supposedly better production standards of trading partners.

2.4 – The proposed strategy is to have both the cake and the cake money

The cake: remunerative prices through market regulation measures, which is obviously necessary but does not go far enough (see below).

The cake money: no budget reduction but an "equivalent agricultural budget".

2.5 – For AS "the revision of the CMO regulation seems attainable in the short term"

This assertion is questionable because, according to Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 on the common organisation of

⁶ <https://fas.org/sgp/crs/misc/RS22131.pdf>

the markets in agricultural products⁷, Article 180 on the implementation of international agreements leaves the field open to the Commission, in accordance with its competence defined by Article 207 TFEU, to negotiate FTAs, including to modify customs duties and open tariff quotas. Given the opacity of these trade negotiations, it is necessary to review the TFEU on this (and many other) points by involving Parliament and the Council in the negotiations.

AS believes "*that the construction of Europe is destabilised by... the questioning of free trade precepts*" which is true for progressive forces challenging the neo-liberal orientation of the EU, but this has not changed since the new Trade Commissioner and former Agriculture Commissioner Phil Hogan declared on 18 February 2020 at a meeting of EU civil society: "*The European Union is today the largest trading bloc in the world. We are at the heart of the world's most comprehensive network of trade agreements, comprising more than 40 agreements with over 71 countries. This is vital for our future economic prospects, given that 85% of global growth will take place outside Europe over the next ten years*"⁸.

2.6 – Agricultural land is largely forgotten

Even if "*access to land is the key to ensuring the renewal of generations and it is at the time of setting up that investments offer the greatest possible leverage to steer farms towards environmental, economic or social sustainability*", a radical reform is needed for all farmers (see below in point 3.2.1).

III - For a radical reform of the CAP

Implicitly it is a radical reform that AS is calling for: "*Thus the Green Deal for Europe carries with it the possibility of a reorientation of the trajectory of CAP reform begun in the early 1990s*".

Since CAP reforms have always been made in relation to the GATT and then WTO negotiations, the proposed reform will also have to be made by radically rebuilding the WTO Agreement and in particular the Agreement on Agriculture (AoA), for which SOL presented a preliminary draft Agreement on Agriculture and Food (AoAF) to the Academy of Agriculture on 21 January 2019, jointly with Geneviève Parent, Professor of Law on Diversity and Food Security at Laval University in Quebec⁹. It is useful to recall the main points of this AoAF before outlining the necessary reform of the CAP, which is in line with the AoAF and will be further elaborated at a later date.

3.1 – The Agreement on Agriculture and Food (AoAF)

The objective of the AoAF is to contribute to the food sovereignty of the Members of the WOST (World Organization for Solidarity-based Trade) in contrast to the objective of the AoA prioritizing access to the markets of other Members in order to "*provide for substantial progressive reductions in agricultural support and protection*". This implies that Members should implement a hierarchy of norms in which agricultural trade law is subject to international agreements on human, social and environmental rights, in particular the United Nations

⁷ <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:347:0671:0854:EN:PDF>

⁸ https://ec.europa.eu/commission/commissioners/2019-2024/hogan/announcements/introductory-remarks-commissioner-phil-hogan-civil-society-dialogue_en

⁹ <https://www.sol-asso.fr/wp-content/uploads/2019/01/accord-sur-lagriculture-et-lalimentation-AsAA-de-IOMC-SOL-22-01-2019.pdf>

Declaration on the Rights of Peasants of 28 September 2018¹⁰ and the Right to Food¹¹. The main points of the AoAF are:

- The right to effectively protect their agricultural and food products at import in order to obtain remunerative prices for farmers and fishermen.
- Given the high volatility of world agricultural prices, accentuated by that of exchange rates, and the ineffectiveness of fixed tariffs in this context, Members are encouraged to implement variable import levies to stabilize domestic agricultural prices in national currencies. They may also introduce quantitative import and export restrictions.
- Prohibition of imports of agricultural and food products that have the effect of violating human, social and environmental rights in exporting countries.
- Members shall notify WOST of the national average total cost of production of each exported product and undertake to tax exports at a lower price than this.
- As long as agricultural products are not exported, Members may use such types of subsidies as they deem appropriate, taking into account their level of development. In particular, subsidies coupled to the level of price or production are preferable in deficit countries, as stressed by FAO, since they provide a direct incentive to increase production of deficit products.
- The distinction in the AoA and the Agreement on Subsidies and Countervailing Measures (ASCM) between non-specific and specific subsidies, and between export subsidies and domestic subsidies in the amber, blue or green boxes, has no scientific basis: all types of subsidies have the effect of reducing the export price below the national average total cost of production, as defined by the WTO Appellate Body in the Canadian dairy case of December 2001 and December 2002, and of increasing the competitiveness of the products benefiting from them. They simultaneously have a dumping effect when exported and an import substitution effect identical to that of tariffs.
- All Members have the right, and even a moral duty, to build up stocks of basic food products redistributed to disadvantaged populations at highly subsidized prices, including when these stocks have been purchased from producers at subsidized prices (so-called administered prices), provided that this does not result in the export of the stocks at a dumped price, i.e. below the average national total cost of production without subsidies.
- Exporting Members undertake to coordinate their exports of agricultural and food products in order to mitigate fluctuations in world prices.
- Members shall not use food products, domestic or imported, for the production of agrofuels except in cases of overproduction, without export dumping.

