

Foreword

In March 2001, I published *Stopping the Great Food Swap: Relocalising Europe's Food Supply*. Based on research from colleagues at Sustain and from Colin Hines, the Report outlined the absurdity of our current agricultural system which is based on ever greater competitiveness in international trade, and results in huge number of exports and imports - often of much the same product between precisely the same countries!

It also set out the enormous social and environmental costs of such a system, and offered proposals for a radically different way forward, based on greater self-reliance, and fewer imports and exports. The Report was well received, and has helped to stimulate further discussion about how to relocalise the food chain.

The global food trade - the vital numbers

- ❑ One shopping basket of organic products could have travelled 241,000 km and released as much CO² into the atmosphere as an average four-bedroom house does through cooking meals over 8 months.
- ❑ In 1998, the UK imported over 60,000 tonnes of poultry meat from the Netherlands. In the same year, it exported over 33,000 tonnes back to the Netherlands.
- ❑ In 1997, 126 million litres of milk were imported into the UK, while 270 million litres were exported at the same time.
- ❑ In 1999, the EU imported 44,000 tonnes of meat from Argentina, 11,000 tonnes from Botswana, 40,000 tonnes from Poland and over 70,000 tonnes from Brazil. In the same year the EU exported 874,211 tonnes of meat to the rest of the world.
- ❑ For every calorie of carrot flown into the UK from South Africa, we use 66 calories of fuel.
- ❑ Of every 100 fruits consumed in the UK, only five will now have been produced domestically.

It is clear that an important next step in this debate is to examine in more detail what a more self-reliant agriculture might look like in practice, and to explore how it might be achieved. That is exactly what this new Report - *Look to the Local: A Better Agriculture is Possible!* - aims to do. Michael Hart, Chair of the Small and Family Farmers Alliance, has been instrumental in developing these ideas. We have described it as a *discussion document* - it breaks new ground, and proposes new solutions. Inevitably it does not necessarily have all the right answers - but we believe that it is, at least, asking the right questions.

In doing so, it flies in the face of the current orthodoxy. Food and Farming Minister, Lord Whitty, has recently proclaimed:

"A [self sufficiency] target is not what drives policy. Being competitive drives policy." ⁽ⁱ⁾

Yet this is a policy, which has hardly been successful: it destroys our countryside and wildlife; pollutes and degrades water and soils; wrecks rural economies; and - crucially - fails to secure the living of the farmers and farm-workers who work hardest to produce our food.

It is time to change the policy, and to change the direction of European agriculture. The current review of the Common Agricultural Policy offers an important opportunity to do just this, particularly in the light of the forthcoming enlargement of the Union to include ten new countries, and several million new farmers. If we are to create a new sustainable agriculture, which rewards farmers for their work, keeps the rural economy alive, and promotes high animal welfare and environmental standards, this is an opportunity we must not squander. As a Member of the European Parliament, I am committed to working to achieve these aims.

Dr Caroline Lucas MEP
December 2002

Introduction

The 'reform' of Europe's agriculture is seen as pivotal to saving rural communities and farmers, providing healthier food, improving animal welfare and protecting the environment. At the same time, there is the usual imperative to curb the cost of the Common Agricultural Policy (CAP) which consumes about 45% of the total European Union (EU) budget, around 43 billion Euros each year. This has acquired a new urgency since the budget is now coming under even greater pressure as the European Union grapples with the practicalities of absorbing ten new countries and millions of extra farmers.

As part of this reform process, the EU has carried out a Mid Term Review of the CAP. In essence, the proposals suggest a reduction in direct expenditure on production, with increased payments to farmers to look after the environment and animal welfare, and to produce safer food.¹ Recent negotiations between France and Germany, however, have resulted in a deal which will effectively block any significant reform before 2006.

Transform not Reform

This report takes a more radical view than that of most commentators. It is the authors' view that it is not enough simply to reform the Common Agricultural Policy. Instead, the Policy's entire rationale of prioritising international competitiveness and more open markets must be replaced by a new end goal of a just and environmentally sound food security programme for all nations through the prioritisation of self-reliance.

In this report self-reliance for the European Union is defined as the provision from within each country of as much of its domestic temperate food requirements as is "reasonable and conveniently" possible.² Any shortfall in temperate food stuffs should then be imported from geographical neighbours. For tropical food stuffs, the long distance trade should be governed by fair trade rules, giving a guaranteed range of prices and guaranteed markets to developing country exporters (see sub-section 5 for a fuller explanation of the concept of 'Fair Trade Miles'). The distance between the importing and exporting countries should be as low as possible to minimise the impacts of transportation on climate change.

This change could happen in six major steps:

- 1) **The creation of a funding and policy framework to ensure a food and agricultural system based on food security for all countries.** Such a system would provide farmers with an adequate income, ensuring as much national and regional self-reliance as possible. Production methods would have to meet key environmental and animal welfare standards and produce healthy food, whilst purchasing and marketing systems would contribute to the diversification and renewal of rural communities.

- 2) This will be impossible to achieve without **national import controls on food** that can otherwise be produced within the boundaries of each European country. The ability to erect such limitations on imports must be the prerogative of all countries world-wide.
- 3) A key part of any such transition in Europe would be a reduction in profit margins for the **hugely powerful food processors and supermarkets**. This would ensure that the impact of rising farm gate prices paid does not fall disproportionately on the poor.
- 4) The issue of food poverty must also be tackled. This would be done through a combination of **improved social welfare, a higher minimum wage, and improved access to reasonably priced, healthy food**.
- 5) The goal of self-reliance would also be of **benefit to the poor in the rest of the world by eliminating the excess EU production** which at present results in the subsidised dumping of surpluses in developing countries, with disastrous results for the livelihoods of poor farmers there.
- 6) **The EU Treaty and the Rules of the World Trade Organisation would need to be rewritten** to ensure that food security and maximum self sufficiency replaces their present emphasis on more open markets and international competitiveness.

This report explains why self-reliance is the key to a just and sustainable agricultural system, not just in the EU but world-wide. It will illustrate how the present EU effort to square the circle of being internationally competitive whilst ensuring sustainable development cannot result in the social and environmental improvements necessary for agriculture. It will then outline the policies required for the achievement of the six steps above towards a just and sustainable agricultural policy. Finally, it will examine what such changes would mean for the dairy industry. This is the EU's most important agricultural sector and any significant change to it will affect a large proportion of Europe's farmers and rural communities. Thus it provides an important case-study to demonstrate what self-reliance might mean in practice.

SECTION ONE

WHY THE USUAL APPROACH TO CAP REFORM IS INADEQUATE

'Taxpayers are spending £3bn...consumers are paying more for their food...farm incomes are on the floor...the environment has been damaged...the social fabric of the countryside is being put at risk...consumers are concerned about food safety...nutritional standards are poor.'

'Sustainable Food and Farming: working together' DEFRA ³

The global food movement, both North and South, shares many of the same goals. Chief among these goals are:

- A shift in the role of subsidies away from supporting production, which results in food surpluses being dumped in poorer countries, towards paying instead for a transition to more extensive and organic farming, marketed locally;
- The ability to prioritise national food security above the production of exports and dependence on imports;
- A shift away from hi-tech, intensive agriculture with high levels of pesticide use, and dependence on dangerous technologies such as GM production;
- The rebuilding of rural economies and infrastructure, decreasing wealth discrepancies within rural areas and between rural and urban areas;
- Land reform and redistribution;
- A move towards more ecologically sustainable extensive and organic agriculture, benefiting small and medium sized farmers;
- The production of food that is safe for the consumer, in a way that is environmentally sensitive and prioritises animal welfare;
- A shift in the balance of power over the setting of food security priorities, away from Transnational Corporations (fostered by the trade rules of the WTO and the EU Treaty), towards national control.

The case we would make is that maximum self-reliance is a precondition for achieving these goals. None of them can be fully realised if the thrust of national and regional food and agriculture policy is based, as it is today, on the need to compete internationally using ever more intensive techniques.

CAP reforms must challenge international competitiveness

The major shortcoming of all the CAP reform options under consideration is their failure to grapple with the realities of ever increasing trade liberalisation and ever growing competition in global food markets. It is simply not credible to ask farmers both to raise their environmental and animal welfare standards and, at the same time, to be ever more internationally competitive in global markets. If higher standards are the goal, then countries will have to be prepared to protect those standards against international competition from cheaper imports that do not meet the same criteria. This in turn will require fundamental changes in the rules of the World Trade Organisation, which currently prohibits countries from distinguishing between products on the basis of the way in which they have been produced.

Indeed, this unwillingness to challenge the issue of international competition head-on has been one of the main reasons for the failure of the various attempts over the last two decades to tackle the problems of the CAP. This is symptomatic of a deeper contradiction at the heart of the policies of the EU. The two primary objectives of the EU institutions are on a collision course — to be the most competitive economy in the world (the objective agreed at the Lisbon Council of 2000) and to be the most sustainable economy in the world (the objective agreed at Gothenburg in 2001). The conflict between the emphasis on competition and efficiency versus the emergence of a socially and environmentally positive agricultural system has been put into even sharper perspective by the planned enlargement of the EU eastward. (See BOX 1) .

BOX 1 *EU enlargement - the threat and the opportunity*

In 2004, the ten “accession” countries - Cyprus, The Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia – are due to join the European Union.

It is plain to most commentators that the Common Agricultural Policy in anything like its current form cannot be extended to those countries without bankrupting the institution completely. Currently in the EU, for example, direct subsidy payments to farmers have increased to £18.9 billion since the 1992 reforms, and now account for 65 percent of the CAP budget.

This is a further reason to accelerate a fundamental review of the CAP. In the light of the planned enlargement of the EU eastwards, it is also essential that future reforms have significant environmental and rural development benefits – particularly since the Eastern European agricultural sector is presently dominated by small farmers using less intensive agricultural methods than those employed in most of the present EU.

The application of anything resembling the present CAP system, with its emphasis on “efficient” (i.e. large-scale) farming and trans-European competition, would have highly damaging impacts on these farmers, as well as on some of their Western European counterparts.

Current EU thinking is that the Eastern European agricultural sector will have to undergo fundamental restructuring in order to bring it into line with Western European standards. But what would this mean in practice? Poland, the largest of the accession countries, currently has 2.5 million farmers, most of whom farm small areas of land - around 1.6 million have farms averaging just 5-7 hectares. If Poland were to follow current EU policies, which discriminate in favour of large farms, about 1.2 million farmers would have to leave the land to create larger, more “viable” units. ⁴

A recent example of the frictions that are building up in advance of enlargement occurred in January 2002. The European Commission released a series of recommendations on how the EU's agricultural policies should be applied to the new members. Not surprisingly the report recommended that farmers in the new member states should receive fewer direct payments from the EU budget than the current 15 member states do.

