



Brussels, September 2024

## Next CAP must prioritise Common Market Organisation revision to build European food sovereignty

### ECVC Recommendations on the Common Market Organisation

The Common Market Organisation (CMO) regulation must be the central issue in the upcoming reform of the Common Agricultural Policy (CAP). The only way the CAP will be able to meet its numerous objectives is by ensuring markets function fairly and making sure all farmers can earn a decent income through fair prices. The episode of food price inflation seen across the European Union after the outbreak of the war in Ukraine has had a number of social implications and must push us to once again consider stabilising food prices as a full-fledged objective of the CAP. The structural instability of agricultural markets is no longer in doubt: adjusting supply through prices does not work because of the significant fixed costs present in the sector. Prices can reach extremes that no longer have any economic rationality and deregulation accelerates the concentration and the creation of monopolies or quasi-monopolies in the other links of the food chain. Competitive markets cannot positively influence the agri-food system, which is the basis of our livelihoods. An ambitious revision of the CMO would allow major advances in terms of economic, social, and environmental justice.

The objectives of this revision of the CMO must be:

- Fair and stable prices
- Increase the number of farmers and farms
- Adjust volumes to the physical capacities of the territories and to the need for relocation
- Address current climate and environmental challenges
- Prevent the destabilisation of food markets in third countries
- Reduce the consequences of the monopolisation of other links in the food chain
- Have regulatory tools to intervene effectively to rebalance the markets

The work of farmers' organisations in different countries to challenge the current distribution of the value chain and the agricultural protests of early 2024 are evidence that some of the main concerns of farmers and peasants are receiving fair prices for their production and ensuring better working and living conditions. Data demonstrates that the food and agricultural system is dysfunctional. Indeed, food poverty<sup>1</sup> is increasing severely, while agricultural income remains below the average of the rest of the economy in most Member States, standing at 47% of the average gross wages and salaries of the EU economy.<sup>2</sup> Finally, market regulation is fundamental to tackling climate change at present, which leads to an increase in the variability of yields and specifically requires the creation of stocks.

The next CAP reform must be historic, and the first to allow a real transition to more sustainable and climate-resilient production models. To this end, ECVC advocates for a market regulation in accordance

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<sup>1</sup>European Food Banks Federation (2023) European Food Banks are a critical lifeline to promote access to food impact of the socio-economic crisis on FEBA Members, Assessment 2022. Accessible here:

<https://www.eurofoodbank.org/publications/impact-of-the-socio-economic-crisis-on-feba-members/>

<sup>2</sup> [https://www.europarl.europa.eu/doceo/document/A-9-2023-0283\\_EN.htm](https://www.europarl.europa.eu/doceo/document/A-9-2023-0283_EN.htm)



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with food sovereignty, i.e. allowing populations to choose their food and agricultural policies but also prohibiting dumping<sup>3</sup> vis-à-vis third countries. The next CAP reform must allow the installation of many farmers on European territory, improving access to agricultural use of land, preserving the various natural resources, lively rural areas and culturally rich and diverse landscapes. ECVC's vision of the next CAP reform based on food sovereignty and market regulation is [available online](#).<sup>4</sup> This CAP reform must be more consistent with the Unfair Trading Practices Directive (UTP Directive) and also ensure the revision of public procurement rules to allow production to be relocated.

As negotiations on the next CAP begin, and as the demand for market regulation becomes increasingly urgent<sup>5</sup>, ECVC shares its main recommendations concerning the CAP's CMO regulation. The Commission, MEPs, and members of the Council must address this issue with at least as much importance and attention as the other two parts of the CAP, which concern the distribution of direct payments and support for rural development.

The next CMO must

1. Ensure prices that cover production costs for producers
2. Regulate the volumes produced and the volumes placed on the market
3. Manage bufferstocks publicly
4. Modulate producer organizations to ensure effective participation of farmers
5. Support the agroecological transition and sustainable agricultural practices
6. Strengthen the crisis prevention and management policy
7. Increase import regulation

### 1. Ensure prices that cover production costs for producers

RECOMMENDATIONS	ARGUMENTS
<p>The CMO must ensure <b>the obligation for buyers to purchase agricultural products at a price that, as a minimum, covers the production costs</b> for all agricultural production. These production costs must include a decent income and social coverage for agricultural workers and farmers.</p>	<p>In the European Union, agricultural income is below the average of the rest of the economy in most Member States, with 47% of average gross wages and salaries in the EU economy<sup>7</sup>. This is in contradiction with the objective of the CAP in the 1957 Treaty of Rome. It is also a structural</p>

<sup>3</sup>Dumping includes exports made at a price lower than the average cost of production in the exporting country.