3.2 – The main reforms specific to a profoundly renewed CAP

3.2.1 – Radical reform of agricultural land law

Land, especially land used for agricultural purposes, should be recognised as a common good and not as individual property. One can refer to the traditional ownership of village communities in Africa according to Denise Paulme, quoting a traditional chief from Niger in 1963: "*In my opinion, land belongs to a large family, many of whose members are dead, some are alive and most of whom are still unborn*" and who concluded: "*In the end, land rights are part of the status of persons, they are an aspect of it: to be without land would be equivalent to*

¹⁰ http://www.hlrn.org/img/documents/A_C.3_73_L.30_FR.pdf

¹¹ *Rebâtir l'Accord sur l'agriculture sur la souveraineté alimentaire pour mettre en oeuvre le droit à l'alimentation*, Solidarité (ex-SOL), 17 juin 2008, <https://www.sol-asso.fr/wp-content/uploads/2013/06/Rebatirlaccordsurlagriculture-16-06-08.pdf>

being without parents, an inconceivable situation"¹². A similar statement was made by an Indian chief in Seattle. One can also refer to Samir Amin citing the example of China and Vietnam where "*The management of access to land is not based on private property or 'custom', but on a new revolutionary right, ignored everywhere else, which is that of all peasants (defined as the inhabitants of a village) to equal access to land... The model implies the double affirmation of the rights of the State (sole owner) and of the usufructuary (the peasant family), a right that can be transmitted to the heirs who remain on the farm*"¹³.

This analysis is shared by François Partant for whom "*The right of ownership, which is a means of individual enrichment, is replaced by a right of perpetual enjoyment, that is to say, hereditary and transmissible to children who wish to continue their father's activity. This right, which is obviously recognized only to those who exercise it (the peasant who stops cultivating his land renounces it and loses it), provides members with the security that comes from ownership, in addition to the security that comes from belonging to a community based on solidarity*"¹⁴. Similarly for François Houtart, "*The appropriation of the means of production and circulation by individuals or companies for the purposes of private capitalist accumulation is contrary to the common good of humanity and the good life (Buen Vivir) and is therefore forbidden*"¹⁵.

But we must above all quote Edgar Pisani – former Minister of Agriculture from 1962 to 1966, who participated in the elaboration of the first texts of the CAP, and former European Commissioner for Development from 1981 to 1985 – promoter of the Land Offices in his book *L'utopie foncière* of 1977, before Edith Cresson tried to set them up as Minister of Agriculture from 1981 to 1983, without success due to the fierce opposition of the FNSEA. For Vincent Le Rouzic, "*Aware of the impossibility of bringing into the public debate an immediate expropriation of the 13 million or so owners of the 100 million plots of land at the time, Edgar Pisani's singular proposal was to undertake a gradual socialization of the soil by creating land offices. The aim of these intermunicipal public establishments was to be the only public entities throughout the territory that could own and acquire land, without being able to retrocede it. Benefiting from a right of pre-emption on all the land put up for sale and financial resources provided by a revised land tax and concession fees, the project aimed to definitively remove land from the market logic*"¹⁶.

According to article 21 of the draft law on land offices, "The functions of the Land Office shall be to acquire and manage all land whose collective appropriation determines the policy of land use and living environment: (a) It shall receive by transfer all land belonging to communities and public establishments, whatever their allocation and use. a) It receives by transfer all land belonging to communities and public institutions, whatever their use and purpose. b) It is placed in possession of all property declared vacant and without owner. c) It carries out on behalf of communities all land acquisitions that they have decided to make. d) For the realization of land reserves, it acquires by amicable agreement (by outright purchase or life annuity) or by exercising its right of pre-emption all land that it may acquire"¹⁷. These land offices were therefore intended to regulate all land rights, including urban rights: "*For their main dwelling,*

¹² Denise Paulme, *Régimes fonciers traditionnels en Afrique noire*, Présence Africaine, 1963/4 N° XLVIII | p. 109-132

¹³ <https://www.sol-asso.fr/wp-content/uploads/2020/01/Samir-Amin-a-balis%C3%A9-les-r%C3%A9ponses-%C3%A0-la-crise-multidimensionnelle-du-syst%C3%A8me-mondial-16-02-2020.pdf>

¹⁴ François Partant, *La ligne d'horizon. Essai sur l'après-développement*, La Découverte, 1988

¹⁵

<http://www.humiliationstudies.org/documents/HoutartUniversalDeclarationoftheCommonGoodofHumanity.pdf>

¹⁶ <https://reporterre.net/Pour-stopper-le-gaspillage-des-terres-il-faut-une-maitrise-collective-du>

¹⁷ http://institutmichelserres.ens-lyon.fr/IMG/pdf/agter_-_offices_fonciers_une_d_apre_s_edgar_pisani.pdf

households obtain the allocation of a private plot of land or an undivided right. These plots and rights are allocated without any time limit as soon as they are transmitted in a direct line of succession. The same applies to agricultural land that is the basis of a family-type farm. Any de jure or de facto sub-leasing of such property is prohibited. Upon termination of the direct line, the property and the buildings it carries shall revert by right to the Office".

