

CONCORD recommendations on CAP and PCD Common Agricultural Policy reform proposal 2020-2027

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Prepared by CONCORD Europe and Local Dairy Campaign, West Africa***

1- Establish a chapter on the EU's international responsibility under the CAP

As the biggest exporter and importer of agricultural food products, the EU holds a particular international responsibility. CONCORD welcomes the DEVE Opinion (2018/2037 (INI) by MEP Noichl from 14 March 2018 and reiterates some of its own earlier recommendations, shared in the framework of the public consultation about the CAP modernisation¹.

We support the call by MEP Noichl DEVE Opinion to establish a chapter in the CAP 2020-2027 legislation regarding the EU and member states' responsibility in development policy issues; and the reaffirmation of EU's commitment to Policy Coherence for (Sustainable) Development, the new Consensus on Development, and the 2030 Agenda for Sustainable Development. Respecting the principle of PC(S)D requires being able to measure cross-sector impacts of EU policies, and the chapter should outline a more systematic approach to monitoring and evaluating EU agricultural policies. For this to happen, specific PC(S)D indicators are needed that look at internal and external CAP effects and allow to explore synergies with other policy measures. It is also crucial to acknowledge and address the existence of conflicts between some CAP instruments and environmental and climate change objectives², or between the support of an export-oriented model of production and local markets in developing countries which have the potential to increase production in response to domestic food needs.

The DEVE Opinion has already outlined the sectors that need specific indicators such as:

- Impact of intensified European agriculture and overproduction in the livestock sector (i.e. obligatory introduction of an area-based livestock farming system) on environmental and climate change objectives.
- Import of protein crops from third countries where soybean production leads to negative social and environmental impacts (i.e. reduce and ultimately end of these protein imports).
- Impact of EU agricultural exports (dairy, tomato, poultry and cereals) to the domestic markets in developing countries (i.e. coupled support, overproduction, 'new market outlets').
- Externalities of intensification of European agriculture (true costing, global foot print).

2- Provide greater policy space to developing countries in the EU trade and investment policy

The EU should provide greater policy space to developing countries as an integral part of its commitment to policy coherence for development in this new chapter. Increasing trade policy space means being able to adopt safeguard measures when enforcement of trade and investment

¹ <https://concordeurope.org/2017/04/26/common-agricultural-policy-consultation-reply-2017/>

² OECD (2017) Evaluation of Agricultural Policy Reform in the EU, CAPRI Simulations CAP 2014-2020, presented at the EP Hearing by Development and Agricultural Committee on 27 February 2018

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agreements obligations would have significant adverse effects on sustainable agricultural development, small-scale farmers, land rights of local communities and the realisation of SDGs. This would imply to allow the government of an affected country to increase flexibility to take policy measures otherwise prohibited (e.g. quantitative import restrictions, local preference in public procurement, higher duties and taxes, regulation of investments to channel them where they are needed to generate more and better jobs and livelihoods, etc).

3- SDGs can provide specific PC(S)D indicators for CAP

Key to any model of agriculture in developing countries, and in particular in Sub-Saharan Africa is the question of regeneration and sustainable management of natural resources, and of livelihoods and jobs created in rural areas. For example, SDG 2 provides an important indicator with the target 2.3. aiming by 2030 at “... double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment”.

4- Do No Harm

Do no harm in CAP should translate into expanding existing EU monitoring to look at sensitive agricultural sectors that are key to specific countries in their attempt to build local agricultural production capacities, livelihoods and local markets.

In order to avoid harmful exports, for example in the dairy sector, the EU should improve its monitoring on milk products by providing additional information on a) the dumping rates of EU dairy export to specific export zones, including West Africa, b) the production and exports of Fat-Filled Milk Powder (FFMP), and c) the intra-firm trade of dairy products with subsidiaries of EU dairy companies in developing countries.

Fat-Filled Milk Powder is skimmed milk powder with added vegetable fat (mostly palm oil). Estimates of exports of FFMP show that these have become much larger than the exports of Skimmed and Whole Milk Powders combined; with prospects of exports to West Africa expected to continue to raise.³ However, these figures are difficult to track and not included in the EU Milk Market Observatory.

The paper “Taking a fresh approach: Enabling local producers to meet rising demand in West Africa’s dairy sector”⁴ makes recommendations to address the challenges facing small-scale milk producers across West Africa on policy incentives to be put in place to process local milk production from small scale farmers rather than using powdered milk imports.

On milk processing, collectively, all the dairy factories owned (or in joint venture) by European investors collect only 30,000 liters per day of local milk.⁵ This is only a droplet (estimated at less than 2 percent) compared to the total of the imported milk from Europe processed in West Africa by those companies.