Under the proposal, the new members would receive only 25 percent of the direct payments in their first year of membership, 30 percent in their second year, and 35 percent in their third year, finally reaching the level granted to the current members by 2012.⁵ The EC's proposals have met with considerable opposition particularly in Poland and the Czech Republic. Some farmers even suspect the EU of wanting to wipe out the agricultural sectors of the candidate countries.⁶

The process leading up to enlargement has also resulted in the dumping particularly of dairy products from the EU in the countries of Central and Eastern Europe. Without an emphasis on an enlargement of national and regional self-reliance within Europe, the most 'efficient' parts of agriculture (both west and east) will be controlled by big farmers and agribusiness. They will produce the majority of the food, both intensive and organic, while millions of small and medium sized farmers across the whole continent will be forced out of agriculture.

To achieve self-reliance Europe must champion 'localisation'

What is needed is nothing less than a new end goal for the European Union itself, away from ever more deregulated free trade, and towards the diversification of regional, national and local economies, so that society's basic needs are met in a sustainable way. A new 'Treaty for Localisation' (see sub-section 6) would enable the EU to provide a policy framework that would prioritise the protection and rebuilding of these economies across Europe. It would also ensure that its trade relationship with other regions contributed to their achieving the same end goals. Instead of prioritising open markets and international competitiveness, its approach would allow for improvements in social conditions and environmental protection not just in the agricultural sector, but also in manufacturing and services.

Perhaps most importantly, putting these issues – and the possibility of radical change – on the European agenda could then act as a spur for other regional blocs to consider adopting a similar fundamental alternative to economic globalisation. All such blocs have political and local activists seeking radical improvements in the way their countries' economies are organised. Support for a far bolder, more ambitious and radically different vision of Europe could be a useful lead for them – a Europe of genuine stability and co-operation, based on the rebuilding of sustainable local and national economies across the whole European continent, and throughout the world.

This discussion document is an effort to help further such a debate. It is our intention to take these arguments to the European Parliament, farmers' organisations, and food activists worldwide.

SECTION TWO

THE SIX BUILDING BLOCKS TO A SELF RELIANT, LOCALISATION APPROACH

1. PAYING FARMERS ENOUGH TO PROVIDE FOOD SECURITY

‘...we must meet as much of our own food and other essential needs as possible, to the highest environmental, animal welfare and labour standards, and, if necessary and possible, produce some surplus food and other goods for use by those countries that are less able to produce what they need. If we fail to do this and reduce our self-sufficiency, we will be contributing to the more intensive use of land in other parts of the world and thus be failing in our global responsibilities. We must not export our problems or the responsibility for solving those problems. At the same time, however, we must avoid over-production and dumping on world markets, which would undermine sustainable production and livelihoods in other countries.’

National Federation of Women’s Institutes ⁷

A world-wide crisis presently engulfs the majority of farmers from Britain to Brazil, Germany to the Gambia, Italy to India and from the US to the Ukraine. It is caused primarily by a collapse in the price that the majority of farmers receive for their produce. This is a direct result of the World Trade Organisation’s (WTO ‘s) Agreement on Agriculture (AOA) and the European Union’s Single Market – policies which have in turn resulted from the rise of neoliberal economics of the 1980s. ⁸ This trend radically changed the post war emphasis of maintaining national food security and domestic policies to achieve it. In its place were mandatory rules of trade that are biased toward agribusiness, industrial production, and long distance transport and that force countries to compete to produce each others food at the expense of domestic production.

Many Southern governments opposed the WTO’s AOA as being too biased in favour of Northern interests, and only agreed to it under pressure from the US and the EU. Its free-trade vision is a disaster for food security, particularly in poorer countries, as subsistence farms are increasingly replaced or forced into export production. It also has adverse environmental and food safety effects as agricultural commodities are transported long distances and processed and packaged to survive the journey.

Europe’s dash for trade – dashes farmers hopes

Under the open market emphasis of the rules of the European Union and the WTO, farmers are exhorted to become more internationally competitive and more market-led. At the same time, the EU also imposes animal welfare and environmental objectives. Whilst highly laudable, these demands are completely impractical when set in a context of world market prices which are generally below the cost of production and of competing foodstuffs being imported that are not produced to any equivalent environmental, welfare or social standards.

The European Union's Economic and Social Committee clearly acknowledged this clash as the fundamental problem in its recent paper, *The Future of the CAP*:

'Economic pressure on many 'traditional' farmers has continued to grow apace. There has been growing tension between the new demands made by society on agricultural production (sustainability, multifunctionality) and the economic exigencies that farmers have to contend with as a result of ever-sharper competition'.⁹

Farmers, and particularly small and family farmers, are more blunt in their appraisal. Groups such as the Small and Family Farmers Alliance and the Family Farmers' Association have frequently pointed out that such conflicting priorities for farming threatens the survival of farmers. One response to this has been the food security priorities of a new organisation 'farm' (see BOX 2). Made up of working farmers and professional campaigners its purpose is to challenge the Government over its lack of any long-term plan for farming and food production.

BOX 2

Food security¹⁰

National Food Security is a dangerously unfashionable and undervalued concept. We believe that a country (or geographically and economically close region) should have the right to determine its own policy on food security, - i.e. 'food sovereignty'.

National Food Security should be a central duty of any government to its citizens, as well as being fundamental to fulfilling national and international sustainability objectives.

The free-market economic view that this can be achieved through trade, relying on overseas producers, is short-termist, has been proven historically to be unwise, and is not sustainable in terms of energy or resource use in the long-term.

Additionally it displaces the costs of providing 'cheap' food through imports onto other countries – undermining their environment and domestic food provision.

This last point is shown to be the case, even when this model is followed by the richest countries: America's major drive to export grain from its heartland, which began in the 1970s, has contributed to a 40% increase in soil erosion in its corn and soya bean growing areas. Currently about 90% of US cropland is losing topsoil faster than it can be replaced.

The UK would be unwise to rely on such ‘internationally competitive’ sources of grain to feed its population and even more unwise to drive its own arable producers to accelerate the same process on our ‘best’ soils in a short-sighted, and ultimately doomed attempt to compete with those US and Canadian prairie farmers.

The events of 11 September 2001, make the world a much more uncertain place. Reliance on food imports enabled by seemingly endless supplies of ‘cheap’ oil cannot be guaranteed. Even if it could, the costs of such energy use in transporting foodstuffs by air and sea do not take into account the costs to the global environment through carbon dioxide production.

Domestic food production that is not forced into competition with and undercut by unsustainably produced imports that do not meet basic UK and EU environmental, welfare and labour standards could meet broader goals of public goods and services provision.

This is not a call for an end to all trade in agricultural products. Rather the UK should seek to achieve self-sufficiency in temperate foodstuffs best suited to our climate, soils and farming methods – and protect its producers for doing so. The choice has to be made between supporting a truly sustainable indigenous farming industry or handing mainstream food production over to international agribusiness with little care or interest about particularity of place, its people, fauna or flora, and long-term sustainability.

Agri-culture or Agri-business?

National Food Security or International Commodity Trading?

The Importance of Agriculture and Family Farmers

“Here the simple fact is that, although agriculture now accounts for less than one percent of GDP in Britain, it occupies something like 80 percent of the land mass. That land - the landscape - is a vital part of our heritage and is a significant tourist attraction. It has a real value to the economy, which is not found on any agricultural balance sheet.”

Richard North author ‘The Death of British Agriculture’¹¹

“We do not believe that many would want to see a polarised countryside, with some areas zoned for intensive production while others are turned over to environmental theme parks’.

‘Policy Commission on the Future of Farming and Food’¹²

Both the statements above warn of the adverse effects of merely regarding agriculture as just another business to be made ever more ruthlessly efficient, albeit with a few environmental “add-ons.” Central to the sustainable regeneration of a rural economy that provides the food consumers increasingly want, the countryside visitors seek and the diverse community that must be at its core, is the small or so-called “family” farm.

These farms have agriculture as the main business of those working them, whether they are owner-occupiers or tenants. Those working on them live on the farm and receive the bulk of their income from farm-related activities. As the Royal Agricultural Society of England has stated, family farmers sit in the 'middle-ground' between agribusiness and small holders, representing perhaps, '75% of the active farmers in the country'. There are an estimated 180,000 such farms in the UK and several million in the European Union as a whole.

In a conspicuous departure from its usual pro-agribusiness stance, a study by the US Department of Agriculture ¹³ demonstrated that small and family farms ensure:

- ❑ diversity of ownership and systems and biological organisation;
- ❑ significantly better management of natural resources on the 60% of US farms under 180 acres compared to bigger farms;
- ❑ community responsibility;
- ❑ a knowledge source for future generations;
- ❑ more direct producer/consumer connection.

The Government's fine words, but fatal policies

'At the same time, there is a high level of commitment by farmers to the industry. Many farms have been in the same family for generations and most farmers want to hand on the land in good heart. We need to support that commitment to the long term.'

'Sustainable Food and Farming: working together' - the Future' DEFRA ¹⁴

The Government-appointed Policy Commission on the Future of Farming and Food explicitly highlighted the potential advantage to rural life and the environment of supporting the family farm sector:

'Small farms are very much the norm in some parts of the country, and local landscapes reflect that. We want to see opportunities for farmers both small and large to thrive into the future.' ¹⁵

Yet despite this, the present CAP reforms, supported by the Government, threaten their future viability in a number of ways: first, the cutting of production subsidies overall rather than redirecting adequate money to help this threatened and crucial sector; second, farmers are being told to be more 'internationally competitive', pitting UK and other EU farmers against super-intensive agribusiness grain and livestock producers in countries like the US, Argentina, and Thailand. Finally, enlargement will mean a larger number of farmers fighting over a smaller pot per farmer, although it will be the new entrants that will suffer most (see BOX 1 above on Enlargement).

Moreover, a clear bias against small farms is evident in the policies of Agribusiness and its UK Government advisors. The Government's former Rural Recovery Coordinator, Lord Haskins (former head of the food conglomerate Northern Foods) has famously stated:

*'Farms will get bigger and that's a good thing. A lot of agricultural reformers, like the Prince of Wales, want farmers to stand around being subsidised and making thatched roofs. Well, that's for the birds. Agriculture has got to strive to be more competitive and more productive.'*¹⁶

He has also predicted that 'that as many as half of Britain's farms would disappear in the next 20 years'.

