

COMMON AGRICULTURE POLICY (CAP) IN EUROPE

In Europe 75% of farm holdings are below 10 acres, with most of them below 5 acres. Europe has sustained and encouraged small farmers with a policy of subsidy, support, incentives for young farmers, market intervention and specialist advice. This is under a cross EU initiative called the Common Agriculture Policy (CAP).

The policy was introduced in 1962. In 1985, 73% of EU budget went to CAP. As EU has taken on more responsibilities, this was 37% of EU budget in 2017. This is still a substantive percentage of the EU budget. It goes to support the farming sector. The 2020 sum in CAP is Euro 58.12 Billion.

There are two parts to CAP.

The European Agricultural Guarantee Fund (EAGF)

The European Agricultural Fund for Rural development (EAFRD)

The EAGF finances or sometimes cofinances, together with the Member States, common organisation of the market (CMO) expenditure direct support to farms. This is the Union's contribution to initiatives to provide information about and to promote agricultural products on the internal market and in third countries; and the Community share of the cost of veterinary measures and the collection and use of genetic resources, among other items of ad hoc expenditure.

This has the direct subsidy

The EAFRD cofinances measures to improve competitiveness in the agricultural and forestry sectors, agro-environmental measures, and measures to improve the quality of life in rural areas and encourage the diversification of the rural economy and local capacity-building

This concentrated on supporting Rural life so that it continues to flourish and develop

CAP takes action with

Direct Income Support

This subsidy also has an increased amount for small farms

This subsidy further has a green direct payment supplements as well

There is a Young Farmers Incentive Scheme

In some cases there is a Voluntary Coupled Scheme for some time limited products

Redistributive Scheme for small farms

Market Measures

These are when there are market fluctuations

Certain products need incentivising

Rural Development Measures

DIRECT INCOME SUPPORT

The Direct Income Support is now given as a fixed money for each hectare of land, with some countries giving a higher subsidy for the first few hectares where the farms are small. Some countries have introduced a ceiling of Euro 300000 for large farms, but may even go down further to Euro 60000. Hence big farms will lose out while small farms will be supported more

The European Union provides farmers with income support or “direct payments” to:

- function as a safety net and make farming more profitable;
- guarantee food security in Europe;
- and assist them in the production of safe, healthy and affordable food;
- reward farmers for delivering public goods not normally paid for by markets, such as taking care of the countryside and the environment.

GREEN DIRECT PAYMENTS

The EU also provides a “green direct payment” (or “greening”.) This supports farmers who adopt or maintain farming practices that help meet environmental and climate goals. Through greening, the European Union (EU) rewards farmers for preserving natural resources and providing **public goods**, which are benefits to the public that are not reflected in market prices.

EU countries have to allocate **30% of their income support** to "greening".

Farmers receive the green direct payment if they comply with three mandatory practices that benefit the environment (soil and biodiversity in particular).

The three actions farmers have to put in place are:

- **crop diversification**: a greater variety of crops makes soil and ecosystems more resilient;
- maintaining **permanent grassland**: grassland supports carbon sequestration and protects biodiversity (habitats);
- dedicate 5% of arable land to **areas beneficial for biodiversity**: Ecological Focus Areas (EFA), for example trees, hedges or land left fallow that improves biodiversity and habitats.

The greening rules do not apply to farmers who opt for the small farmer’s scheme,

But Organic farmers automatically receive a greening payment for their farm, as they are considered to provide environmental benefits by the nature of their work.

YOUNG FARMERS INCENTIVE SCHEME

Young farmers receive additional help from EU income support measures in the form of young farmer payment (YFP). This is to encourage younger people to take up farming.

VOLUNTARY COUPLED SCHEME

There is also a Voluntary Coupled Scheme. This is a limited amount of income support payments to certain sectors or products if there is scarcity. It is to avoid market distortions. They are decided for a year.

The potentially eligible sectors are cereals, oilseeds, protein crops, grain legumes, flax, hemp, rice, nuts, starch potato, milk and milk products, seeds, sheepmeat and goat meat, beef and veal, olive oil, silkworms, dried fodder, hops, sugar beet, cane and chicory, fruit and vegetables and short rotation coppice.

The amount of funding and the range of sectors vary between various EU countries.

REDISTRIBUTIVE SCHEME

As most of the farms in Europe are small, under 28 Hectares, they cannot compete with big farms and economies of scale. So countries can help with extra support by giving a higher subsidy for the first few hectares of land. The country can allocate 30% of its income support (from EU) under the Redistributive Scheme for hectares under a threshold decided by the country. The amount is decided by each country up to 65% additional for each hectare.

MARKET MEASURES

Market measures aim to stabilise agricultural markets and prevent market crises from escalating (market intervention measures), boost demand and help EU agricultural sectors to better adapt to market changes.

Public intervention is where products are purchased and stored by EU countries governments or their agencies until being sold back onto the market at a later date. It aims to prevent prices from dropping to unsustainably low levels. This is in a number of sectors that are prone to price fluctuations. Intervention is particularly when prices are low compared to production costs. The Governments bear the loss.

Generally these are, wheat, barley, maize, rice, beef, butter, skimmed milk powder.

RURAL DEVELOPMENT MEASURES

- Fostering the competitiveness of agriculture;
- Ensuring the sustainable management of natural resources, and climate action;
- Achieving a balanced territorial development of rural economies and communities including the creation and maintenance of employment.

TARRIFS

EU also has high tariffs on imports so that they do not undercut domestic production. It does have some preferential agreements with some countries but continues to ensure that domestic production is not affected.

SUMS INVOLVED

Direct Income Support

Simple Direct Income	Euro 260 per hectare
Green subsidy	Euro 115 per hectare
Young Farmers (under 41)	Euro 50 per hectare

A young farmer under 41 can get Euro 425 per hectare

SUMMARY

Farming in Europe is subsidised under the Common Agriculture Policy

The policy started in 1962, after agreement between France and Germany

75% Farmers in EU are small farmers

France wont budge on removing subsidies and is at the forefront of CAP

The subsidy is given as a flat payment per hectare of land owned with incentives for some products, organic farming and environmental allocation.

Small farms are given extra to enable them to compete against big farms

Farmers are given incentive to set aside some land for environmental purposes

Young farmers are given extra per hectare to encourage them to get into farming

Some crops/ produce that might be scarce in the market are given extra subsidy to ensure market is stable.

Over production is absorbed by Governments and stored until market can take it

Farmers are given veterinary costs as well

Farmers are given training incentives

The annual EU Common Agriculture Policy budget is Euro 58 billion

The United States and Canada also have farm subsidies