

'Eradicate poverty' was the historic promise made by 189 Heads of State and Governments with the signing of the Millennium Declaration in 2000. Despite some inspiring successes over the past ten years, achieving the 8 Millennium Development Goals (MDGs) will require a series of urgent measures by Governments both in the North and the South.

Immediate action is needed to achieve the MDG's by 2015.

European donors must increase the quantity of aid and improve its effectiveness. They must also reform the EU's Common Agricultural Policy (CAP) which still impedes developing countries from lifting themselves out of poverty.

Give Development a Chance



Europe's Common Agricultural Policy (CAP) needs urgent reform

Subsidies are supporting wealthy farmers.

The negative impact of CAP subsidies on developing countries is particularly unsettling as the beneficiaries of EU support are frequently large agribusinesses. In 19 EU member countries, the top 10 percent of beneficiaries receive more than 40 percent of total CAP payments, while in five other EU countries, this rate goes beyond 70 percent. Considering that only 2.5 percent of Europe's economically active population is employed in agriculture-related businesses, the level of support provided is enormous (CAP spending accounts for more than 40% of the EU budget).

CAP money is harming the environment.

The highest CAP payments are often concentrated on some of Europe's most environmentally unfriendly farming activities such as intensive monoculture and livestock operations. Traditional farming systems which are crucial for the conservation of biodiversity, are systematically penalized, as indeed is extensive grazing on marginal lands.

CAP policies undermine development objectives.

Subsidies have led to agricultural overproduction, pushing down world prices and prompting EU farmers to dump their products abroad. In developing countries, cheap agricultural imports have reduced competitiveness of local farmers, thus destroying productive capacities and deterring agricultural investments. By imposing high tariffs and other protectionist measures on agricultural imports, CAP policies have also reduced access to European markets.

Reforms to date have been insufficient.

Efforts to make the CAP less damaging to developing countries have fallen short of the real needs. The EU has kept tariffs prohibitively high on products it considers 'sensitive' for the welfare of European farmers. Administrative hurdles in tariff exemption programmes are additional obstacles for poor farmers to export to the EU.

The Millennium Development Goals (MDGs)

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development

Urgent reform is needed. EU farm policies should help - not hinder - the achievement of important objectives such as reaching the Millennium Development Goals, ensuring environmental sustainability and improving social equity. As EU member countries enter into negotiations over the next EU budget, they should review the current subsidy levels that have led to ballooning deficits and spending. Now is the time to fundamentally reform the CAP which has resulted in waste and inequality at home and crippled developing countries abroad.

END DUMPING NOW!

www.endpoverty2015.org

Concept and graphic design: ARCTIC/Luca Capello with Stefano Pelli

This brochure is based on technical analysis provided by



International Centre for Trade and Sustainable Development

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Give Development a Chance

Eradicate poverty is the historic promise made by 189 heads of state and government with the signing of the Millennium Declaration in 2000. When leaders agreed on reaching the Millennium Development Goals (MDGs), a bargain was struck. While developing countries would have the primary responsibility for achieving the Goals, donor countries would support a global partnership for development.

Despite some inspiring successes over the past ten years, reaching the MDGs will require a series of measures by governments in the North and in the South. Too many people still live on less than a dollar a day and global hunger stands at record levels with 1.02 billion people being undernourished, according to latest statistics of the Food and Agriculture Organization of the United Nations (FAO).

With only five years to go before the MDG's target date of 2015, immediate action is needed. At the European level, the European Union (EU) and its Member States need to honor their commitments under Goal 8 of the MDGs: increase the quantity of aid to 0.7% of their Gross National Income, improve its effectiveness and reform EU trade and agricultural policies that still prevent developing countries from lifting themselves out of poverty. In this context, a substantial reform of the EU's Common Agricultural Policy (CAP) is an important step to be undertaken.