With regard to financing, article 24 stipulates that *"Operations carried out by the Land Office shall be financed by the communities and institutions on whose behalf they are conducted. It may be entrusted with carrying out certain development work, and it may, subject to the guarantee of the municipalities that constitute it, borrow the sums necessary for the acquisitions that fall within its purpose".* Gwenaëlle Mertz, who wrote this article, states that, for Edgar Pisani, *"This acquisition process does not correspond to a massive nationalisation of the land, but can be carried out gradually by acquiring part of the land that is put on the market or transferred each year (about 1/6000th of French land per year at the time)".*

In practice, the Société Civile des Terres du Larzac is the only de facto Land Office set up in France by the inhabitants, who chose not to acquire ownership of the land, but to rent it to the State by means of an emphyteutic lease. This small region is also probably the only one in France to have seen the number of its farmers and stockbreeders increase, according to an article by José Bové in 2002¹⁸. In France, the associations AGTER (Amélioration de la Gouvernance de la TERre) and Terres de liens would like to create departmental land regulation commissions, with the SAFERs being responsible for implementing their decisions¹⁹. It is to be hoped that these Commissions will become Land Offices, taking into account the proposals of the SAFERs, which are responsible for implementing their decisions. We can only hope that these Commissions will be transformed into Land Offices taking into account the proposals of Edgar Pisani and Larzac.

The Food Strategy Committee (CFS) developed in 2012 *"Voluntary Guidelines for Responsible Governance of Land, Fisheries and Forestry Tenure in the Context of National Food Security"*, recommending that *"States should recognize and adequately protect the legitimate land rights of indigenous peoples and other communities with customary land tenure systems"*²⁰ but, being only voluntary, these Guidelines have had little effect. This is why the 2016 World Forum on Access to Land and Natural Resources called for *"the immediate launch of an organizational process to transform the voluntary guidelines into binding national and international commitments"*²¹ and *"policies to discourage the formation of very large, specialized production units that rely heavily on mechanization, synthetic inputs and fossil fuels, and wage labour"*. Finally, the United Nations General Assembly adopted on 30 October 2018 the *"United Nations Declaration on the Rights of Peasants and Other Rural Workers"*²², Article 17 of which states that *"States shall take appropriate measures to carry out agrarian reforms to facilitate broad and equitable access to land and other natural resources necessary for peasants and other rural workers to enjoy adequate living conditions, and to limit excessive concentration and control of land in relation to its social function"*.

¹⁸ https://www.agter.org/bdf/fr/corpus_chemin/fiche-chemin-9.html

¹⁹ file:///D:/PAC/2019_refonder_politique_fonciere_agter_tdl_synthese.pdf

²⁰ http://www.fao.org/fileadmin/user_upload/newsroom/docs/VG_FR_March_2012_final.pdf

²¹ http://www.landaccessforum.org/wp-content/uploads/2015/05/Final-report_EN.pdf

²² http://www.hlrn.org/img/documents/A_C.3_73_L.30_FR.pdf

To this can be added the necessary review of taxes and subsidies that degrade biodiversity, as reflected in the 2012 report of the Economic Analysis Council, including those related to input-intensive agriculture²³ or excessively heavy tractors that compact the soil.

3.2.2 – Radical reform of agricultural price and income policy

AS is right to state that "*the Green Deal for Europe carries with it the possibility of a reorientation of the CAP reform trajectory begun in the early 1990s*". Indeed, we need to return to the main tools of the pre-1992 CAP, where farm incomes were essentially based on remunerative prices – ensured by variable import levies, which sheltered them from fluctuations in world prices in dollars and exchange rates – with subsidies essentially reserved for farmers in less-favoured areas. But the calculation of variable levies, the abolition of export refunds and the distribution of production rights would have to be changed to maximize agricultural employment and avoid overproduction that could no longer be sold without export dumping.

3.2.2.1 – Food expenditure and subsidies to agricultural and food production and exports

The share of food expenditures (including alcoholic beverages and restaurants) in the total household budget in the EU28 changed very little from 1995 (21.4%) to 2018 (20.7%), with an average of 20.4%, although in total food consumption the share of "food and non-alcoholic beverages" decreased from 61.6% to 58.6%, while the share of restaurants increased from 31% to 33.7%, with little change in the share of alcoholic beverages (from 7.4% to 7.7%).