<sup>4</sup>ECVC (2023), *Putting market regulation at the heart of the debate about the CAP*, Brussels, <https://www.eurovia.org/publications/putting-market-regulation-at-the-heart-of-the-debate-about-the-cap/>

<sup>5</sup>See the opinion of the Committee of the Regions on the future of the CAP (CDR 5,512/2023) and of the University Agroecology Group Now! (<https://agroecologynow.net/green-deal-farmers-protests/>)

<sup>7</sup>[https://www.europarl.europa.eu/doceo/document/A-9-2023-0283\\_EN.html](https://www.europarl.europa.eu/doceo/document/A-9-2023-0283_EN.html)



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<p>While the tool of minimum intervention prices already exists, it must be strengthened and extended to other products to cover the majority of agricultural production and to ensure the link between intervention prices and production costs.</p> <p>(To be added to article 11)</p> <p>Minimum purchase prices must therefore be set according to production costs, to always be higher than them. They must be revised at least once a year.</p> <p>(To be added to article 206)</p> <p>This must be coordinated with the revision of the Unfair Commercial Practices Directive (UTP) in which selling at a loss must be added to the blacklist of unfair practices.<sup>6</sup></p>	<p>violation of article 16 of the United Nations Declaration on the Rights of Peasants and Other People Working in Rural Areas (UNDROP)<sup>8</sup>, which stipulates the right of food producers to an adequate standard of living. As a direct consequence, between 2005 and 2020 alone, around 5 million farms closed in the EU, the vast majority of which were considered small farms. Minimum prices will specifically benefit the establishment of short supply chains.</p> <p>For the moment, the establishment of contracts is only recommended in certain sectors (notably the dairy sector) while these contracts are necessary to collect reliable data on prices, margins and costs. This data will allow the market observatories to be properly informed and consequently prevent unfair commercial practices and in particular purchase below production costs. It is necessary to make establishing these contracts mandatory in all Member States without falling into administrative overload or a context of disproportionate surveillance. For the sake of equality, these contracts must also be provided in the rest of the links of the agri-food chain. For greater transparency, they can also be established between three parties: producers, the processing company, and traders. The example of the <a href="#">BioBreizh</a> initiative in France is interesting to demonstrate the effectiveness of contracting via a massification of the offer: the prices obtained are closer to production costs.</p>
<p>The CMO must contain a binding article, requiring the <b>establishment of</b> supply contracts for producers and buyers, including cooperatives, in sectors <b>where producers are able to do so</b> and ensuring that the administrative burden on farmers does not get heavier. The price, quantity, quality and duration of the contract must be specified.</p> <p>This must apply in all Member States.</p> <p>The CMO must organize the <b>filing of these contracts by buyers, on electronic platforms accessible to the European sectoral regulatory agency</b>. No data must be covered by confidentiality obligations.</p> <p>(To be added to article 225 on the Commission's reporting obligation, and effective implementation of article 222a on Union market observatories)</p>	

<sup>6</sup>See more information here: <https://www.eurovia.org/news/an-adequate-answer-to-the-farmers-protest-fair-prices-through-strengthening-the-utp-directive-2/>

<sup>8</sup> <https://documents.un.org/doc/undoc/gen/n18/449/00/pdf/n1844900.pdf?token=JkxRvDAWQOAabdewOD&fe=true>



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<p>The need <b>for transparency</b> must be included in the CMO to make the identity of both the buying and selling enterprise available. This is to reveal hidden export subsidies. (Such as milk powders from 2017 and 2018 stocks whose buyer identities was not disclosed).</p>	
<p>(to be added to article 16)</p>	

**The importance of a well-functioning Agri-Food Chain Observatory (AFCO):** AFCO is fundamental in the implementation of an effective CMO. Indeed, knowing prices, margins and costs, and thus debating on the basis of this official data makes it possible to determine the difference between the prices paid to farmers, and those paid by the population, and to see whether the distribution of the value along the chain is equitable and therefore “fair”. The price observatory must not be a simple space for observing incomplete data or data provided by the experts appointed to it: indeed, the data compiled by the Commission must come from contracts. See ECVC’s recommendations regarding AFCO here: <https://www.eurovia.org/publications/ecvc-recommendations-on-agriculture-and-food-chain-observatory/>