EU trade and agricultural policies counteract development objectives

70 percent of the world's poor live in rural areas. A healthy agricultural sector is therefore of paramount importance for sustainable development and food security. However, rich countries' trade and agricultural policies like the CAP have worked against poor countries' efforts to enhance agriculture productivity and reduce rural poverty. These policies have led to surpluses and waste at home, and perpetuated poverty and underdevelopment abroad.

By boosting agricultural production in Europe, CAP subsidies have crowded out developing countries' production and lowered commodity prices below their market rate. Cheaper food might temporarily reduce hunger as the very poor tend to consume more food than they produce. In the long run, however, low food prices can actually harm food security.

CAP weakening world food security

The Common Agricultural Policy was originally created to address post-war food shortages in Europe. While food scarcity is no longer a concern in the EU, the CAP itself has become a burden for world food security. Why? Because global hunger is not a result of insufficient food supplies but their uneven distribution across the globe. Indeed, with a world cereal production of more than 2,200 million tones in 2009, there is enough food to feed the world.

For decades, subsidized products from developed countries have undermined productive capacities in developing countries and deterred investments in their agricultural sectors. While several factors have contributed to the recent spike in global hunger—the global economic crisis; fluctuating oil prices; and historically low levels of food stocks—market-distorting mechanisms like the CAP have also played an important role.

CAP policies have harmed the livelihoods of farmers in developing countries in manifold ways. Subsidies have led to agricultural overproduction, pushing down world prices and prompting EU farmers to dump their products abroad. In developing countries, cheap agricultural imports have reduced competitiveness of local farmers, destroying productive capacities and deterring agricultural investments. Finally, by imposing high tariffs and other protectionist measures on agricultural imports, CAP policies have denied poor farmers fair access to European markets.

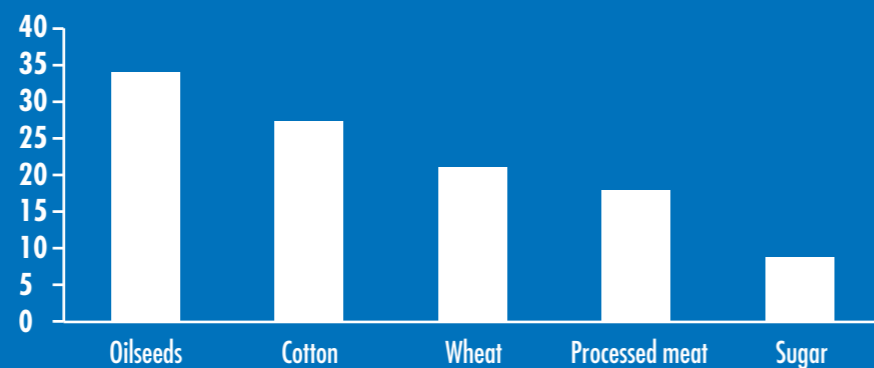
"The biggest threat by the rich countries is the unjust nature of international trade. Africa loses as a result of tariff barriers, the dumping of cheap goods from the industrialized world and denial of access to its markets. Our farmers are using hoes to farm, they are not subsidized — while the European farmers are subsidized ... This is killing the capacity of our farmers to compete even locally."

Tajudeen Abdulraheem
late UN Millennium Campaign Director for Africa.

Reducing trade barriers would benefit developing countries

Protectionist trade and agricultural policies come at a high cost to developing countries. Apart from denying poor farmers fair access to international markets, such measures keep food prices below their market rate. This is no good news for producers in developing countries who would often gain from higher world prices. Indeed, in a world free of trade barriers prices of primary agricultural products are estimated to increase by about 5.5 percent. This would boost developing countries' share of global agricultural exports from 54 percent to 65 percent. The largest increases are expected for oilseeds, cotton and wheat.

Estimated increase of developing countries' share of world trade for selected commodities, in percent



Source: World Bank; World Development Report 2008.

"Reforming the CAP would particularly help poor women lift themselves out of poverty. In developing countries farmers are predominantly female: they pick the cotton, tend to the cows and grow the tomatoes."