Table 1 – Food consumption expenditures in the EU28 from 1995 to 2018

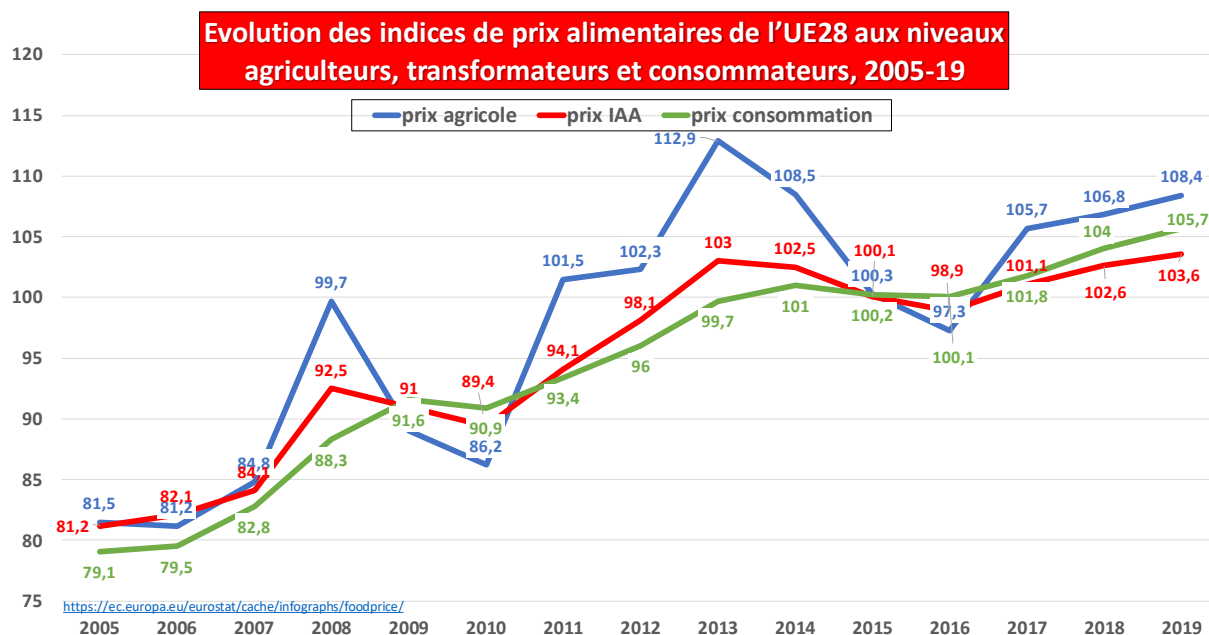
€ million	Consumption total	Food consumption				Food/total consumption
		Food + non alcoholic beverages	Alcoholic beverages	Restaurants	Total	
1995	3945485	520467	62807	261639	844913	21,4%
1996	4172956	540586	65983	278284	884853	21,2%
1997	4419777	556134	69671	297678	923483	20,9%
1998	4617010	568643	71797	313649	954089	20,7%
1999	4866898	585796	75604	333102	994502	20,4%
2000	5214874	612910	79069	363320	1055299	20,2%
2001	5387479	639680	80703	379667	1100050	20,4%
2002	5524354	657096	83259	391438	1131793	20,5%
2003	5600102	667659	84310	396174	1148143	20,5%
2004	6149291	745571	94083	425923	1265577	20,6%
2005	6415634	765975	96014	443917	1305906	20,4%
2006	6717720	790863	99965	463529	1354357	20,2%
2007	7131181	852711	10328	488572	1351611	19,0%
2008	7188005	879982	103974	480009	1463965	20,4%
2009	6859538	850461	102578	455315	1408354	20,5%
2010	7120345	870566	108050	467232	1445848	20,3%
2011	7321621	894634	111792	478431	1484857	20,3%
2012	7511929	921059	116022	491134	1528215	20,3%
2013	7586192	939316	122523	492288	1554127	20,5%
2014	7788813	956202	123599	514659	1594460	20,5%
2015	8136865	985780	130251	547384	1663415	20,4%
2016	8179396	994432	130491	557078	1682001	20,6%
2017	8377740	1020635	133293	582761	1736689	20,7%
2018	8629191	1047138	136937	602050	1786125	20,7%
Average*	6991593	846983	102486	474783	1424252	20,4%

Source: Consumption expenditures of households per consumption function (COICOP at 3 digits) [nama_10_co3_p3] https://ec.europa.eu/eurostat/fr/web/products-datasets/-/NAMA_10_CO3_P3; * average from 2000 to 2018

The graph below shows that the evolution of food price indices from 2005 to 2019 (data are missing for previous years) at the three levels of agricultural raw materials, food industries and

²³ <http://www.annales.org/re/2018/re91/2018-07-10.pdf>;

food consumption was very parallel, but the fluctuation of agricultural prices was much stronger.



