

## COMMON AGRICULTURAL POLICY

### ISSUE

The EC's Common Agricultural Policy (CAP) seeks to increase agricultural productivity, to ensure a fair standard of living for the agricultural community, to stabilize markets, to assure the availability of supplies, and to guarantee reasonable prices for EC consumers. While the CAP has sustained the development of Community agriculture, this policy has hampered Canadian export opportunities in agricultural products, both in the EC and third country markets. The CAP has also resulted in market disruptive penetrations of EC agricultural products into the Canadian market. The current EC efforts to limit the growth in CAP expenditures and reduce agricultural overproduction make the CAP more market-oriented. However, far-reaching reforms are necessary to liberalize the agricultural trading regime.

### BACKGROUND

In 1985, the EC came to the conclusion that CAP reform was necessary in order to reduce the growing expenditures, and to respond to the sharp conflicts with trading partners, notably the United States, Canada, Australia and New Zealand. Proposals for reform, aimed at curbing spending, include cuts in guaranteed prices to penalize overproduction; incentives to early retirement of farmers; compensations for taking land out of production; and limits to the total level of spending on crop- and export subsidies, and intervention purchases.

### EC POSITION

The Community has shown a genuine commitment to reforming the CAP, but progress has been slow. The most recent proposal includes a 30 % cut in farm subsidies. The decision making on reforms is complicated by the political sensitivity of the EC agricultural policies.

### CANADIAN POSITION

Canadian farmers have been affected by the CAP in three ways. The CAP's incentives to agricultural production and barriers to imports have reduced the export opportunities of Canadian farmers to the EC market. Specifically, the CAP has detrimentally affected Canadian exports of quality wheat, barley and cheddar. Canadian exports to third markets have been reduced as well, due to EC price competition through subsidies, resulting in price suppression or a complete shut-out of Canadian firms from certain markets. Additionally, Canadian farmers have suffered from highly subsidized EC imports into Canada such as beef and pasta. Moreover, the EC agricultural policies have provoked the US into a subsidy war that has caused Canada still more harm. Although recent CAP reforms are encouraging, the measures have neither improved Canadian access to the EC market nor significantly countered the CAP's market disruptive effects.