Eveline Herfkens
Founder of the UN Millennium Campaign.

CAP reform insufficient

Since its creation in 1957, the CAP expanded in size and scope. In the early 1980s, CAP spending represented an incredible two thirds of the EU's budget. In 1986 support to EU farmers amounted to almost half of their annual incomes (42 percent). The negative impact of these policies on developing countries grew steadily, especially since many subsidies involved products of major importance to developing countries.

In recent years, the EU has taken a number of steps to improve the efficiency of the CAP. Consecutive reforms in

1992, 1999 and 2003 helped avoid surpluses and waste, reducing the grain and butter mountains of the past. The EU also acknowledged the importance of increasing coherence between trade, agricultural and development policies.

With the latest wave of reforms, the EU has finally started to effectively minimize the risk of price dumping by moving away from subsidies that are tied to the level of production towards a system of direct payments. This "de-coupling" aimed at reducing incentives of EU farmers to produce beyond market needs.

According to EU statistics, 87 percent of payments no longer depended directly on a farmer's output in 2009.

These efforts have started stabilizing the budget. For example, the share of CAP support in gross farm receipts went down to 25 percent; and CAP expenditures are expected to fall to one third of total EU spending by 2013. Reforms have also helped minimize the negative effects on developing countries' agriculture. However, the progress that has been achieved falls short of actual needs.

Among the various support mechanisms of the CAP, export subsidies have proved particularly harmful to developing countries as they directly promote the "dumping" of EU products on foreign markets. It is encouraging to see that the EU has decreased, suspended or temporarily set at zero export subsidies for certain commodities. However, this instrument is not yet banned completely and still accounted for CAP spending of around one billion Euros in 2008. In January 2009, the EU even reinstated export subsidies for dairy products that had been suspended two years earlier. In order to avoid the "dumping" of EU products, all export subsidies need to be eliminated immediately, in line with promises the EU has made during the Doha Round negotiations of the World Trade Organization (WTO).

Decades of cheap, subsidized EU products have undermined developing countries' productive capacities and deterred public and private investment in agriculture. It is now time for the EU to stop dumping its subsidized farm produce in the developing world and end all trade-distorting support by 2013 at the latest.

Coupled vs. Decoupled Support

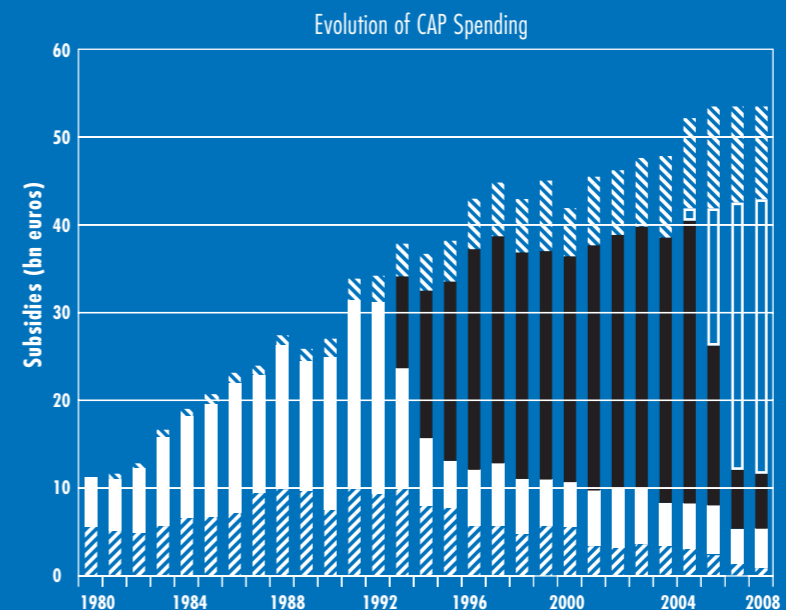
When support is coupled to production, farmers receive a certain amount of money for each unit produced, for example ten euros per bushel of wheat. Farmers thus have an incentive to produce the maximum amount possible using available resources. This not only risks leading to overproduction as producers are effectively isolated from market signals such as prices. It frequently also results in environmental damages as farmers try to increase outputs through the intensive use of land, water and fertilisers.