Losing Small Farmers at an Alarming Rate

The UK Policy Commission on Food and Farming reported that 51,300 farmers and farm workers left the industry in the two years to June 2000 – this is equivalent to 70 a day. UK Ministers expect that by 2005 as many as 25% of farms – almost all small ones – will have closed or merged, with 50,000 people forced to leave the industry.¹⁷

Even some of the traditionally most profitable farms are under pressure. The 2002 Larking Gowen Farm Survey, which covers more than 60,000 acres in Norfolk and North Suffolk (the home of the 'barley baron' of popular stereotype) reveals that the average farmer is earning £3.60 an hour, i.e. below the minimum wage, and less than the annual wage of a skilled farm-worker.

Faced by falling incomes, some 25% of full-time farmers in England have diversified into activities outside food production. On average, these activities generate slightly more income than that earned from farming. However, diversification is not open to all. Factors such as location, structure of business, and the skills available, mean that for many it is simply not an option.

Ensuring a future for farmers – self-reliance via quotas, adequate farmgate prices and grants

In arguing the case that self-reliance can ensure a secure future for farmers it is important to overcome some misconceptions about subsidies. The public perception tends to be that farmers are featherbedded with subsidies and this also causes expensive surpluses. As can be seen from BOX 3, a large percentage of farmers do not receive production subsidies at all. Subsidies to farmers are not generally the cause of surpluses, but rather farm gate prices which are so low that farmers have to intensify production in order to make a living.

The exception to this are the so called 'barley barons' and other grain producers who have benefited from a mixture of subsidies and enormous economies of scale from their intensive methods. The former has to a considerable extent enabled them to fund the latter. Under the self reliant agriculture model proposed by this report, both the money they receive and their share of the market can be reallocated via quotas to provide a more equitable distribution of money between farmers.

BOX 3

The Myth of an Over-Subsidised Farming Sector

Much of the criticism of European agricultural subsidies rightly centres around the adverse effects on the livelihoods of farmers in poorer countries of the global dumping of subsidised EU surpluses. These should indeed be eliminated. As far as subsidies for domestic production are concerned, however, there are a number of misconceptions about the role they play in UK farming.

Family farmers organisations have made it clear that they do not want subsidies - what they want is a fair share of the retail price for producing food and looking after the countryside. Under the present subsidy system 80% of the subsidises in any case go to 20% of the mostly bigger farmers, and many sectors of farming get no direct production subsidies at all.

There are three commonly held myths about subsidies: that they have caused farming to become more intensive resulting in animal welfare concerns and environmental damage; that all farmers get them; and that they should be cut in order to reduce production.

The reality, however, is that it is generally not subsidies that have done this but the low farmgate prices. Farmers always do the same thing in the face of a low farmgate price. They increase production by intensifying their farming: more animals in the same space, more milk output from the same number of cows, more tonnes to the acre and so on. They do this not to be greedy but to survive and to provide for their own families.

Low farmgate prices cause surpluses. The most intensive sectors of agriculture - pigs, poultry and vegetable production - are the very sectors which receive no subsidies; and the lower the farmgate price the more intensive they have become. Dairy farming is now coming under extreme farmgate price pressure and also receives no direct payments for milk production and so is also now intensifying very rapidly. Herds of 200 to 400 cows are now common and herds of 600 plus cows are now not unusual. Arable farming is the next most intensive sector, but while it is subsidised, it is an area payment subsidy, not one based on production.

The two most extensive sectors are beef and sheep which are the only two sectors which receive anything approaching what could be called a production subsidy because it is based on a payment per head. But these payments are inadequate in the face of falling farm gate prices, and farmers have little alternative but to increase stocking densities in order to try to maintain income.

Setting maximum agricultural self-reliance as the overarching goal establishes a clear target for the amount of a product that needs to be grown or produced. (Of course a small safety margin of perhaps 5% will be needed to allow for adverse weather conditions and the need for buffer stocks for use in emergencies). This makes it much easier to set the quotas needed to meet all national demand, or as much of it as is possible.

Quota allocation would also be dependent on existing farmers and new entrants producing to meet specific locally and nationally defined objectives. These would include hygiene standards, environmental and bio-diversity goals, nutritional, hygiene, rural development and animal welfare standards. The redistribution of quotas could also eventually be used to favour the small and family farm sector.

In order to achieve these improvements in agricultural practises whilst protecting the livelihood of farmers, the quotas necessary to ensure self-reliance must be linked to an adequate farmgate price for the reasons explained in BOX 3. This would be based on the average return needed to allow a reasonable income for farmers, whilst adequately protecting the environment and animal welfare and producing healthy, safe food for the consumers. This might be the average cost of production plus 20-25%.

The quota size and price level would need to be set so that the diversity of farm size would initially continue predominantly as it is now. What constitutes the optimum eventual range of farm sizes would need to be subject to national debate and re-evaluation of what most furthers a sustainable self-reliant agricultural sector.

Additional "top-ups" would be needed to compensate for higher costs associated with for example smaller and/or remoter producers. New entrants to the industry are crucial given that the average age of an EU farmer is around 58. These could be encouraged via a new entrant's additional payment for an agreed set up period across Europe.

Increased cost of food

On the surface it would seem that paying farmers an adequate price for the food they produce is bound to result in increased prices for the consumer. This need not be the case, since money can be reallocated to farmers from the curbed profit levels of processors and supermarkets, and from the savings on paying for overproduction that will no longer occur. As we set out in sub-section 3, the size of profits made by the processors and supermarkets is disproportionate, and would be curbed under the new self reliant approach to sustainable agriculture.

Similarly the change in emphasis of paying farmers adequately to produce for market needs will eliminate the huge costs of storing excess production. Also redundant will be the export grants to get rid of the vast surpluses in, for example, milk that are endemic in the present open market system within European agriculture. 10% of Europe's milk is exported, with the aid of substantial "export refunds". If production was cut by 10% the money now spent on storing surpluses and subsidising exports could be ploughed back to the milk producers.

Forget Decoupling

'There is a strong feeling among farmers that their reward should be related to their farming efforts; that if they farm more successfully they should reap a better income. They do not want to receive what would amount to a pension, just for existing as farmers. They really do not want to be dependent on subsidy cheques at all, but would much prefer to be rewarded by fair prices for the food they produce, i.e. the cost of production plus a reasonable profit.'

Pippa Wood , Family Farmers' Association ¹⁸

It is normal practice amongst a wide range of critics of CAP to suggest a range of separate environmental inducements such as farm stewardship schemes to decouple farm income from production. This is seen as vital to stop overproduction and limit environmentally damaging agricultural practises. Under a rubric of maximum self-reliance however, there will be no inducement to overproduce since quotas are set to meet national needs and prices are set to give adequate income level whilst meeting that quota.

In terms of environmental improvements, the granting of quotas and the receipt of prices would be dependent on a range of improvements in environmental standards. These will be much easier to achieve since farmers would not have to compete with importers who benefit from lower land prices, wages, environmental or animal welfare standards.

Additional grants

Additional grants, for instance short term operational grants, would be available to ensure development of strong co-operatives for marketing of more local and regional produce, and for the transition to more extensive and organic production and higher animal welfare and environmental standards. Farm audits would function to provide both advice and compliance monitoring.

The system would be paid for through the CAP budget. However under localisation, it would have as its goal a self- reliant sustainable European food system. This would need to interact internationally in a supportive manner to achieve similar ends world-wide (see sub-sections 5 and 6). The EU and WTO international trade rules (see sub-section 6) would be reorientated to allow all countries to achieve food security through maximum self- reliance and ensure that the remaining world trade contributed towards that end goal

Crucial Additional Measures

Additional measures will be needed in parallel in order to internalise the external costs of unnecessary trade so that local production for local consumption based on fair trading conditions will be more viable financially.

These include:

- ❑ **Fertiliser and pesticide taxes** to reduce reliance on unsustainable technologies, and payments to reward good practice that moves towards a lower input and more organic agricultural system
- ❑ **Stringent animal welfare standards**
- ❑ **Fossil fuel taxes** for all transport sectors including airfreight, which at present is tax-free.
- ❑ Changes in the rules governing **public procurement** in order to enable more local purchasing of food for schools, hospitals, services to the elderly etc.
- ❑ Finally, and almost as an exception to the rule, account would need to be taken of the need for the protection of export possibilities for some **distinct national specialities** such as Stilton, Edam and Mozzarella cheese.

2. WHY IMPORT CONTROLS ARE CRUCIAL FOR SMALL FARMS AND RURAL ECONOMIES

The Foot and Mouth crisis, which hit the UK in 2001, led to the slaughter of up to 11 million animals. The justification for the enormous scale of this mass slaughter policy was to achieve "disease free" status as soon as possible, in order to re-open the export markets. It was a perfect example of the adverse effect of British agriculture's dependence on a globalised food economy. As one commentator put it:

*'We were killing animals in order to remain dependent upon the very system which was destroying us... Many British farmers remain dependent on (such) export markets because supermarkets buy cheaper meat from countries with low wages, and low health and environmental standards.'*¹⁹

Import tariffs and quotas are essential to allow the transition to a self reliant economy through the protection of home markets. In the short term, this process could be begun by a rigid application of quality control to keep out cheap imports which do not conform to domestic welfare standards. It makes sense to ban the import of produce which cannot be proven to comply with the hygiene and welfare standards demanded in Britain, both to protect farmers and the health of consumers.

Import controls would also help to protect against the spread of some diseases. The 1999 Swine fever outbreak that devastated pig farms in East Anglia is thought to have originated in imported food material. The Foot and Mouth epidemic is also thought to have originated from outside the EU.²⁰

Import controls would also curb greenhouse gasses. This is an advantage that does not seem to have occurred to Tony Blair and the rest of the leaders of the EU. They have, on the one hand, taken a leading role in the negotiations to reduce CO² global emissions, whilst at the same time encouraging more long distance trade both within Europe and world-wide.²¹

Import controls need to take place at the national level because the EU's 'one size fits all' farming support package gives some EU competitors an unfair advantage over others. British horticulture, for example, simply cannot compete with the volume of cheaper Spanish produce which has a more favourable climate, and cheaper labour costs.

The ideas in the two sections above are reflected in a proposal for a Farm Bill launched in 2002 by the group 'farm':

A Proposed Farm Bill ²²

Farming that feeds the nation: national food security based on a national farming industry, not reliance on world markets which is neither sustainable nor wise. Set targets for self-sufficiency in temperate foodstuffs.

Farming that's profitable: fair farm-gate prices for our farmers, rather than reliance on subsidies.

Farming that holds together rural communities and their culture: a diversity of farm size, type and system brings greater value to local communities and to society than uniform, largescale agribusiness.

Farming that maintains our countryside and its wildlife: farmers have a duty of care to the land they farm. In return, their care should be adequately rewarded.

Farming that offers opportunities for new entrants: farming needs fresh blood. The UK should assist new entrants to farming using the existing EU scheme.