It can be considered that, disregarding changes in stocks, the value of EU food production (FP) plus food imports (FM) minus food exports (FX) is equal to household food consumption expenditures (FC): $FC = FP + FM - FX$, or, as it is food production that is sought: $FP = FC - FM + FX$. Food trade is calculated under the SITC nomenclature, for which data are only available from 2000 onwards.

As for the value of agricultural output for food use, tobacco, textile plants, fodder plants, plants and flowers, other plant products, wool, silkworms and other animal products were deducted from the value of the agricultural branch. It is then seen that the percentage of the value of agricultural products for food use in the value of household food expenditures – which is in fact the percentage of the value of the EU consumers' expenditures accruing to farmers – increased from 21.5% in 2000 to 21.2% in 2018, with an average of 20.9%, with however significant fluctuations, with a peak at 24% in 2013 and a trough at 17.7% in 2005 and 2006.

Table 2 – Farmers' share of EU28 food production and consumption from 2000 to 2018

€million	From food consumption to production value				Agricultural production for food	Farmers' share of consumers' expenditures
	Consumption	Imports	Exports	Production		
1995	844913				213776	
1996	884853				223741	
1997	923483				223692	
1998	954089				218146	
1999	994502				217165	
2000	1055299	55784	44846	1044361	224938	21,5%
2001	1100050	59562	45637	1086125	233567	21,5%
2002	1131793	65003	53131	1119921	226466	20,2%
2003	1148143	64645	51479	1134977	226328	19,9%
2004	1265577	71485	57297	1251389	234927	18,8%
2005	1305906	69332	53043	1289617	227969	17,7%
2006	1354357	75137	59273	1338493	236707	17,7%
2007	1351611	84347	62593	1329857	288273	21,7%
2008	1463965	94445	69254	1438774	302059	21,0%
2009	1408354	83186	62813	1387981	259807	18,7%
2010	1445848	91429	76540	1430959	289265	20,2%
2011	1484857	105033	89963	1469787	320058	21,8%

2012	1528215	108278	100598	1520535	334681	22,0%
2013	1554127	109020	107012	1552119	372148	24,0%
2014	1594460	112428	108708	1590740	366385	23,0%
2015	1663415	122887	114564	1655092	363003	21,9%
2016	1682001	124189	117648	1675460	350760	20,9%
2017	1736689	129186	123445	1730948	374422	21,6%
2018	1786125	128579	123574	1781120	377548	21,2%
Average*	1424252	92313	80075	1412013	295227	20,9%

Source: Eurostat and Easy Comext; * average from 2000 to 2018

Let us now look at how to rebuild farm incomes on remunerative prices instead of the current massive agricultural subsidies. Table 3 shows the evolution of the main components of the EU Agricultural Budget since the first major reform of the CAP in 1992. A distinction is made between market interventions, including export refunds, direct aids, including decoupled and coupled aids, and rural development, which is also notified in the WTO green box.

State aid should be added, but it has been largely under-notified, declining from €17.2 bn in 2000 to €5.5 bn in 2017, with an average of €9.1 bn, for two reasons: 1) State aid co-financing national rural development plans is not notified to the European Commission (Article 81(2) of Regulation 1305/2013)²⁴; 2) de minimis aid, which is not State aid and therefore does not have to be notified to the Commission, may amount to €15,000 for three years per farm (this level has been increased to €20,000 since February 2019) provided that it does not exceed 1.25% of the value of national agricultural production, or €200,000 for an agri-food business.

Table 3- Main components of the EU Agricultural Budget from 1992 to 2018

Million €	Total	Interventions		Direct aids			Interventions + direct aids	Rural development	Others: administration, etc...
		total	refunds	total	decoupled	coupled			
1992	32093	24553	9249	6837		6837	31390	304	399
1993	34748	22604	9999	11069		11069	33673	477	598
1994	33412	14529	8075	17768		17768	32297	490	625
1995	34380	12201	7724	20902		20902	33103	832	445
1996	39108	10307	5676	26373		26373	36680	2102	326
1997	40675	11162	5869	26521		26521	37683	2512	480
1998	38748	10771	4792	25434		25434	36205	2169	374
1999	39771	10827	5570	25411		25411	36238	2866	667
2000	40346	10093	5625	25396		25396	35489	4381	476
2001	42083	8196	3404	27925		27925	36121	4516	1446
2002	44918	8812	3443	28706		28706	37518	6099	1301
2003	46977	8803	3723	29626		29626	38429	7141	1407
2004	47467	8484	3318	29208		29208	37692	8816	959
2005	52698	8534	2987	33856	1449	32407	42390	9924	384
2006	53538	8067	2455	34051	15948	18103	42118	11329	91
2007	53694	5420	1436	37045	30202	6843	42465	10869	360
2008	53808	5442	855	37569	31208	6361	43011	10527	270
2009	55214	7006	644	39114	32529	6585	46120	8738	356
2010	55614	4314	324	39675	33532	6143	43989	11483	142
2011	56345	3532	166	40178	37296	2882	43710	12292	343
2012	57949	3515	146	40880	37372	3508	44395	13258	296
2013	58339	3193	61	41447	39585	1862	44851	13152	336
2014	55769	2478	2	41660	39720	1940	44138	11186	445
2015	57093	2666		42168	37993	4175	44834	11788	471
2016	57208	3164		40984	35212	5772	44148	12365	695
2017	56168	2956		41551	35347	6204	44507	11109	552
2018	57168	2652		41497	35290	6207	44331	12460	377
Average*	52758	5649	1505	36449	23299	13150	42119	9611	564