When it comes to jobs, an estimate in Burkina Faso suggests that 1 cow with 2-3 litres of milk provides precious income for a family. Moreover, milk production is mainly handled by women which means this income has more chance to be invested in basic needs (food, education, health). In the EU, 80 cows provide for 1-2 jobs. Pastoralism, in which milk plays a key role, procure livelihoods to directly 20 million people in francophone West Africa.

³ https://ec.europa.eu/agriculture/sites/agriculture/files/markets-and-prices/medium-term-outlook/2017/2017-fullrep_en.pdf

⁴ Oxfam (June 2018) paper, see <https://oxfamilibrary.openrepository.com/bitstream/handle/10546/620423/cs-fresh-approach-dairy-west-africa-210618-en.pdf;jsessionid=8AA25E1468B7A1006D7A6E75474D1CE3?sequence=1>

⁵ Forthcoming study by CIRAD



The table below provides data comparing dairy prices in Senegal/Burkina Faso and imported from the EU, showing that unless other measures are taken, those countries will not be able to compete:

Exemple de prix au Sénégal	
Lait local	250 à 500 FCFA / litre + Collecte : 30 à 100 FCFA / litre
Lait à base de poudre réengraissée	230 à 290 FCFA / litre
Au Burkina, un litre de lait en poudre reconstitué coûte autour de 220fcfa contre 600fcfa pour le lait local.	
Lait à base de poudre entière	420 à 460 FCFA / litre
Selon l'étude réalisée par GREC - 2018	

CAP measures that could be taken to prevent harm to small-scale farmers in developing countries:

- Disruption of local markets by EU exports to developing countries must be prevented. In case harm is done, levying of export or import taxes could be considered.
- In order to avoid unfair competition with local producers in third countries, some CSOs are calling for trade measures to compensate for unfair competition of EU agricultural exports which received CAP subsidies (using calculations based on the OECD Producer Support Estimate).⁶

- Developing countries should be able to temporarily apply quantitative controls as an effective measure to respond to acute market crisis.
- Developing countries should be allowed to strengthen the regulations on importation of powdered milk and setting out classifications of products which can be labelled as local or 'originating products'; including allowing the establishment of minimal local content requirements for value added products.⁷

5- Expand monitoring of trade in sensitive agro-food products⁸

The Commission should expand its current systems for monitoring agricultural production and agro-food sector trade flows, particularly in areas seen as sensitive by developing countries, so as to provide early warning of surges in EU exports which could disrupt local production.

This would involve expanding the scope of existing agricultural market observatories. This should aim to develop criteria and benchmarks for early warnings or alerts where potentially adverse impacts are emerging on production and processing activities in the affected sectors in developing countries where national production or sector development plans are underway. On the basis of data analysis on trends in exports to developing countries with identified sensitivities, the EC should allow developing country governments greater policy space for the implementation of non-tariff policy measures required to protect and nurture local production.

Extend the EU Milk Market Observatory to include:

- exports of dairy commodities to all developing countries with dairy production or dairy development plans in place;
- the rapidly growing trade in fat filled milk powders and liquid milk;
- average costs of production per EU member state of the exported dairy commodities;
- export price data with individual developing countries where sensitivities have been identified (most notably for milk powders and liquid milk).

These recommendations are justified by the risk to the aspirations of increasing local dairy production capacity, for example, in West Africa. It is argued that EU companies are key to job creation in Africa.

⁶ French CAP platform *Pour une autre PAC*, see <https://drive.google.com/file/d/1ZqtkBoUCtnw4ajBSxCIIHs0ttbi4o61-/view>

⁷ Note that this requires the flexible interpretation of existing commitments in Economic Partnership Agreements signed between an ACP country and the EU.

⁸ See forthcoming ACT Alliance EU paper on CAP and PCD, (Draft October 2018)

However, for example a newly established milk powder repackaging facility in Ghana created a grand total of 8 jobs.⁹ But one of these container based facility can generate milk products equivalent to 55,000,000 litres of milk (1kg of milk powder converts into 11.5 litres of milk). This is the equivalent of the milk production which could be generated locally from the establishment of 106 new dairy enterprises based on a doubling of current milk yields and an average herd size of 100 head, with all the employment and income effects this would give rise to throughout a locally integrated dairy supply chain.¹⁰

Extend the EU Meat Market Observatory to include:

- the poultry sector and trade in poultry with Africa, which takes nearly half of all extra-EU poultry meat exports;
- extension of country coverage beyond the existing top 11 destinations to include exports to all African countries. Current figures under-report the overall volume of exports by about a third. But given the relative size of the individual African markets, even tiny export volumes in EU terms can have a significant local market effect;
- extension of trade data to cover export value by country alongside volume data;
- more in depth analysis of trade trends where sensitivities have been identified (composition of exports, product specific price data, country of origin labelling, etc).