3. TIME TO PUT THE SQUEEZE ON SUPERMARKETS AND PROCESSORS

The move towards a more self-reliant agriculture will result in some additional costs, although savings will be made in the reduction of surpluses and the elimination of export subsidies. There is one obvious source for making up a substantial amount of these costs - and that is for supermarkets to pay the farmers higher prices. This can be afforded. The four huge supermarket chains - Tesco, Asda-Walmart, Sainsbury's, and Safeway - that account for 70 percent of the market - make huge profits, and their purchasing and marketing practices have adverse effects on farmers, other retailers and the environment. In April 2001, Tesco, the UK's biggest supermarket, made a profit in excess of £1 billion. This profit was more than half of the income of all UK farmers. Indeed, last year, Tesco made over ten times more profit per hour than the average farmer earned the entire year. There is therefore little justification for passing on any increase to the consumer - the difference must come from reduced profits. Measures to achieve this are set out at the end of this section.

The dominance of the supermarkets

The top 12 European grocery retailers account for over 32% of the whole European grocery retail market. In total, they operate nearly 54,000 outlets, of which 49,000 (91%) are food retail formats (including cash & carry). These stores have a combined selling space of 64.4 million sq.m. with an average store size of 1,194 sq.m.

In 1960 the share of the UK retail market taken up by independent retailers was 60%, by 2000 their share had sunk to a tenth of that - 6%. Multiples had grown from 20% to 88% over the same period and Coops reduced from 20% to 6%.²³

The Institute of Grocery Distribution (IGD) predicts that, based on historical growth rates in European turnover for the last 5 years, the top ten retailers, whoever they may be, will increase market share from 37 to 60%. Their combined European grocery turnover will grow from €337.1bn in 2000 to €461.7bn by 2005 and €669.7bn by 2010.²⁴

The large retailer and processors use this power ruthlessly to beat down farm gate prices. An NFU survey of retail outlets compared the farmgate price of 15 food commodities with the retail price to show the percentage received by the farmer. The farmer received more than 50% of the retail price for only three items. The total basket of 15 items had a farmgate value of £11.29, but the commodities' retail value was £37.48 - thus the farmer received around 30%.

It is not only supermarkets that make huge profits and so could afford to have their margins cut in a self-reliant agricultural system. Manufacturers and processors are also disproportionately rewarded. According to government figures of the gross value earned across the UK food chain, £6.6bn goes to farmers and primary producers and £37bn to processors, manufacturers and retailers.²⁵

Even the Prime Minister, during the height of the Foot and Mouth outbreak, described the major supermarkets as having farmers in 'an armlock'. He promised a policy commission to investigate this 'armlock', in addition to the earlier report on supermarket practices by the Office of Fair Trading. However no more has been heard of this offer, and indeed representatives of the supermarkets appear to be driving policy, given their representation on the Policy Commission and in subsequent 'Farm Summit' meetings at No 10.

How supermarkets undermine and exploit farmers

It has long been recognised that supermarkets have an adverse effect on "traditional" shops, out-competing small traders in the locality. In addition, criticism has focused on the environmental pollution arising from the supermarket system, with highly-packaged products being transported over long distances.

Ever more imports, increased centralised processing and motorway deliveries, and customer journeys to out of town superstores also add to this. However what is also becoming increasingly apparent to the public is the adverse effects that the supermarkets buying practices have on farmers. Most obvious is the fact that the supermarkets do not pay enough either directly to farmers, or indirectly via processors, for them to be able to continue for long in farming.

For example, supermarkets say they are keen to support British apples and pears. But the reality is that many growers are going out of business. When supermarkets reject eating apples for cosmetic reasons the grower will often have to sell the fruit for processing at a price well below the cost of production. Over the past five years, the appearance standards have become even more demanding, making it harder for many growers to comply with them. The supermarkets' pre-occupation with appearance is also forcing growers to use more pesticides on their fruit.

Orchards were once a key part of the traditional English landscape, but they are rapidly disappearing from our countryside. Over 60% of UK apple orchards and about 50% of pear orchards have been lost since 1970 and the decline is continuing. The amount of land under orchard production in England declined by 12.8% between 2000 and 2002.²⁶

British growers also find it increasingly difficult to compete with cheap imports, and find that supermarkets are not giving much shelf space to home-grown fruit. Apples are imported from as far away as New Zealand, and increasingly China, and are produced at high volumes convenient for the supermarkets. China produced over 24,000,000 tonnes of apples in 2001. Supermarkets can shop around the globe to find the lowest prices.

In 2001 the Competition Commission identified supermarket practices that worked against the public interest as well as to the detriment of suppliers. The results of this survey add to the weight of evidence that the big supermarkets are getting too powerful.²⁷ Yet in spite of the fact that, following the Commission's conclusions, a code of practice to control how the top four supermarkets treat suppliers

came into force in March 2002, early drafts were so seriously watered down that most farmers and processors believe that it will have little effect on supermarket practice.

The publicity surrounding such issues is shifting public support towards a fairer deal for farmers and away from supermarkets. A new opinion poll commissioned by Friends of the Earth reveals that most of the British public think supermarkets are giving farmers a raw deal. Almost two thirds think farmers are not paid enough by supermarkets for the food they produce. And more than four fifths want the supermarkets to give preference to UK products over imported products when in season. ²⁸

Bringing the Supermarkets and Processors to Heel

EU governments should introduce a new, legally enforceable Code of Conduct for major supermarkets and processors drawn up after full consultation with all interested parties, to give farmers greater powers in their relationship with those that buy their produce so they can get a fairer return. Any increase should come out of the profits of the companies, not by charging consumers higher prices, unless a valid and totally transparent case can be made as to why this would not be fair.

In the UK, it has been suggested that the Government should also set up an independent watchdog for all supermarkets. Friends of the Earth have proposed that this body, OfShop, would have the same powers as any other watchdog, such as OfTel or Ofsted. It would implement regulations against monopolies and unfair trading. It could start by requiring supermarkets to display, at point of sale, the price paid to farmers, growers and other suppliers for all fresh produce. For processed food which has not been produced by the supermarket itself, the money paid to the farmer by the processor and the price that the supermarket paid to the processor should be marked on the label. Then the percentage of the final retail price that farmers should be paid should be set.

Supermarkets should be required to increase their sourcing of local food, such as England's speciality cheeses and local apple varieties. They should use a clear definition of 'local foods' so that customers know that products promoted as such have been grown in the nearby countryside. The Council for the Protection of Rural England has challenged supermarkets to set a limit of 30 miles within which the main ingredient of local food must be grown and processed.

Regional Development Agencies also have a key role to play, by putting strong local food economies at the centre of their policies, rather than out-of-town supermarkets. (It has been estimated that for each out-of-town supermarket, 276 jobs are lost in the local economy ²⁹). They could also help support co-operatives and local branding and marketing initiatives, as some have already started to do.

More fundamentally there should be widespread consultation to set an upper limit for what each supermarket's fair share of the market should be. At present the level of monopoly control exerted by the supermarkets is unacceptably high. Tesco alone accounts for 24% of all grocery sales.

4. PROTECTING THE POOR

‘Food Poverty is the inability to secure an adequate variety of nourishing foods because of the lack of money, lack of access e.g. access to shops, transport, storage/cooking facilities, inadequate information or skills or a combination of these things..... Recent research shows that a single man aged between 18 and 30 needs to spend between £25 and £32 per week to remain healthy, a figure which is impossible to achieve if you are on benefit.’

‘What do we mean by food poverty’ Sustain/ UK Public Health Movement ³⁰

In the UK, problems of absolute deficiency of calories and protein are rare but the Government has in the past accepted expert advice that an estimated 10-15% of the UK population does experience shortages due to lack of money and poor access. In the main, health problems are associated with consumption of excess fats and salt, often accompanied by a deficiency of vitamins and minerals. Even if supermarkets are forced to contribute to lowering prices through reducing their profits, the increased sourcing of food domestically rather than importing cheaper equivalents, plus the fair trade rules governing the price paid for the imported cash crops (see sub-section 5) are likely to lead to dearer food. To ensure that this did not harm the poor, social welfare mechanisms and the minimum wage would need to be raised to an adequate level to compensate for any increase in costs. ³¹

It must be remembered, however, that the initially more expensive transition to this system will be offset by savings in the longer term. The cost of diet-related health problems is beginning to worry the Treasury, not just public health proponents. Coronary Heart Disease, for instance, costs an estimated £10 billion a year. These are externalised costs to the food system, in other costs over and above what the consumer pays for at the check-out till. ³²

Healthy food for all

A crucial part of any such increase in self reliant production would be that it be put within a framework of incentives for growing food such that the nation’s diet, not just that of the poor, would be improved. This would involve ensuring all sectors of society have access to healthy foods, encouraging better eating habits and cooking skills, and adopting minimum nutritional standards for school meals, hospitals and food for the elderly. A recent study reported that the views of the elderly regarding ‘meals on wheels’ can be summed up in one pensioner’s disparaging phrase, ‘muck in a truck’. ³³ The institutions involved would need to be adequately resourced to prevent them from having to rely on the very cheapest food sources.

There are great possibilities for improving access to the ingredients of a good diet through new street markets. DEFRA’s predecessor, MAFF, was already supporting farmers’ markets. These are tiny but growing, but mostly appeal to high income consumers. More inclusive would be the revitalisation of older urban markets, historically mostly under local authority control. A new strategy for markets is required that blends the ‘old’ and the ‘new’. In the Brazilian city of Belo Horizonte, for example, the local authority has reduced child malnutrition through a strategy which included portable, flexible markets. Realising that location is everything, it built movable shelters for stalls and experimented to find out where their appeal was greatest. ³⁴

5. ENSURING THAT POOR PRODUCERS IN DEVELOPING COUNTRIES BENEFIT

One argument against the proposals we have set forward in this report might be that it would damage poor producers in developing countries who currently depend upon access to Northern markets for their livelihoods. This is clearly not our intention, and it is clear that any new policy framework would need to be introduced gradually, to give time for Southern producers to adapt. It is important to recognise, too, that this dependence on exports stems primarily from the need to earn foreign exchange often to pay off international debts. Such indebtedness should be forgiven, and trade and aid policies redirected to give greater support for the development of more local and regional markets in the South.

This is not a "fortress Europe" approach. Indeed, many commentators in the developing world are themselves critical of the emphasis on agricultural exports as a strategy for poverty reduction.