Source: outturn of annual agricultural budgets in the Commission's general budget (<https://eur-lex.europa.eu/budget/www/index-en.htm>); * average from 2000 to 2018

²⁴ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:347:0487:0548:EN:PDF>

Table 4 distributes total subsidies over total agricultural production and agricultural exports. As agricultural exports have accounted for an increasing percentage of production, from 19.4% in 2000 to 32.1% in 2018 – not so much in volume as in value due to increasingly processed products outside the farm gate – agricultural export subsidies have increased from € 7.8 billion in 2000 to € 18.4 billion in 2018. If we relate export subsidies to the value of exports, we see that the average rate of dumping decreased from 15.3% in 2000 to 13.3% in 2018, with a ceiling of 17.8% in 2005. This average dumping rate hides the fact that many agricultural products are heavily subsidised and others very little.

Table 4 - Agricultural production and export subsidies from 2000 to 2018

€ million	Total subsid	Agri prod°	Agri exports	Agri exports/agri prod°	Subsid/agri exports	Dumping rate
2000	40346	262293	51013	19,4%	7827	15,3%
2001	42083	271619	51595	19,0%	7996	15,5%
2002	44918	265037	60342	22,8%	10241	17,0%
2003	46977	265527	58556	22,1%	10382	17,7%
2004	47467	303323	65023	21,4%	10158	15,6%
2005	52698	296428	61158	20,6%	10856	17,8%
2006	53538	304680	69601	22,8%	12207	17,5%
2007	53694	355464	70631	19,9%	10686	15,1%
2008	53808	375641	78132	20,8%	11192	14,3%
2009	55214	333540	71891	21,6%	11926	16,6%
2010	55614	363757	87572	24,1%	13403	15,3%
2011	56345	397283	101956	25,7%	14481	14,2%
2012	57949	410040	114086	27,8%	16110	14,1%
2013	58339	424141	121194	28,6%	16685	13,8%
2014	55769	419232	121861	29,1%	16229	13,3%
2015	57093	413119	129347	31,3%	17870	13,8%
2016	57208	402292	131455	32,7%	18707	14,2%
2017	56168	426548	137734	32,3%	18142	13,2%
2018	57168	429435	137765	32,1%	18350	13,3%
Moyenne	52758	353653	90574	25,6%	13506	14,9%

Source : Easy Comext

Table 5 shows that EU food production and exports were lower than agricultural production and exports by an average of 16.5% and 11.6% respectively from 2000 to 2018, and even though the average dumping rates were the same (14.9%) – from 15.4% in 2000 to 17.8% in 2005 before falling gradually to 13.3% in 2018 –, food export subsidies were also 11.6% lower on average than those for agricultural exports, having fallen from €6.9 billion in 2000 to €19.4 billion in 2018, i.e. an average value of €11.9 billion. It should be recalled that food exports and imports are based on the SITC nomenclature, which takes into account fish and preparations but excludes all non-food agricultural products, which also applies to food consumption and production.

Table 5 - Food production and export subsidies from 2000 to 2018

€ million	Total subsid	Food prod°	Food prod°/ agri prod°	Subs/ food prod°	Food exports	Food exp/ food prod°	Subs/ Food exp	Dumping rate
2000	40346	224938	85,8%	34617	44846	19,9%	6889	15,4%
2001	42083	233567	86,0%	36191	45637	19,5%	7057	15,5%
2002	44918	226466	85,4%	38360	53131	23,5%	9015	17,0%
2003	46977	226328	85,2%	40024	51479	22,7%	9085	17,7%
2004	47467	234927	77,5%	36787	57297	24,4%	8976	15,7%
2005	52698	227969	76,9%	40525	53043	23,3%	9442	17,8%
2006	53538	236707	77,7%	41599	59273	25,0%	10400	17,6%
2007	53694	288273	81,1%	43546	62593	21,7%	9449	15,1%
2008	53808	302059	80,4%	43262	69254	22,9%	9907	14,3%
2009	55214	259807	77,9%	43012	62813	24,2%	10409	16,6%
2010	55614	289265	79,5%	44213	76540	26,5%	11716	15,3%
2011	56345	320058	80,6%	45414	89963	28,1%	12761	14,2%
2012	57949	334681	81,6%	47286	100598	30,1%	14233	14,2%
2013	58339	372148	87,7%	51163	107012	28,8%	14735	13,8%
2014	55769	366385	87,4%	48742	108708	29,7%	14476	13,3%
2015	57093	363003	87,9%	50185	114564	31,5%	15808	13,2%
2016	57208	350760	87,2%	49885	117648	33,5%	16711	14,2%