## 2. Regulate the volumes produced and the volumes placed on the market

RECOMMENDATIONS	ARGUMENTS
<p>The agricultural sectors listed in article 1 must benefit from regulation of production volumes and the volumes placed on the market. This volume regulation must be adapted to each sector and should be linked to environmental benefits.</p> <p>(to be added to article 1 of the CMO and in the articles corresponding to the sectors)</p>	<p>Volume regulations by sector make it possible to avoid overproduction, which causes prices to fall on the market, or underproduction, which leads to excessive price increases or dependencies on imports. These regulations are necessary to avoid massive overproduction when selling at a loss is prohibited and therefore make it possible to avoid dumping phenomena on third countries linked to overproduction. Indeed: we must aim to adjust volumes to intra-European consumption volumes and to support third countries with chronic deficits but only on the condition of strictly respecting their food sovereignty, or allowing them to recover it. Production volumes must be distributed in such a way as to rebalance the distribution of the “right to produce”. These rights are not marketable and, if they are not used, they are distributed free of charge to producers.</p>



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	<p>Volume management must be organised by sector according to the characteristics of each.</p> <p>Volume regulations allow (1) markets to be opened to more small farms and (2) better access to agricultural land, which are two necessary elements for the installation of many farmers. This aspect is fundamental in light of the current environmental crisis. Ensuring the presence of many farms helps maintain or recreate a fundamental social fabric in rural areas, improve the condition of soils and biodiversity.<sup>9</sup> Particularly concerning livestock farming, volume regulation must be done from the supply management stage, and thus linked to the re-territorialization of agriculture, respecting the carrying capacity of the land and moving towards a better balance between livestock farming and plant crops (in particular through the use of organic manure adapted to the needs of plant crops and a territorialized supply of animal feed).<sup>10</sup>This is also fundamental for a distribution of the productive load between the Member States and the agro-regions of the EU.</p> <p>Several mechanisms can ensure this function: production quotas (e.g. milk or beet quotas), compulsory fallow land, planting rights, grubbing-up premiums, renewal and conversion premiums, etc. The “voluntary regulation of milk volumes”, used during the milk crisis in 2016, helped to better get through the crisis. However, it is important to note that this tool should help to avoid crises (and not just regulate them).</p> <p>New volume regulation mechanisms should be developed in connection with a necessary deintensification linked to higher environmental standards (reduction of chemical pesticides, reduction of nitrogen surpluses, etc.).</p> <p>The regulation of volumes concerning plants and crops must be carried out differently given that the</p>
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<sup>9</sup>Ricciardi, V., Mehrabi, Z., Wittman, H. *et al.* Higher yields and more biodiversity on smaller farms. *Nat Sustain* 4, 651–657 (2021). <https://doi.org/10.1038/s41893-021-00699-2>

<sup>10</sup>The reterritorialisation of agriculture must start with a restructuring of livestock farming, as detailed in this ECVC position: <https://www.eurovia.org/publications/livestock-farming-in-the-european-union-supporting-an-ambitious-transition-to-peasant-farming/>



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	quantities produced are known only a few weeks before the harvests.
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### 3. Manage inventory publicly

RECOMMENDATIONS	ARGUMENTS
<p>The CMO must organise the public management of private stocks, particularly in strategic sectors, and must authorize the development of public stocks based on relocated peasant production.</p>	<p>Buffer stocks help stabilise prices: public management of stocks helps to avoid excessive fluctuations in agricultural prices. These are buffer stocks.</p> <p>Crisis stocks, on the other hand, make it possible to provide food when supplies go through a crisis.</p> <p>The establishment of strategic food stocks has been mandatory since the recent inclusion of food production, processing and distribution as a “critical entity” in the Critical Entities Resilience Directive (CER Directive—Directive [EU] 2022/2557)</p> <p>Thus, stocks are levers for balancing supply and demand. Based on the public interest and following the example of regular monitoring of oil stocks (for which operators are required to have the equivalent of 90 days of consumption in stock that can be mobilised by the public authorities), food stocks must be managed in such a way as to meet the needs of the population but must under no circumstances allow any form of dumping.</p> <p>A legal basis must be given to the EU AFCO in order to ensure its efficient functioning and to increase its powers in monitoring supplies (stocks) and monitoring price and margin formation.</p>
<p>The EU and member states must set up public stocks and use them to regulate markets.</p>	<p>Stockpiling to ensure food supplies has been one of the main roles of states since their creation. WTO rules currently prohibit it, but during its negotiations, and since 2008, India has defended its right to finance food stocks. Twenty-seven</p>



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	countries have created stockpiles since the start of the war in Ukraine, including countries of the European Union.
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#### 4. Modulate producer organizations to ensure effective participation of farmers.