In contrast, decoupled support means that farmers receive a specific payment no matter how much they

have produced, including no production at all. However, even the most decoupled payments may still affect production decisions, for example by reducing producers' risks or generating expectations of future support.

Indirectly, many subsidies still drive up the level of production. For example, payments that are based on input use or the size of cultivated land continue to benefit large scale producers. Many EU member states have furthermore retained flexibilities to provide coupled support at national level.

Finally, while the share of "coupled" support may have been reduced, the overall level of CAP spending has increased continuously. Thus, the sheer size of payments still risks keeping production beyond actual needs and retaining productive resources in agriculture that could be used more efficiently in other sectors.



Source: European Commission (2008). EU Farming Meeting Societies Needs and Expectations

Market access still insufficient

For many products, EU import tariffs have been cut sharply, in some cases to zero. But while many rates are low, particularly for the poorest and least developed countries, market access frequently remains insufficient. Apart from maintaining higher tariffs for so-called “sensitive” products – these are products that the EU considers crucial for protecting certain farm sectors in Europe – market access is obstructed through quota mechanisms and exorbitant duties for imports above the permitted volumes. In many cases, complex administrative procedures additionally impede agricultural imports from developing countries.

The “Everything but Arms” program is a telling example. While the EU takes pride in providing least developed countries (LDC) with duty free, quota free market access for all products except arms, the actual impact of this regulation is minimal. In order to participate in this program, exporters must demonstrate that their products were indeed manufactured in the

Reforming the CAP - Who Benefits?

More coherence of European trade and agricultural policies with the MDGs will benefit most developing countries. Large agricultural exporters such as Brazil, China and Argentina will naturally take advantage of new market access opportunities and higher world prices. However, ending the dumping of cheap, subsidized products on developing country markets would also help producers in small developing countries – including the poorest ones. Smallholder farmers in countries such as Tanzania, Mali or Cambodia could finally face fair competition when subsidized EU milk powder or frozen chicken are no longer swamping their local markets.

LDC itself: a requirement with which many producers cannot comply, either because a proof of origin is unavailable or the required paperwork too complex for them to handle.

Two other schemes – the “Generalised System of Preferences” (GSP) and the “GSP+” – also grant developing countries preferential market access, but each applies a different set of rules and regulations. In fact, EU trade concessions have been criticised for their level of complexity and occasional arbitrariness.

Europe must increase market access of farmers from the South. It needs to relax rules of origin, simplify bureaucratic procedures, lower import tariffs and lift other protectionist instruments that limit the flow of goods from developing countries.

Scattered data on CAP spending

While the EU seems dedicated to increase the efficiency of CAP spending, it remains oddly secretive about the beneficiaries of this support. EU citizens naturally have a right to know how their tax money is being spent on their behalf. In the case of the CAP, they still have difficulties in exercising this right.

Despite international appeals to increase the transparency of EU farm subsidies, there are no reliable statistics of CAP spending. Indeed the EU is several years late in submitting its official annual ‘notification’ of subsidy spending to the World Trade Organization. Until recently, information on spending at national level was equally difficult to come by. Since 2009, EU members are finally required to publish an annual list of the beneficiaries of CAP funding – a requirement that has been long overdue.

The EU and member governments should abide to the principles of transparency and accountability vis-à-vis their citizens and their trading partners in a timely, detailed and accessible fashion.