As the Indian academic and activist Vandana Shiva has said:

"The ecological and democratic model of food security is based as far as possible on ecological production and local consumption. Trade liberalisation ignores this truth... Diverting food from rural households and communities to global markets or diverting land from food crops for local consumption to luxury crops for export to the rich North might show growth in dollars in international trade figures but it translates into increased hunger and deprivation in the rural areas of the Third World." ³⁵

Fair trade miles — rules for long distance trade

Once the domestic production emphasis of self reliant localisation becomes the end goal of European agriculture, the process of achieving this end will have been watched and hopefully emulated in other regions of the world. For such a global agriculture, residual long distance trade in foods will focus on those things which cannot be produced in every region, such as traditional "cash crops" of coffee, tea, bananas etc. The new cash crops, such as flowers and vegetables can predominantly be produced in all countries or regions, and thus do not need to be traded in the vast and growing quantities they are now.

However, if trade in goods such as coffee, tea, and bananas is to contribute to the rediversification of local economies and environmental protection, it must follow the principle of Fair Trade Miles. This trade must be set in the framework of a system guaranteeing the quantity of goods coming from specified exporting countries being purchased by named buying countries, the transaction should also take place within a guaranteed range of prices. This would allow the exporting nations to have as secure a level of earnings as is feasible with which to contribute to the over-riding goal of re-diversifying local production.

The advantage of Fair Trade Miles is that it provides a framework to control the TNCs that at present dominate global trade in these cash crops. They will no longer have the power to play one producing country off against another. It also strengthens the bargaining power of exporters and consumers. It is in

Look to the Local – a better agriculture is possible!

both of their interests to have the power and the profit levels of these giant companies curbed by the re-regulation of world trade provided by the rewritten WTO and EU trade rules.³⁶

6. REPLACING GLOBALISATION WITH SELF RELIANT LOCALISATION

Our previous reports have detailed the changes needed to achieve a radical change in the direction of the EU and WTO.³⁷ These reports have taken some of the key parts of the EU Treaties which underpin the present damaging ever more open market, internationally competitive priorities of the EU, and replaced them with a possible alternative Treaty for Localisation. This would enable the EU to provide a policy framework that would prioritise localisation and ensure that the policies outlined above can be implemented. This emphasis on the rebuilding of local, national and regional economies in a way that improves social conditions and environmental protection could then act as a spur for other regional blocs to consider adopting a similar radical alternative to globalisation.

Food needs to provide adequate nutrition, to be safe to consume, to be produced in a way that protects the environment and that provides secure livelihoods for the hundreds of millions who grow or process agricultural products world wide. None of these are the overriding objectives of the WTO. Its raison d'être is to police global trade in such a way that markets become ever more open. In the process it is the livelihoods of the poor and the natural world that suffer.

A better agriculture is possible, but only outside the WTO as it is currently set up. In order to provide global food security, a new set of world trade rules would need to be based on completely different end goal and principles. Instead of rules developed under GATT now policed by the WTO, these would be replaced by: The General Agreement on Sustainable Trade (GAST) administered by a democratic World Localization Organization (WLO). Their remit would be to ensure that regional trade and international aid policies and flows, information and technological transfer, as well as the residual international investment and trade should incorporate rules geared to the building up of sustainable local economies. The goal should be to foster maximum food security, employment and diverse livelihoods through a substantial increase in sustainable, regional self-reliance.

CASE STUDY

THE DAIRY SECTOR AS A CASE-STUDY OF A SELF RELIANT EUROPEAN AGRICULTURE

The Importance of Dairy to European and UK Agriculture

Dairy farming plays a central role in the EU farming and rural economies. It represents 14% of total value of agriculture production, at about 38,000 million Euros. At least 14% of the farming community are employed in the dairy sector and a higher proportion (40,000 in the UK, for example) is employed in processing and retail. 15% of EU land is used for dairy milk production involving around 20.6 million animals on over 450,000 farms. The five large member states Germany, France, UK, Netherlands and Italy, account for 75% of output. Internationally, the EU 15 member states had, in 1998, a 33% share of the total world exports (1998) and the EU remains the largest exporter of dairy produce.³⁸

Most dairy farms are relatively small businesses with an average size of 38 hectares. The sector produces and maintains vital landscapes in many parts of Europe and the UK such as Cornwall, and results in distinctive products such as cheeses that are culturally as well and economically important. Thus decisions about the dairy sectors future will dictate the level of wellbeing of a large proportion of Europe's farmers and rural communities. Any significant changes to dairy policy will have a major impact on rural economies, the environment and the dairy food industry in general.

The CAP Dairy regime

The present direct expenditure on the EU dairy sector was Euro 2,800million in 2000. This represents around 6.5% of the CAP budget of Euro 40,447m³⁹. Yet this is not the whole picture. Since the surpluses are bought up by the intervention system and stored in order to put a floor under the milk price, the total support is estimated to be in the region of Euro 20,162 million, taking account of the higher prices which result from this intervention buying.⁴⁰ One of the main problems with dairy support is that it has not worked to contain production. Europe is still producing 111 % of its demand, and the whole process is very expensive and damaging to countries that are recipients of the subsidised dumping.

Who gains the most? Not the farmers

Farmers are not the major beneficiaries of this complex system of quotas, intervention buying, export subsidies and import tariffs, since they do not get direct subsidies for producing liquid milk. Direct intervention (when the State intervenes by buying up produce to maintain a price) only applies to processed dairy produce. Thus support within the dairy regime of the CAP mainly reaches processors of Skimmed Milk Powder (SMP) and butter by paying processors a guaranteed minimum price for the SMP and butter they produce. Support is not given to processors of other milk products, such as cheese.

Food exporters receive 'export subsidies' for SMP, butter, whole milk powder and cheeses to certain destinations. The justification given is to enable them to sell onto the world market, since internal dairy prices within the EU are generally much higher than the world price.

What the farmers get

Farmers do get target prices set at the EU level for milk delivered to dairies that contains 3.7% milk fat. However these only act as a guide: they are not enforceable or guaranteed, and have no legal status. The reference prices for SMP and butter, by contrast, which underpins intervention buying do enjoy these benefits and it is the processors that gain predominantly from this.

It must of course be recognised that the CAP's dairy policy has been responsible for maintaining the smaller farm sector to a degree through protective tariffs and, indirectly, through intervention buying up of surpluses of processed products for eventual export. All of which have helped maintain the price and hence to some extent the returns to farmers. Without any support regime there would undoubtedly be even fewer farms and an even more intensive system of dairy production concentrated in a few regions.

Yet, as many groups, including the European Court of Auditors ⁴¹, claim, the current operation of the Dairy Regime is too costly for consumers, taxpayers, developing countries and for society as a whole.

What is being officially proposed – the Mid Term Review of the CAP

The European Commission, mindful of the highly political nature of the debate on dairy, given the large number of farmers involved, and also aware of the fact that it does not really have the answers to satisfy a sufficient number of stakeholders, made four key proposals in the Mid Term Review in July 2002. These basically proposed introducing direct payments to farmers from 2006 to 2015 and making changes to quotas and intervention prices over the same period. Both of these measures can only be seen as essentially "tweaking" a flawed regime, and missing a vital opportunity for fundamental change. The measures do not work because they are not addressing the right objectives: maintaining rural farm livelihoods whilst providing a sustainable, healthy product as close to the market as possible. The measures also fail to tackle the problem of pricing and international trading pressures.

The UK Dairy Industry

The UK produces around 23% of the EU's milk supply ⁴² but only supplies 84% of its own needs. ⁴³ This is not because it cannot produce more milk but because it is constrained by the present EU milk quota scheme, i.e. the amount each country is allowed to produce before it is fined for producing a surplus. One of the reasons the UK's quota is so low is to take account of cheaper imports from New Zealand.

In 2002, UK dairy farmers are expected to lose about £400 million in the value of what they produce. They are currently receiving as little as 12p per litre - compared to a production cost of between 18-21p.

In the UK it is a sector in crisis and in the six years to June 2000 the NFU estimates that the number of UK dairy farms dropped by 21%. ⁴⁴ The deficit in the UK trade balance in dairy products grew during 2001 to £564m, a 10-year record high, representing a large proportion of the total food trade deficit of around £9bn. ⁴⁵ Farmgate milk prices in the UK are lower than in every other member state of the European Union and below the EU target price of 20.42p per litre (exchange rate of €1 = 0.64p).

Why are UK dairy farmers so disadvantaged?

UK dairy farmers are in a particularly difficult situation compared to their European counterparts, who have benefited from higher than average farm incomes. UK dairy farmers are disadvantaged because they are handicapped by:⁴⁶

A failure of UK farmers to co-operate in selling and processing milk. As a result, around 130 milk supply groups (groups of farmers who co-operate to sell milk) sell to a market, 70-80% of which is controlled by 7 processing companies. Thus UK farmers do not benefit as much as their counterparts elsewhere in Europe from EU intervention and export subsidies, since they are not involved in processing milk.

Lack of investment by UK dairy processors in modern plants, resulting in an extra 2-3 pence per litre cost in processing milk, compared with competitors in the EU and overseas. Recently this led to the farmgate price being dropped. This has taken place partly to compensate for the lack of processing efficiency as well as for gluts in production partly caused by overproduction by farmers to compensate for low prices.

A price for milk from processors and retailers, based on a world price which does not take into account **higher production costs.** For example, as a result of development pressures, there are more expensive land prices in the UK compared with many other countries.

Surpluses Increasing

When there is surplus milk production in the EU, milk is taken out of the market to maintain the price levels. Recently there have been big increases in intervention stocks as a result of higher production. In 2002, the EU is expected to produce nearly 200,000 tonnes more than it will consume. As a result, the Commission will buy 160, 000 tonnes of SMP and store it. Much of the rest will be fed to veal calves.

BOX 4 Developing World Hurt by EU Dairy Dumping

The present EU dairy system also undermines producers in the poorest countries of the world. The effect of dumping subsidised dairy produce on developing countries has been well documented by the development groups CAFOD and Oxfam. One study estimates that CAP subsidies to European dairy farmers have caused milk production in Africa and Asia to fall by fifty percent.⁴⁷

Jamaica provides a good example. Since 1995, annual milk production in Jamaica has dropped by a third, as the local market has become awash with subsidised EU milk powder. Jamaica's SMP imports from the EU have almost quadrupled during the past 10 years. In 1992, the amount of milk solids imported from the EU was 1 200 tonnes, rising to an average of 4 600 tonnes over the last three years, peaking at 6 300 tonnes in 2000. Imports from the EU account for 67% of these imports, and carry an annual subsidy from the EU taxpayer of €4 million.

The dumping of subsidised milk products not only causes local markets to be lost to local producers, but it also reduces the viability of local processing plants and operations. Once these are gone, international companies move in and take over. Nestle - the major buyer of Jamaican milk - now buys one third less milk from Jamaica than it did just three years ago. As a result, Jamaican farmers are forced to throw away litres of milk from overflowing coolers. Many have lost their jobs and their livelihoods.⁴⁸

This is clearly not equitable, or sustainable in the long term. Development groups are not against subsidies per se but want to see them paying for rural development and not to be used to allow traders to dump cut-price dairy produce on world markets.