2017	56168	374422	87,8%	49316	123445	33,0%	16274	13,2%
2018	57168	377548	87,9%	50251	123574	32,7%	16432	13,3%
Average	52758	295227	83,5%	44053	80075	27,1%	11938	14,9%

Source: Easy Comext

3.2.2.2 - Tentative programming of the rise in remunerative agricultural prices

In 2018 total subsidies of €57.168 bn accounted for 15.16% of the €377.148 bn value of EU28 agricultural production. After Brexit, it will be necessary to reason in EU27 terms but, since data on subsidies are only available for the EU28 until 2018, growth in GDP and households' food expenditure will continue to be estimated on an EU28 basis. To ensure that farmers' income does not fall after the phasing out of subsidies implies that the value of production rises to €434.316 bn, assuming that the share of their income in the value of production does not change. If, moreover, it is assumed that the volume of production will not change as a result of more agro-ecological (including organic) production systems, a better distribution of production rights and the ban on export dumping, agricultural prices will have to increase by 15.16%, spreading the increase over a number of years depending on the desired annual price growth rate and taking measures to ensure that consumers do not suffer.

The deep recession in the EU28 in 2020 linked to the COVID-19 pandemic has changed the outlook for GDP growth. Although the rate averaged 3.27% from 1995 to 2019, of which 2.50% from 2010 to 2019, it has fallen to 1.5% in 2019 (of which 0.6% in Germany and 1.3% in France) and the IMF forecasts a 7.5% decline in GDP in the euro zone in 2020 (of which 7% in Germany and 7.2% in France) after which, if the sanitary crisis is overcome by the end of 2020, euro zone GDP would grow by 4.7% in 2021 (of which 5.2% in Germany and 4.5% in France). The year 2018 will be taken as the base 100 of GDP. In the absence of GDP projections for the EU28 in 2020 and 2021, we will take those made for the euro zone. Beyond that, a modest growth rate of 1.3% will be chosen from 2022 onwards, a modesty linked to the need for limited growth with a new economic paradigm away from neo-liberal capitalism.

In 2018, household consumption in the EU represented 53.55% of GDP and, as the share of their budget dedicated to food was 20.7% (Table 1), this corresponded to 11.08% of GDP (Table 6). The 15.16% increase in prices compared to 2018 will require a variable number of years depending on the desired annual rate of prices increase. An annual increase of 1.42% in agricultural prices would take 10 years (in 2028), an increase of 1.58% would take 9 years (in 2027) and an increase of 1.78% could be achieved in 8 years (2026). We can already see that, despite the 7.5% drop in EU28 GDP in 2020, its 2019 level would be back at the end of 2023.

Table 6 - Schedule of agricultural price increases needed to compensate for the loss of subsidies

Années	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
GDP rate	100	105	92,5	104,7	101,3	101,3	101,3	101,3	101,3	101,3	101,3	101,3	101,3
€ bn	15909	16441	15208	15923	16130	16339	16830	17049	17270	17495	17722	17953	18186
Share of food consumption in GDP according to growth rate of this share and the number of years need to reach 12.76% of GDP													
10:1.42%	11,08%	11,24%	11,40%	11,56%	11,73%	11,89%	12,06%	12,23%	12,41%	12,58%	12,76%		
9:1.58%		11,26%	11,43%	11,61%	11,80%	11,98%	12,17%	12,37%	12,56%	12,76%			
8:1.78%		11,28%	11,48%	11,68%	11,89%	12,10%	12,32%	12,54%	12,76%				

There is no time at this stage to enter into the operational modalities of increasing protection to ensure remunerative agricultural prices. Let's just say that it will be a question of reusing variable levies as before 1992 but with mechanisms that are less dependent on the prices of the US boards of trade.

Naturally this use of variable levies, which was so effective for the development of EU agriculture from 1962 to 1992, will be strongly attacked by many WTO Members as contradicting the provisions of the AoA (footnote to Article 5.2), but I have shown that, in reality, the AoA allows for hidden variable levies under other names²⁵ and the European Commission uses them for certain fresh fruit and vegetables and for certain cereals. And it recognized their validity in 2002 in the Argentine-Chile case

²⁵ J. Berthelot, *Réguler les prix agricoles*, L'Harmattan, 2013. An informal English version (*How to regulate agricultural prices*, September 21, 2013), can be downloaded at <https://www.sol-asso.fr/wp-content/uploads/2013/05/How-to-regulate-agricultural-prices-J.-berthelot-2013.pdf>

at the WTO where it was a third party²⁶, insofar as they are very close to the prices bands widely used in South American countries and the EU also recognized their validity in its FTAs signed with the Andean countries (Colombia, Peru, Ecuador) since 2012.