Strengthening equity and biodiversity

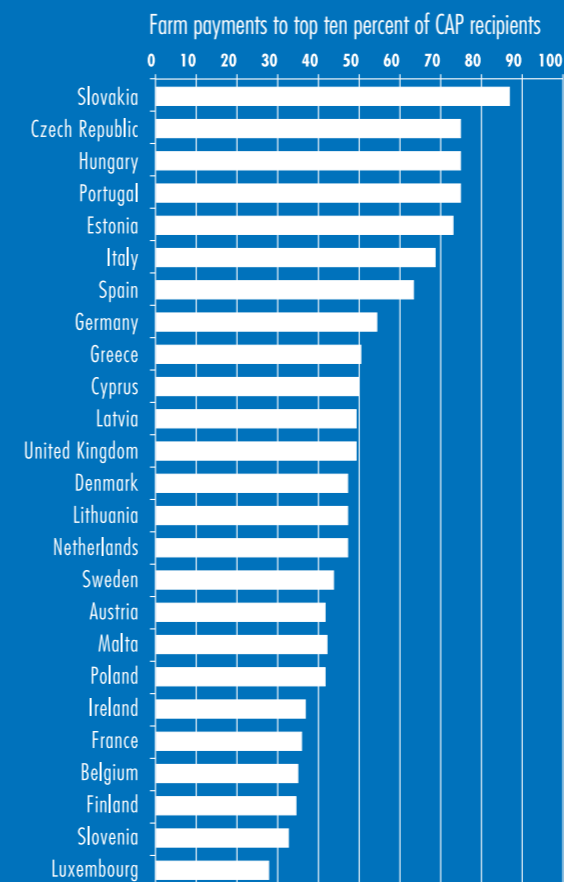
EU farm subsidies have a role to play in making the European agricultural sector more equitable and environmentally sustainable. Indeed, both objectives have been driving forces behind recent CAP reforms. While these efforts point in the right direction, actual changes have frequently fallen behind anticipated outcomes. Failed attempts to strengthen equity and biodiversity through CAP funding are telling examples.

CAP money supports large producers

Contrary to public perception EU subsidies do not primarily support poor farmers. In fact, CAP spending disproportionately benefits large producers with generally high incomes, which leads to perverse distribution effects. This not only opposes the logic of traditional welfare programs, which usually target those most in need. It also runs counter the EU’s own claim that CAP subsidies provide income support to poor farmers.

Subsidies: primarily helping rich farmers

Given the paucity of CAP statistics, few people realize that farm subsidies flow overwhelmingly to large and wealthy producers – precisely those actors that are best equipped to succeed in the market without state support. An incredible 85 percent of CAP subsidies are directed to just 17 percent of recipients; even the Queen of England is listed as a beneficiary. The biggest single payments support an illustrious group of agribusiness corporations, including sugar processor Italia Zuccheri (139 million Euros), industrial chicken farmer Doux (63 million Euros) and various well-known manufacturing companies like Nestlé, Dansico and Campina. In 19 EU member countries, the top 10 percent of beneficiaries receive more than 40 percent of total CAP payments. In five countries, this rate is even above 70 percent.