A just, sustainable and self- reliant dairy programme

Since the EU produces approximately 13 million tonnes more than it consumes, it is clear that the region has the land, the skills, livestock, conditions and workforce to more than satisfy its needs.

1999 EU Milk Balance Sheet

Quota	115 736,300
Production	113,900,500
Consumption	102,380,000
Self Sufficiency	111%

To bring supply more in line with demand, the current expensive and damaging system for support to the dairy sector would need to be phased out over a five year period. This would start from the date when a new direction for a sustainable self-reliant European agriculture is agreed by EU Member States. It would be achieved by the introduction of gradual and steadily increasing tariffs (an import duty that makes imported goods more expensive) between EU countries. Tariffs would also be erected against dairy products coming from outside the EU. Both sets of tariffs would be introduced and gradually increased over the five year transition period. For most of the EU countries this would result in domestic dairy production that would meet about 100% of national needs. The present levels of intra-EU dairy trade and external imports is illustrated in the table below⁴⁹:

Internal and external trade of the EU in milk and cream, 1999 (metric tons)²⁷

Recipient down left hand side Source along top

Rcpient	Source															
	F	N	Ger	I	UK	Ire	Den	Gre	P	Sp	Bel	Lux	Swe	Fin	Aus	EU-15
France		25,202	181,927	11,595	53,837	5,760	556	4,014	4,025	115,889	610,723	39,704		29	2,092	1,055,353
Nthrlands	34,419		596,239	1,794	28,552	25,276	5,994	84	773	1,128	210,562		56	789	379	906,045
Germany	84,184	157,130		364	35,003	4,013	4,814	157	243	180	126,215	81,009	13,300	270	303,297	810,179
Italy	406,696	5,933	1,631,293		530	6,770	8,533		2,317	4,761	19,918	3,349		73	377,570	2,467,743
UK	23,413	9,409	24,916	104		127,836	22,514	176	347	7,159	12,216		811	22	5,717	234,640
Ireland	125	825	47		219,259					349	245					220,850
Denmark	206	673	11,157	22	51	174		3	25		332		6,017	398	77	19,135
Greece	23,370	51,149	74,305	1,007	308	1,486	1,490			3,678	5,943		47		417	163,200
Portugal	15,105	777	3,249	197	27	141	82			37,174	389					57,141
Spain	218,632	4,149	22,587	227	3,076	614	2,609	5	151,930		14,519			150	137	418,635
Belgium	200,641	191,525	378,204	259	49,174	6,911	1,087	60	1,206	2,255		17,705	101	3	49	849,180
Lux	6,981	111	5,554	2			3		9		15,340					28,000
Sweden	330	299	1,143	1	87	85	2,637	16		39	36			1,079		5,752
Finland		366	422		10		778				13		242			1,831
Austria	762	435	16,452	361			33	1			178					18,222
Intra-EU	1,014,864	447,983	2,947,495	15,933	389,914	179,066	51,130	4,516	160,875	172,612	1,016,629	141,767	20,574	2,813	689,735	7,255,906
Extra-EU	276,213	388,623	230,584	2,420	97,998	65,747	92,765	5,865	2,354	53,950	63,154	1	10,008	20,474	5,564	1,315,720

This would send a clear message to all exporters that they need to re-orientate their production to more local markets over the five year period. Under this maximum self-reliance approach, there would be no inducement to overproduce since quotas would be set to meet national needs, and prices set to give adequate income level to farmers whilst they meet that quota.

Small countries, such as the Benelux nations for example, might need to import from their EU neighbours. This need would be reflected in the amount of extra milk beyond national needs that designated neighbours would have allocated via milk quotas.

To enable this to happen in dairy as well as in all other sectors of agriculture, the present open-market emphasis of the rules of the EU and the WTO would need to be replaced. The changes to these rules, and the events that might lead to such a radical transition taking place, are explained in sub-section 6 above.

The Centrality of Import Controls

The clear requirement to produce to satisfy domestic needs, reinforced by the reduction of imports, is the starting point and cornerstone of a just and sustainable dairy policy. This is because it overcomes the fundamental double dilemma farmers find themselves facing at present. First, farmers do not receive enough money for their milk via the farmgate price and so compensate for this by producing more to ensure financial survival. This leads to surpluses which are expensive for EU taxpayers, but - more seriously - are underwritten by 'export subsidies' paid to exporters to dump the EU's excess production in developing countries and eastern Europe, with devastating effects on the importing country (see BOX 4).

However, to ensure that farmers produce enough to meet national demand, but do not significantly overproduce, would require sufficient payment to ensure a decent livelihood from producing for their specific production quota. These quotas will also need to be strictly and evenly enforced throughout the EU.

Second, farmers are expected to produce milk in an environmentally sound manner and in a way that promotes animal welfare. However at present they have to compete with cheap imports from producers who are not held to such high environmental and animal welfare standards.⁵⁰ This is clearly unacceptable.

Increased cost of a pint

On the surface it would seem that paying farmers an adequate price for their milk is bound to result in increased prices for the consumer. This need not be the case as money can be reallocated to farmers from the curbed profit levels of supermarkets and processors and savings on paying for overproduction that will no longer occur. As is detailed in sub-section 3 the amount of profits made by the supermarkets and processors is disproportionate and would be curbed under the new self reliant approach to sustainable agriculture.

Similarly the change in emphasis of paying farmers adequately to produce for markets needs will eradicate the need for huge costs to store excess production and export grants to get rid of the vast surpluses that are endemic in the present open market system within European agriculture. 10% of Europe's milk is exported, with the aid of substantial "export refunds". If production was cut by 10% the money now spent on subsidising exports could be ploughed back to the milk producers.

In any case a recent NFU survey showed that consumers would pay 5p per litre more if it went back to farmers.

Balancing EU dairy production with consumption

In addition to the import controls outlined above, the national dairy sector would be assigned an set of quotas and farmgate prices that would ensure an adequate return for the farmer, improved environmental sustainability and bring supply back in line with demand (see sub-section 1). In this way self-reliance would be achieved, large surpluses eliminated, and the dumping of subsidised exports on poorer countries brought to an end.

Conclusion

Time for a Radical Change

As more consumers, farmers and workers world wide are experiencing the downside of economic globalisation in agriculture and other sectors, now is the time to consider how it can be replaced with this completely different alternative of self-reliance and localisation. This will involve dramatically reducing world food trade and instead re-localising production. The goal of such a "local food-global solution" policy would be to keep production much closer to the point of consumption and to help protect small farmers and rebuild local economies around the world.

Bringing About Global Change: A Co-operative Europe is the Key

It will, of course, be impossible for such a radical change to be introduced by one country alone. Individual countries will need to co-operate in this project on a regional basis. Regional blocs like the European Union will have a key role to play. Indeed only the EU and US are politically and economically powerful enough to be a counterweight to overcome the forces that are the major beneficiaries from economic globalisation — transnational companies and international capital.

The EU must therefore be in the vanguard of the shift away from ruthless internal and external competition to gain market shares and hence increase unsustainable growth levels. In its place, the EU must set a new end goal of re-diversifying national and local economies in a way that provides for societies' food security and other basic needs in an environmentally sustainable way. It must set the same end goal for its economic interaction with the Central and Eastern Europe and the rest of the world. In short, the EU food debate must become far more radical - and replace free market reliance with self-reliance.

References

- (i) Lord Whitty, speaking at the Royal Smithfield Show, 25 November 2002
1. 'Commission tables radical blueprint for single CAP aid payment'. Agranet June 28, 2002
2. John Maynard Keynes, Bretton Woods Conference, New Hampshire 1944
3. 'Sustainable Food and Farming: working together' DEFRA's response to the recommendations of the 'Policy Commission on the Future of Farming and Food- the Future' 2002, Introduction, Paragraph 1.2
4. Sir Julian Rose. "Polish Peasants and Brussels Bureaucrats." Ecologist, Vol 32 No1 February 2002
5. The possibility of a small increase in this offer was muted subsequently: George Parker 'More cash offered to clinch EU enlargement' Financial Times 26th November 2002
6. Tomas Doucha. "Reaping What the EU Sows" Transitions Online, May 2002.
7. National Federation of Women's Institute's submission to The Policy Commission on the Future of Farming, NFWI, London, October 2001.
8. David Korten 'When Corporations Rule the World' Kumarian Press, Connecticut 2001; B.Balanya, et al 2000 'Europe Inc, Regional and Global Restructuring and the Rise of Corporate Power', Pluto Press, London, 2000.
9. Opinion of the Economic and Social Committee on the Future of the CAP, Brussels, 21 March 2002 (NAT/122)
10. Statement from The Independent Farmers Group- a precursor to 'farm' Comments in response to consultation document, Farming And Food - The Future, issued by the Government's Policy Commission on the Future of Farming, 25th October 2001, www.farm.org.uk
11. Richard North 'The Death of British Agriculture' Gerald Duckworth, UK 2001;
12. 'Policy Commission on the Future of Farming and Food London 2002, p70
13. 'National Commission on Small Farms, A Time to Act' US Department of Agriculture, Washington DC 1998
14. 'Sustainable Food and Farming: working together' - the Future', DEFRA 2002, p9, para 4.13
15. 'Policy Commission on the Future of Farming and Food London 2002, p34, para 3
16. Comments in response to consultation document, 'Farming And Food - The Future', issued by the Government's Policy Commission on the Future of Farming, The Independent Farmers Group- a precursor to 'farm', 25th October 2001
17. Patrick Wintour, The Guardian, 11th April 2001
18. Pippa Wood 'A Better CAP', Family Farmers' Association 2002
19. Alistair McConnachie 'Grass Root Policies for Home Grown Products' Prosperity March 2002
20. Clive Aslet, 'Clocking up food miles' Financial Times 23/24th February 2002
21. Ibid
22. 'Proposal for a Farm Bill' farm UK, 2002
- 22a. The overall income for UK farmers in 2001-2002 was £2.27 billion. DEFRA press release, 20 Nov 2002. Tesco profits over £1 billion. Average farmer's salary £10,700.
23. Institute of Grocery Distribution (2001). Grocery Retailing 2001 Letchmore Heath: IGD Research. Feb 26
24. Institute of Grocery Distribution (2001). European Grocery Retailing...now and in the future.... Letchmore Heath: IGD Research. Feb 26.
25. 'Sustainable Food and Farming: working together' - the Future' DEFRA 2002, Annex B, Chart 1, p35
26. DEFRA Agricultural and Horticultural Census June 5, 2002
27. 'Supermarkets and Great British Fruit' Friends of the Earth 21st October 2002
28. Public Backs Farmers Against Supermarkets, Friends of the Earth, London 18th November 2002
29. Sam Porter and Paul Raistrick 'Impact of outer centre food superstores on local retail employment' National Retail Planning Forum, UK 1998 cited in Lucy Michaels 'Whats wrong with supermarkets' Corporate Watch, Oxford 2002
30. What do we mean by food poverty' Sustain/UK Public Health Movement, London 2001
31. For further information, see Food Poverty: Policy Options for the new Millennium, Sustain: the alliance for better food and farming, September 2001.
32. Caroline Hitchman, Michelle Harrison, Ian Christie and Tim Lang 'Inconvenience Food' London: Demos 2002