RECOMMENDATIONS	ARGUMENTS
<p>Support for Producer Organizations (PO) should be limited to those that support food sovereignty at all scales, as well as those that support local food systems (local markets and logistics).</p> <p>In order to ensure fair representation of the different agricultural models within the POs, controls of their governance are recommended. There are good and bad examples of POs in all sectors. POs that reinforce the monopoly of a sector and POs</p>	<p>that impose unfair prices for producers should not be given power. We must also further prevent the possibilities of <i>greenwashing</i>.</p> <p>For the milk sector, the CMO provides support to producer organisations, precisely to enable them to regulate production volumes, as well as prices, by rebalancing the balance of power with downstream sectors. In particular, the CMO makes it possible to derogate from European competition rules in the case of collective negotiations, to plan production, regulate supply or ensure better agreement on prices. Finally, the regulation of National Strategic Plans offers the possibility to Member States to finance them, similar to what has existed for fruit and vegetables since 1996.</p>

#### 5. Supporting the agroecological transition and sustainable agricultural practices

RECOMMENDATIONS	ARGUMENTS
<p>It is necessary to explore the link that must exist between market regulation tools and sustainability criteria.</p> <p>The guidelines currently being developed should ensure that the application of article 210a of the CMO will in practice allow the increased added value of sustainable products to be passed on along the value chain and thus adequately refinance producers for their services.</p> <p>Mandatory labelling of the origin, regionality and quality of food and their production process</p>	<p>The new article 210a of the CMO has created the possibility for producers to engage in concerted practices when setting minimum prices for agricultural products that meet sustainability standards in the areas of environmental protection, nature conservation, climate mitigation and animal welfare, as well as social measures, which go beyond those required by European or national legislation. In addition, vertical agreements along the value chain are also usually made possible. Transparency on production costs is needed in order to counter</p>



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<p>throughout the chain should be introduced in the EU. The method chosen should effectively reflect the environmental efforts undertaken during production.</p>	<p>the asymmetry of market information vis-à-vis the commercial oligopoly.</p> <p>This article should particularly benefit farmers who are committed to the green architecture of the CAP. Sustainability standards should only be based on green public policies, in order to prevent the private sector from developing its own so-called environmental rules. These carry too high a risk of <i>greenwashing</i> and the multiplication of inspections on farms.</p>
<p>Include a ban on importing products containing residues of pesticides and other health products banned in Europe, and a ban on European companies exporting the same types of products banned in the EU.</p>	<p>This ban has been requested and expected for many years by citizens. It will have a strong and positive impact on the health of populations and on the environment in importing countries. It is about eliminating toxic residues present in imported food, but also about creating fair conditions of competition for EU farmers.</p>
<p>The CMO must organise the necessary differentiation between the organic and conventional markets. Appropriate thresholds are needed to draw up a clear picture of the organic market. In addition, it is necessary to improve the position of representatives of organic sectors within professional bodies.</p>	<p>The organic and conventional markets have large differences in volumes and costs.</p>

## 6. Strengthening the crisis prevention policy

RECOMMENDATIONS	ARGUMENTS
<p>An early warning system must be organised in <b>articles 219 to 222 of the CMO</b>.</p> <p>A multi-level crisis management system should be put in place to respond at an early stage to crisis in emerging markets, including crisis caused by financial speculation. It should include assistance for voluntary volume reduction in the event of a crisis and a temporary capping and cessation of imports at the time of early warning of domestic overproduction. This process should be fully transparent.</p>	<p>An early warning system is needed to detect market crisis in time. Within the EU AFCD, an index based on the Milk Marker Index (MMI) should be developed to assess the current and future market situation. In addition to current market prices, this index should also take into account, where appropriate, production costs and other factors.</p> <p>Exceptional derogations to competition laws are important during crisis management.</p>





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<p>Producer organisations must also be able to propose quantitative controls up to temporary and binding quantitative limits. In addition to the EU crisis fund, the sector must also contribute to all necessary expenses incurred in this regard.</p>	<p>The voluntary reduction in volumes was put in place during the milk crisis of July 2016. It was useful, although it was initiated too late.</p>
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## 7. Increase import regulation

RECOMMENDATIONS	ARGUMENTS
<p>Ensure the effective use of the CMO regulation to regulate imports in all sectors and ensure minimum entry prices. This consists of adjusting customs tariffs, organizing entry prices, distributing import quotas, and activating special safeguard measures.</p> <p>Minimum entry prices already exist in the CMO regulation for some sectors such as sugar, and must be extended to all production sectors. They must be adapted to the European production season.</p>	<p>Imports of products that can also be produced in the EU undermine local production by preventing producers from being affordable when they want to sell more locally. The lack of regulation of imports weakens local supply, and favouring imports implies the consumption of less fresh products and, in particular in the case of fruit and vegetables, harvested before maturity and therefore of lower quality.</p> <p>It is important to protect European production from imported products sold in Europe at prices below the European costs of production, by ensuring that entry prices correspond to an equilibrium price based on production with the highest standards. Without this, these entry prices are ineffective.</p> <p>As the Swiss example shows, customs tariff adjustments help regulate inflation and ensure that European producers remain competitive on the continent.</p>