3.2.2.3 – Why higher food prices are necessary

Irrespective of the need to compensate for the loss of agricultural income due to the cessation of most subsidies, the rise in agricultural production costs is inevitable for the following reasons:

- Consumers want to consume healthier products – without pesticides, chemical fertilizers, GMOs – which will reduce yields even if the nutritional quality per kg increases. They also want to (or at least should) consume much less animal products – meat, dairy products, fish – and they are increasingly sensitive to animal welfare violations (factory farming) also for health reasons regardless of their adverse effect on greenhouse gases (GHGs).

- It will be necessary to stop importing products that pollute the environment and do not respect the rights of farmers in exporting countries – of which Latin America for soybeans, Indonesia, Malaysia, Colombia for palm oil – which will imply greatly increased production costs for EU oil-protein crops, especially those intended for animal feed.

- More broadly, it will be necessary to sharply reduce imports linked to free trade agreements (FTAs), which not only increase environmental pollution from international transport, but also reduce the competitiveness of European production following the granting of tariff quotas with lower or eliminated customs duties.

- The necessary elimination of the massive agricultural dumping that is killing farmers in the developing countries will imply a significant drop in European production, even if two corrections must be made to the importance of subsidized exports. On the one hand, this share is lower than the 32.1% shown in Table 4 because only raw products or those processed directly on the farm should be taken into account, but there are no data to make the distinction. On the other hand, because the WTO Appellate Body has clearly defined dumping, in the "Dairy Products of Canada" case of December 2001 and December 2002, as exporting at a price below the national average total cost of production without subsidies. For example, it can be estimated that the world price of wheat will in the medium term exceed the average total production cost of the EU without subsidies due to the fact that yields have reached a plateau in most exporting countries for the past 15 years, despite the absence of a ceiling on chemical inputs. At the same time demand will increase sharply due to the population explosion, particularly in Arab and West Asian countries which do not have the alternatives of SubSaharan Africa with its tropical cereals, tubers (manioc, yam) and plantain bananas, but which could not finance much higher wheat prices.

- Rising food prices are essential both to limit food waste and to reduce the consumption of animal products for health and the environment.

- Rising food prices will encourage consumers to favour short routes.

- Consumers, who are also taxpayers, will pay much less tax to finance agricultural subsidies.

- Better agricultural prices, and therefore also food prices, will allow more agricultural jobs and the revitalisation of rural areas, with the maintenance and development of the infrastructure necessary to stop urban concentration, which will benefit all citizens, both rural and urban.

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[https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S006.aspx?Query=\(%40Symbol%3d+wt%2fds207%2fr*+not+rw*\)&Language=ENGLISH&Context=FomerScriptedSearch&languageUIChanged=true](https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S006.aspx?Query=(%40Symbol%3d+wt%2fds207%2fr*+not+rw*)&Language=ENGLISH&Context=FomerScriptedSearch&languageUIChanged=true)

3.2.2.4 – How not to penalize consumers

With unemployment and poverty rates still high in the EU and increased social inequalities, it would be politically very difficult for all governments, both right and left, to promote the rise in food prices linked to the rise in agricultural prices.

The decoupling of agricultural subsidies has in this sense been very practical for politicians because the majority of European citizens do not know that farmers are heavily subsidized, while on the contrary they hear that they are marginalized with very low incomes and higher suicide rates than other professional categories. All the more so as farmers themselves – among whom income inequalities are among the highest of the socio-professional categories since 80% of EU aid goes to 20% of farmers – generally do not take into account their decoupled aids when they complain about non remunerative agricultural prices. The reality, highlighted by Agriculture Stratégies, is that, on the one hand, decoupled aids, which accounted for 80% of direct aids from 2005 to 2018, are absurd since they are fixed and independent of price levels and, on the other hand, despite their high level, the insufficient protection of many products has caused prices to fall to a level too low for the aids to make up the difference.

This is why the far-reaching reform of the CAP proposed here consists of redirecting the bulk of agricultural subsidies to consumers, in a number of ways which will need to be explored in greater depth:

- Raising the social minimum allowances in order to make up for the increase in food prices following the rise in agricultural prices.
- Subsidize school canteens and canteens of local authorities, or even of enterprises, using local food products of agro-ecological quality (organic for school canteens). By sheltering from the pressures of agribusiness lobbies. For example, we can agree on the €145 million allocated by the European Commission in 2019-2020 to the school fruit and vegetable distribution programme but we can question the nutritional value of the €105 million allocated to the school milk and dairy products programme²⁷.
- Establish a significant domestic food aid programme, inspired by the US programme, but at a much lower level since the US does not have a generalized social security system that exists at various levels in most EU countries. This will imply the use of food stamps for the purchase of food products from short circuits of EU origin, in approved shops. But limiting alcohol sales, of course.

²⁷ https://ec.europa.eu/commission/presscorner/detail/fr/ip_19_5501