33. Kevin Morgan and Adrian Morley 'Relocalising the Food Chain: the role of creative public procurement' The Regeneration Unit, Cardiff University, 2002
34. Hitchman et al op.cit
35. Vandana Shiva cited in Colin Hines, 'Localisaton: A Global Manifesto', London, Earthscan, 2000, p. 207
36. This concept was first proposed in Colin Hines and Vandana Shiva 'A Better Agriculture is Possible: Local Food, Global Solution' International Forum on Globalization, USA. 2002
37. Caroline Lucas, MEP and Colin Hines. "Which way for the European Union?" The Greens /European Alliance in the European Parliament, Brussels 2001; Caroline Lucas, MEP. "Time to replace globalization." The Greens/European Free Alliance in the European Parliament, Brussels, November 2001; Also available as appendices of the electronic version of this report from www.carolinelucasmep.org.uk
38. Report on Milk quotas, SREC (2002) 789 Final, Commission of the European Communities); The CAP reform, Milk and milk products, European Commission DG for Agriculture, 2000; House of Commons Evidence by the Dairy Processing Industry Appendix 3 Ev 328, 'Future of UK Agriculture in a changing world Vol II, November 2002; Figures taken from European Farm Business Data, European Commission, 2001 and Eurostat. NB: these figures refer to dairy farms as separate units but considerable milk production is on mixed farms with other, more dominant enterprises so these may be underestimates of the role of dairy.
39. European Commission Report on milk quotas, EC, 2002
40. CAP Briefing Sustain/UK Food Group, 2002
41. European Court of Auditors, concerning Special Report No 6/2001 on milk quotas1, 01.10.01
42. The CAP reform, Milk and milk products, European Commission DG for Agriculture, 2000.
43. European Court of Auditors, concerning Special Report No 6/2001 on milk quotas1, 01.10.01
44. NFU Press Release, 12 August 2002
45. MDC Datasum UK Dairy Trade September 2002
46. Personal Communication, M Griffiths, CAFOD, August 2002
47. Oxfam, Ripped Rules and Double Standards: trade, globalisation and the fight against poverty, 2002
48. Duncan Green and Matthew Griffiths 'Dumping on the CAP' CAFOD, London, 2002
49. Stopping the great food swap: Relocalising Europe's food supply Dr Caroline Lucas MEP Green Party 2001 based on research from Sustain: the alliance for food and better farming.
50. CIWF magazine, summer 2001; Michael Winter, Charlotte Fry and Peter Carruthers Farm 'Animal Welfare and the Common Agricultural Policy in Europe', A Report to CIWF Trust and World Society for the Protection of Animals, October 1997. Tail Docking in Dairy Cattle Animal Welfare Information Center Bulletin, Winter 2001-Spring 2002, Vol. 11 No. 3-4

APPENDIX I

FROM THE TREATY OF ROME TO THE TREATY FOR LOCALISATION

In order to start a debate on how to achieve a radical change in the direction of the EU we have taken some of the key parts of the EC Treaty which underpin the present damaging free market direction of the EU. We have replaced this with a possible alternative wording for a Treaty for Localisation. This would enable the EU to provide a policy framework that would prioritise localisation and ensure that the policies outlined above can be implemented. This emphasis on the rebuilding of local, national and regional economies in a way that improves social conditions and environmental protection could then act as a spur for other regional blocs to consider adopting a similar radical alternative to globalisation.

EC Treaty

Article 2 (ex Article 2)

The Community shall have as its task, by establishing a common market and an economic and monetary union and by implementing common policies or activities referred to in Articles 3 and 4, to promote throughout the Community a harmonious, balanced and sustainable development of economic activities, a high level of employment and of social protection, equality between men and women, sustainable and non-inflationary growth, a high degree of competitiveness and convergence of economic performance, a high level of protection and improvement of the quality of the environment, the raising of the standard of living and quality of life, and economic and social cohesion and solidarity among Member States.

Proposed Alternative Text

Article 2 (ex Article 2)

The Community shall have as its task, by establishing a common **environmentally sustainable, socially enhancing and locally diversified market which maximises the provision of goods and services nationally** and by implementing common policies or activities referred to in Articles 3 and 4, to promote throughout the Community a harmonious, balanced and sustainable development of economic activities, a high level of employment and of social protection, equality between men and women, sustainable **environmentally benign and socially positive economic activity**, a high level of protection and improvement of the quality of the environment, the raising of the standard of living and quality of life, and economic and social cohesion and solidarity among Member States.

EC Treaty

Article 3 (ex Article 3)

For the purposes set out in Article 2, the activities of the Community shall include, as provided in this Treaty and in accordance with the timetable set out therein:

- (a) the prohibition, as between Member States, of customs duties and quantitative restrictions on the import and export of goods, and of all other measures having equivalent effect;
- (b) a common commercial policy;
- (c) an internal market characterised by the abolition, as between Member States, of obstacles to the free movement of goods, persons, services and capital;
- (d) measures concerning the entry and movement of persons as provided for in Title IV;
- (e) a common policy in the sphere of agriculture and fisheries;
- (f) a common policy in the sphere of transport;
- (g) a system ensuring that competition in the internal market is not distorted;
- (h) the approximation of the laws of Member States to the extent required for the functioning of the common market;
- (i) the promotion of coordination between employment policies of the Member States with a view to enhancing their effectiveness by developing a coordinated strategy for employment;
- (j) a policy in the social sphere comprising a European Social Fund;
- (k) the strengthening of economic and social cohesion;

- (l) a policy in the sphere of the environment;
 - (m) the strengthening of the competitiveness of Community industry;
 - (n) the promotion of research and technological development;
 - (o) encouragement for the establishment and development of trans-European networks;
 - (p) a contribution to the attainment of a high level of health protection;
 - (q) a contribution to education and training of quality and to the flowering of the cultures of the Member States;
 - (r) a policy in the sphere of development cooperation;
 - (s) the association of the overseas countries and territories in order to increase trade and promote jointly economic and social development;
 - (t) a contribution to the strengthening of consumer protection;
 - (u) measures in the spheres of energy, civil protection and tourism.
2. In all the activities referred to in this Article, the Community shall aim to eliminate inequalities, and to promote equality, between men and women.

Proposed Alternative Text

Article 3 (ex Article 3)

- 1) For the purposes set out in Article 2, the activities of the Community shall include, as provided in this Treaty and in accordance with the timetable set out therein:
- (a) the **re-introduction**, as between Member States, of customs duties and quantitative restrictions on the import and export of goods, and of all other measures having equivalent effect **in order to further the protection and rebuilding of regional, national and local economies**;
 - (b) a common commercial policy **that furthers the achievement of (a)** ;
 - (c) a market characterised by the **maintenance**, as between Member States, of **appropriate restrictions** to the free movement of goods, services and capital **in order to allow regional, national and local economies to prosper**;
 - (e) co-ordination in the sphere of **sustainable, local market orientated** agriculture and fisheries;
 - (f) coordination in the sphere of transport **to support the diversification of local economies**;
 - (g) a system ensuring that competition **predominantly takes place at the national level to ensure that environmentally benign products, production methods and service provision and high levels of labour practices and conditions are not undermined by imports**;
 - (i)(j) (k) (l) Unchanged
 - (m) the strengthening **of the locally orientated priority** of Community industry;
 - (n) Unchanged
 - (o) encouragement for the establishment and development of European networks **that promote national and local economic diversity**;
 - (p) – (r) Unchanged
 - (s) the association of the overseas countries and territories in order to promote jointly economic and social development **that emphasises the protection and rebuilding of regional, national and local economies**;
 - (t) (u) Unchanged
2. In all the activities referred to in this Article, the Community shall aim to eliminate inequalities, and to promote equality, between men and women.

EC Treaty

Article 4 (ex Article 3a)

1. For the purposes set out in Article 2, the activities of the Member States and the Community shall include, as provided in this Treaty and in accordance with the timetable set out therein, the adoption of an economic policy which is based on the close coordination of Member States' economic policies, on the internal market and on the definition of common objectives, and conducted in accordance with the principle of an open market economy with free competition.
2. Concurrently with the foregoing, and as provided in this Treaty and in accordance with the timetable and the procedures set out therein, these activities shall include the irrevocable fixing

of exchange rates leading to the introduction of a single currency, the ECU, and the definition and conduct of a single monetary policy and exchange rate policy the primary objective of both of which shall be to maintain price stability and, without prejudice to this objective, to support the general economic policies in the Community, in accordance with the principle of an open market economy with free competition.

3. These activities of the Member States and the Community shall entail compliance with the following guiding principles: stable prices, sound public finances and monetary conditions and a sustainable balance of payments.

Proposed Alternative Text

Article 4 (ex Article 3a)

1. For the purposes set out in Article 2, the activities of the Member States and the Community shall include, as provided in this Treaty and in accordance with the timetable set out therein, the adoption of an economic policy which is based on the close coordination of Member States' economic policies on the internal market and on the definition of common objectives, and conducted in accordance with the principle of an open market economy with free competition.

2. Concurrently with the foregoing, and as provided in this Treaty and in accordance with the timetable and the procedures set out therein, these activities shall include the irrevocable fixing of exchange rates leading to the introduction of a single currency, the ECU, and the definition and conduct of a single monetary policy and exchange rate policy the primary objective of both of which shall be to maintain price stability and, without prejudice to this objective, to support the general economic policies in the Community, in accordance with the principle of an open market economy with free competition.

3. These activities of the Member States and the Community shall entail compliance with the following guiding principles: stable prices, sound public finances and monetary conditions and a sustainable balance of payments.

Proposed Alternative Text

Article 4 (ex Article 3a)

1. For the purposes set out in Article 2, the activities of the Member States and the Community shall include, as provided in this Treaty and in accordance with the timetable set out therein, the adoption of an economic policy which is based on the close co-ordination of Member States' economic policies to protect and re-diversify regional, national and local markets on the definition of common objectives, and conducted in accordance with the principle of a market with competition policies that prioritise the re-diversifying of regional, national and local economies.