Do the same for cereals, tomatoes and onions.

6- Europe is not feeding the world, but becomes a problem to the world

The EU must refrain from increasing demand for energy and animal feed that is at risk of, or is leading to violating the land rights of local communities and indigenous people; as outlined by the EP Resolution on the violation of rights of indigenous people in the world, including land grabbing.¹¹

Figures available show that the EU imported 45 million tonnes of feed materials, of which 25 million tonnes are protein feed used for intensive animal keeping systems. In 2008, about 70 percent of EU's demand on protein feed crop were met by imports, mainly soy from Brazil, Argentina and USA. To produce this, an area of 20 million hectare of land outside of Europe is needed, an equivalent to 10 percent of Europe's own arable land. Good agricultural land and water are the two scarcest resources needed to feed the world population. World average land use for intensive farming is 2500m² per capita; the total land use of the EU-15 is 4300 m² per capita, in spite of the fact the European yields per hectare are more than twice the world average. A study on the virtual land grab of the EU food economy finds that the EU exports 14 million hectare of land use while importing 49 million hectares. Hence, the virtual net import of land amounted to almost 35 million hectares in 2008 and has not much changed by 2018; this is an equivalent to about one third of the EU's own utilised arable area, or an equivalent to the entire territory of Germany.¹²

⁹ See posting on Arla 'Launch of new business in Ghana', 30 August 2017 at <https://www.arla.com/company/news-and-press/2017/pressrelease/launch-of-new-business-in-ghana-2126045/>

¹⁰ More information at http://epamonitoring.net/strong-expansion-of-eu-fat-filled-milk-powder-exports-to-west-african-markets-resumes/?sf_data=all&_sft_category=westafrican+dairy

¹¹ See EP Resolution on the Violation of rights of indigenous people in the world, including land grabbing from 3 July 2018

¹² ACT Alliance EU/APRODEV EU CAP Reform 2013: CAP Lobby Brief No 4 on EU imports of soy for animal feed. In there: Soeren Steger (2005) Der Flächenrucksack des europäischen Aussenhandels mit Agrarproduktion, Wuppertal Institute. See also Von Witzke H. & Noleppa S. (2010) EU agricultural production and trade, quoted in: IDDRI Study (Sept 2018) Une Europe agroécologique en 2050, No 9/18, at https://www.iddri.org/sites/default/files/PDF/Publications/Catalogue%20Iddri/Etude/201809-ST0918-tyfa_0.pdf

7- Ways forward

An effective complaint mechanism should be established. EU Delegations should set up a function to receive complaints from affected farming communities in case of adverse impacts related to EU agricultural trade policies. In response, the mechanism should provide for an enhanced monitoring that allows for participatory and gender-sensitive assessments of CAP's impacts on sustainable development and for taking measures to allow for effective remedies.

This could take the form of a Hearing or PC(S)D officer based in EU Delegations with trade and agricultural policy competences. A Hearing Officer exists already in the European Commission, DG Trade and its functions could be expanded to also receive complaints from affected rural farming communities and small-scale producers in developing countries. The existing DG Trade Hearing Officer provides definitions and procedures to ensure fair hearing of any interested party (EU or third country party) once a formal trade proceeding has been opened. It outlines how to request the intervention of the Hearing Officer, defines interested party, elaborates on the right to defence, procedural rights, the right to be heard, disclosure of information, decisions taken by the Hearing Officer, criteria and procedure for organizing and preparing a hearing, assistance by a lawyer, suggestions for improvements to current EU trade proceedings and intervention by the Hearing Officer in trade proceedings, fair and impartial treatment by the investigators, contact facilities, etc.¹³

A move towards agroecological production systems in the EU by 2050 would respond to challenges of climate mitigation and adaption, of restoring soils, increasing biodiversity and ecosystems functions, and to reduce pollution and move towards more healthy diets. The objective to keep increasing productivity and export promotion is a risk to sustainable farming systems and European farmers' incomes. But it is also a risk to the aspirations of small-scale farmers in developing countries to increase their food production capacity and benefit from value creation in their local food markets, thereby revitalising local economies and wellbeing of farmers and livelihoods.

¹³ See http://ec.europa.eu/trade/tackling-unfair-trade/hearing-officer/practical-information/index_en.htm