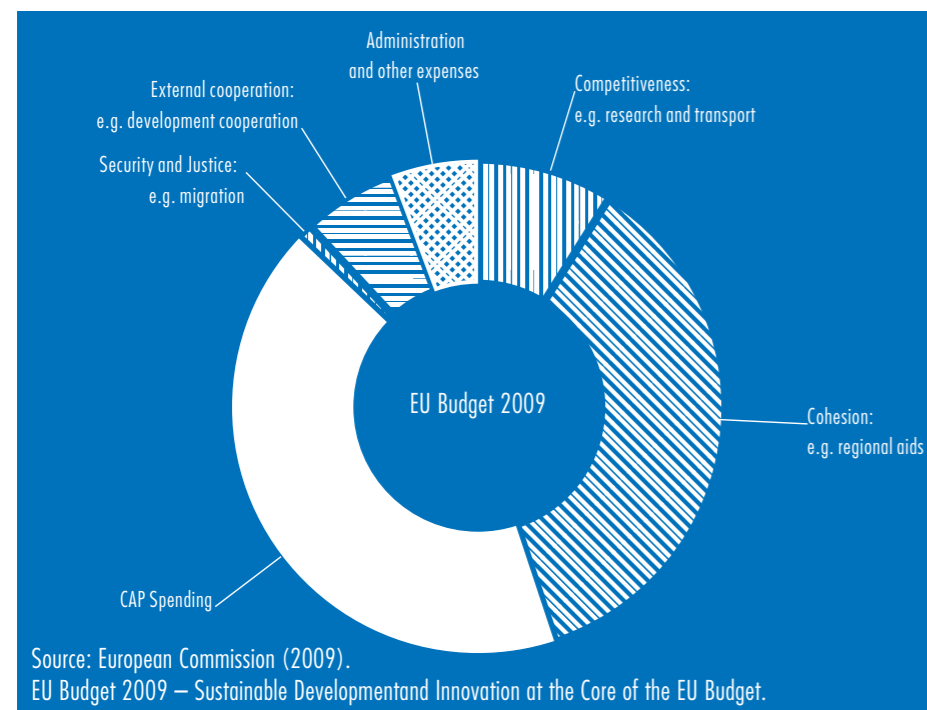


Source: www.farmsubsidy.org

EU farm policies come at a high cost to European citizens. Besides leading to overproduction and waste, evidence shows that subsidies and tariff protection have inflated food prices above the market rate. While reducing the share of support in gross farm receipts to 25 percent is a great step forward, this figure still represents additional cost to both taxpayers, who finance the CAP via the EU budget, and consumers, who pay more for their food.

Instead of subsidizing wealthy farmers, European taxpayers' money should support people living in poverty at home and abroad.

Considering that only 2.5 percent of Europe's economically active population is working in agriculture, the CAP exhausts enormous EU resources. Support to agriculture and rural development remains the highest budgetary spending in the EU; even ahead of financial aid going to Europe's numerous regions.



CAP fails to protect the environment

Strengthening environmental protection was one of the main objectives driving the 2003 CAP reform. Still today, however, only a small proportion of EU payments are linked to environmental objectives, such as preserving biodiversity associated with grazing areas or wetlands. In fact, the bulk of the payments do not seem to improve the environment but farmers' incomes. Highest CAP payments are often concentrated on some of Europe's most environmentally harmful farming activities (such as intensive monoculture and livestock operations), while traditional farming systems that are crucial for the conservation of biodiversity are systematically penalized (e.g. extensive grazing of marginal lands). What is more, environmental standards are frequently set at such low levels that the financial compensation for complying with them far exceeds the actual cost of doing so.

By 2013 at the latest, the European Union must ensure that environmental protection and rural development are central to its agricultural policy, which needs to effectively support a sustainable use of natural resources.

Some CAP subsidies can even be harmful to the environment. Payments to reward farmers for forestation efforts, for example, risk promoting the creation of intensive low-biodiversity forests. Effective safeguards therefore need to rule out any subsidies for environmentally harmful activities, including increased water use, higher pollution or habitat destruction.

The way forward

The next opportunity to engage on Europe's agricultural policy is approaching soon as the EU and its members start negotiating the next EU budget 2013-2020. Clearly, the amount of resources earmarked for agriculture will have significant implication on the ambition and scope of any future CAP reform.

It is crucial for the Millennium Development Goals to lie at the core of a reformed EU farm policy, which should help – not hinder – progress towards achieving the Goals.

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Policies on trade and agriculture must be coherent with development objectives, and they should effectively protect the environment and support the poorest farmers in Europe. With only five years before 2015, there is still much work to be done, and Europe must play its part to the full.

Now is a good moment to act. Catalyzed by the global economic crisis, all 27 EU member countries are likely to review subsidy levels in an effort to control ballooning deficits and spending levels. Awareness is growing – among the European public and policy makers themselves – of the striking injustices in the current economic system that allow waste and inequality, and that cripple developing countries.

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