2. Concurrently with the foregoing, and as provided in this Treaty and in accordance with the timetable and the procedures set out therein, these activities shall include the control of exchange rates and the definition and conduct of a monetary policy and exchange rate policy the primary objective of both of which shall be to maintain the movement towards more diverse and sustainable regional, national and local economies and, without prejudice to this objective, to support the general economic policies in the Community, in accordance with the principle of a market with competition policies that prioritise the re-diversifying of regional, national and local economies.

.....

EC Treaty

Article 28 (ex Article 30)

Quantitative restrictions on imports and all measures having equivalent effect shall be **permitted** between Member States **in order to further the protection and rebuilding of regional, national and local economies;**

Proposed Alternative Text

Article 28 (ex Article 30)

Quantitative restrictions on imports, and all measures having equivalent effect, shall be permitted between Member States in order to further the protection and rebuilding of regional, national and local economies.

.....

EC Treaty

Article 29 (ex Article 34)

Quantitative restrictions on exports, and all measures having equivalent effect, shall be prohibited between Member States.

Proposed Alternative Text

Article 29 (ex Article 34)

Quantitative restrictions on exports and all measures having equivalent effect shall be **permitted** between Member States **in order to further the protection and rebuilding of regional, national and local economies.**

APPENDIX II

Rewriting the Rules for Sustainable Trade

The General Agreement on Tariffs and Trade (GATT) was established in 1947 as a mechanism to negotiate the continuous lowering of tariffs between its members. Since its formation, there have been 8 "rounds" of trade negotiations, focussing first on tariffs, and later including non-tariff barriers, with the most recent round leading to the creation of the much more powerful World Trade Organisation in 1995. The WTO requires that the laws of every member must "conform" to those of the WTO. It has the power to judge a country's compliance with its rules, and - critically - to enforce the rules with sanctions.

Key Provisions of the General Agreement on Sustainable Trade

The end goal of the General Agreement on Sustainable Trade (GAST) is *not* to ensure the unimpeded international trade in goods and services, but to promote a more sustainable and equitable economic system by strengthening democratic control of trade, stimulating industries and services that benefit local communities, and rediversifying local and national economies.

Comparison of WTO Rules with those of the General Agreement on Sustainable Trade

Article 1 – Most-Favoured Nation Treatment

The MFN rule requires WTO member countries to treat products from one WTO member as favourably as it does from any other member. In other words, discriminating between foreign producers is prohibited.

This rule raises serious doubts about the validity of international environmental trade-related environmental conventions (eg Montreal Protocol, CITES, and Basel Convention) which actually require that *less* favourable treatment be accorded to countries which are not fulfilling their obligations under these environmental conventions. As a recent WTO case involving banana trade between several Caribbean islands and the EU illustrates, the MFN rule also prohibits the use of special trading relationships to support development co-operation programmes with poorer nations.

This would be changed under the GAST rules to:

Provided it is not at the expense of domestic goods and services, states shall give preferential treatment to goods and services from other states which respect human rights, treat workers fairly, and protect the environment.

Article III – National Treatment

The NT rules requires that imported and locally produced goods be treated equally. Thus, under WTO rules, it is unlawful for governments to favour, or otherwise promote, domestic products above imported goods.

This would be changed under the GAST rules to:

Trade controls that increase local employment with decent wages, enhance protection of the environment, ensure adequate competition and consumer protection, and otherwise improve the quality of life are encouraged. States are urged to give favourable treatment to domestic products and services which best further these goals.

Process and Production Methods

The rule on Process and Production Methods (PPMs) makes it unlawful for governments to discriminate against individual countries' goods because of concerns about the damaging or unethical processes that may have been used to produce or harvest them. This makes it impossible, for example, to protect domestic producers with high environmental or animal welfare standards (eg producers of free range eggs) from unfair competition with imports from producers who do not meet such standards (eg producers of eggs from battery cages).

This would be changed under the GAST rules to:

Members are permitted and encouraged to make distinctions between products on the basis of the way they have been produced in order to further the aims of sustainable development.

Article XI – Elimination of Quantitative Restrictions

Under this Article, WTO members cannot limit or impose quantitative controls on exports or imports through quotas or bans. This is very problematic from an environmental perspective. Consider the implications of such a rule when applied to measures such as an export ban on unprocessed resources like as raw logs; or as an embargo against the export of agricultural commodities from a country suffering food shortages; or as a prohibition against trade in endangered species; or as a ban on the export of hazardous wastes to undeveloped countries.

This would be changed under the GAST rules to:

Quantitative restrictions should be permissible. For those products which are imported, preferential access should be given to goods and services going to and coming from other states which in the process of production, provision and trading respect human rights, treat workers fairly, and protect the environment

Article XX - General exceptions to WTO Rules

In theory, this allows the adoption or enforcement of measures to protect public morals, to protect human, animal and plant life or health, or the natural conservation of exhaustible natural resources, provided they are not arbitrary or unjustifiably restrictive. In practice, it has been interpreted extremely narrowly, and has failed to offer the protection it promises. With only one exception, the WTO has struck down as an illegal trade barrier every single domestic environmental, health, or safety law that it has reviewed, including the US implementation of a global endangered species treaty concerning sea turtles.

This would be extended under the GAST rules to:

Article XX exemptions should allow trade intervention for a wide range of purposes that further sustainable development, eg sanctions against human rights violations; tariffs for the maintenance of environmental, food, health, and animal welfare standards; enforcement of treaties on environment and labour rights.

The Agreement on Technical Barriers to Trade

In the jargon of international trade law, *all* environmental standards and regulations are, *prima facie*, considered technical barriers to trade. The actual provisions of the TBT agreement are detailed and complex, but reduced to bare bones, it establishes:

- An international regime for harmonising environmental standards that effectively creates a ceiling – but no floor – for environmental regulation
- A detailed procedural code for establishing new laws and regulations that would be difficult for even the wealthiest nations to meet.

At present, when nations fail to observe GATT's rules, they are vulnerable to international trade complaints and sanctions and the TBT rules have emerged as important new weapons for challenging government regulatory initiatives.

This would be changed under the GAST rules to:

All international environmental and social standards and regulations are considered as effectively creating a floor for governing the conditions for trade between parties. Any country with higher levels should experience positive discrimination in terms of trade. Poorer countries for whom such standards are at present too expensive should receive financial support to help them improve their standards, and once setting a future date for such improvements, should experience positive discrimination in trade terms.

The Agreement on Sanitary and Phytosanitary Standards

The provisions of this oddly-named agreement are very similar to those found in the TBT, but deal with laws and regulations that concern food and food safety, including pesticide regulation and biotechnology. As with TBT rules, the SPS has proven a useful device for undoing government regulatory initiatives that are unpopular with large corporations. In theory, the text of the SPS appears to permit the use of the precautionary principle. In practice, however, in the interpretation of disputes by the WTO, this principle has not been recognised as a justifiable basis upon which to establish regulatory controls. A recent example of this was the WTO's ruling against the EU ban on the importation of beef produced with growth hormones.

The Agreement also seeks to remove decisions about health, food and safety from national governments by delegating them to international standard-setting bodies such as the Codex Alimentarius – an elite club of scientists based in Geneva. Because of its location and composition, Codex is an institution that is singularly inaccessible to all but a handful of international corporations and business associations that are capable of maintaining delegations in Geneva. Codex standards often fall substantially short of those established by jurisdictions closer and more responsive to the interests and views of consumers and health advocates.

This would be changed under the GAST rules to:

All laws and regulations that concern food and food safety, including pesticide regulation and biotechnology, are considered as effectively creating a floor for governing the conditions for trade between parties. Any country with higher levels should experience positive discrimination in terms of trade. Poorer countries for whom such standards are at present too expensive should receive financial support to help them improve their standards, and once setting a future date for such improvements, should experience positive discrimination in trade terms.

The 'precautionary principle' is a justifiable basis upon which to establish regulatory controls affecting trade when the risks warrant action, even in the face of scientific uncertainty about the extent and nature of potential impacts.

The Agreement on Trade-Related Intellectual Property Rights

By attaching the prefix 'trade related' this agreement transforms an entire domain of domestic policy and law into one that is subject to WTO regulation. The essential thrust of the TRIPS

agreement is to compel all WTO member nations to adopt and implement patent-protection regimes.

This virtually provides US and European multinationals with global patent rights which can now be enforced by retaliatory trade sanctions. The rights of indigenous communities to genetic and biological resources that are held in common are ignored. The result is to facilitate the appropriation of the genetic commons by corporate interests which can then demand user rents from the communities that should be the proper 'owners' of the genetic resource.

This would be changed under the GAST rules to:

Global patenting rights should not override the rights of indigenous communities to genetic and biological resources that are held in common. For products, fees should be able to be levied to cover the cost of development, plus a reasonable level of profit, but such patenting rights must have a limited timeframe and fully reimburse the parties whose knowledge contributed to the patented entity.

The Agreement on Trade Related Investment Measures

TRIMs set rules for investment in the production of global goods and services. While this investor-rights agenda is constructed according to the same principles as *National Treatment* and *Most Favoured Nation* treatment that are common to all WTO Agreements, it goes much further in two critical ways. The first is to allow individual investors virtually unqualified access to international enforcement mechanisms that may be invoked by them directly against nation states. It would be difficult to overstate the implications of this radical departure from the norms of international treaty law which, with the exception of international human rights, has never created rights even for the benefit of individuals, let alone multinational corporations.

In other words, under the North American Free Trade Agreement (NAFTA), for the purposes of enforcement, foreign investors are accorded the same status as nation-states. The other critical departure of this proposed investment regime from the norms of international trade law is to be found under the heading *Performance Requirements*, which actually *constrain* the implementation of domestic investment regulation, even when applied only to domestic investors.

This would be changed under the GAST rules to:

No individual investor may invoke international enforcement mechanisms against investment regulations of the nation states. The implementation of domestic investment regulations shall not be constrained by trade rules, provided that the former improve social and environmental regulations domestically and further such advances in trade relations.

The Agreement on Agriculture

The vision expressed by this WTO Agreement is of an integrated global agricultural economy in which all countries produce specialised agricultural commodities, and increasingly supply their food needs by shopping in the global marketplace. Protective barriers to foster indigenous farming, for example, are not allowed; neither are subsidies to support poorer farmers.

This would be changed under the GAST rules to:

Protective barriers should be introduced to enable countries to reach maximum self-sufficiency in food, where feasible, with long distance trade limited to food not available in the country or region.

Office of the Green MEPs
Suite 58, The Hop Exchange
24 Southwark Street
London SE1 1TY

Tel: 020 7407 6281 Fax: 020 7234 0183

Email: carolinelucas@greenmeps.org.uk

web: www.carolinelucasmep.org.uk

Printed on recycled paper, December 2002

