Solutions to Agricultural Trade Protectionism of the EU for Breakthrough in WTO

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WTO Doha negotiations, EU agricultural trade protectionism, Irrational production abandonment, US and European laws for efficient land use, Proposed law for farming without subsidies

Abstract
EU proposed full decoupling of subsidy from production in 2002. No solution to irrational production abandonment, it allowed partial coupling in 2003. In 2005-07, prices went higher, output lower, as many part-time/absent farmers did not lease land to full-time ones. EU proposed wider decoupling, then narrowed it, in 2008. EU announced to cut farm budget by 4% by 2013, not 50% as WTO asked. Thus developing countries also keep protectionism in industry/services, blocking Doha negotiations. EU stopped set-aside of land from cereal production in autumn 2007, with no solution to better environment it gave.

In USA, there is adverse possession law: if a private person has occupied private property, but owner did not sue him in limited period, this property will belong to him. There is squatter rights law: if a person has occupied public land for over 25 years and paid taxes, government may issue patent for 160 acres upon payment of at least $1.25/acre. They are exercised. Main merit is to promote efficient land use. Main flaws are: If owner finds his land occupied within limited period, he may sue to get it back, still idling it. Once one has gained ownership of land, he may under-utilize it. People may not wish to lose un-used private property. In Western Europe, there has been law to give right to other farmers to produce sufficiently on under-producing land: in EU Council Regulations 1963/261-262, 1967/53; Italy 4 Aug. 1978 (still valid not applied); and Switzerland from Middle Ages that farmers can bring cattle to graze in private pastures of Alps (still valid not applied). Main flaw is it obliges owners to lease out all inefficiently used land, thus part-time/absent owners could not produce for family consumption/keep farming skills; once lost off-farm jobs, have no access to land rented out, or have to withdraw it earlier, affecting lessees. There has been law to oblige owners to use land or lease it out for sufficient production: in Germany 31 Mar. 1915 (till 1961); UK 6 Aug. 1947; Norway 18 Mar. 1955, 25 June 1965, and 31 May 1974 (still applied due to under-self-sufficiency with cold), and Denmark 17 July 1989. Main flaws are it causes overproduction, and above-mentioned one. Both laws were suspended at overproduction stage.

Revising them, the paper proposes to give full-time farmers access to under-producing land over family consumption need of part-time/absent farmers, and convert environmentally sensitive farmland to nature once a country has met constant overproduction. Not affecting private land ownership, they would simultaneously minimize/abolish/prevent protectionism, avoiding overproduction and irrational production abandonment; boost full-time large farmers, not crowding part-time/absent small farmers out of agriculture; reach/maintain basic self-sufficiency in cereals, promoting multi-functionality of other agricultural and rural sectors and improving environment. See responses (http://www.icarrd.org/en/proposals/Zhou.pdf) pp. 7-57.
Section 1 Hypothetical Discovery

Ever since the 1950s, after the first land reform of distributing land ownership (or possession under public ownership) to small farmers, the **irrational and polyopolistic land use** by able-bodied part-time and absent small farmers earning higher off-farm income but unwilling to lease the under-producing land beyond their family consumption need to full-time farmers, has been a global obstacle with both public and private land ownership, traditional and modern agriculture, fragmented small and consolidatorily enlarged land, low and high income economies, food under-self-sufficiency and overproduction, and developing and developed countries, even if land property rights have been well defined and sale/lease allowed. **[Polyopoly]** denotes the control of a resource by many sellers in contrast to monopoly (by one seller) and oligopoly (by a few sellers). This is mainly due to low rents, avoidance of misuse by tenants, jealousy in preventing neighbors from prospering, and hobby use. In those countries where this land reform has not been completed, there are also large landowners who exercise it. The full-time farmers, without right to use such under-utilized or idled land, have to subsist on their tiny farms, cut forests for more land, or quit agriculture for cities or developed countries. The land of the emigrants is ineffectively used by their old parents, wives or children, or just idled, without being leased to the remaining able-bodied full-time farmers. Numerous developing nations have to import food with scarce foreign exchanges or ask for donations to cope with food shortage, while many industrialized nations have provided huge subsidies to maintain farmers on agriculture which may cause overproduction. This obstacle has thus harmed agriculture, rural development, income distribution, government expenditure, competition, trade, environment, etc. It has become the most fundamental microeconomic root of the three persisting global macroeconomic problems: food under-self-sufficiency, overproduction and agricultural protectionism. It has turned to be the **most fundamental root** (though not the unique one) when the rural facilities are backward (such as in numerous developing countries currently), and the **unique root** when the rural facilities are advanced (such as in many developed countries presently). Zhou, Jian-Ming (2001: chapters 4-11) has provided evidences in Northeast Asia, Southeast Asia, South Asia, Central Asia, Central-Eastern Europe, North America, and briefly in the European Union. This paper mainly deals with the recent situation in the EU.

Section 2 At the Under-self-sufficiency Stage

In Western Europe, (1) there has been a law to give right to other farmers to produce sufficiently on any under-producing land (i.e., less than 40% of the normal output): in the EU Council Regulations 1963/262, 1967/531 and 1963/261; Italy 4 August 1978 (still valid but not applied); and Switzerland from the Middle Ages that any farmer can bring his cattle to graze in the private pastures of the Alps (still valid but not applied) (Lehmann 2005). Its main shortcoming is that it obliges landowners to lease out all their inefficiently used land, so that part-time and absent landowners would not be able to produce for family consumption and keep farming skills; and once lost off-farm jobs, would either have no access to their land rented out, or have to withdraw it within the contractual period, affecting the lessees. (2) There has also been a law to oblige landowners to either use their land or lease it out for sufficient production: in Germany 31 March 1915 (until 1961) (Winkler 1992: 83. Kroescbell 1982: 69); UK 6 August 1947; Norway 18 March 1955, 25 June 1965, and 31 May 1974 (still applied due to continuing under-self-sufficiency with the cold weather) (Austena 1992: 140-3, 146-7), and Denmark 17 July 1989 (Wulff 1992: 36, 38-9, 40, 44, 46-7). Its main shortcomings are that it may cause overproduction, plus the above-mentioned one. Both laws have been suspended at the overproduction stage.

Section 3 At the Overproduction Stage

The above-mentioned legislations ceased functioning at the overproduction stage because the EU has faced a fundamental dilemma and some derived dilemmas still without being solved. The fundamental dilemma is: still obliging farmers to either use land or lease it out for sufficient production would strengthen overproduction; but if not, much land would be irrationally and polyopolistically used by able-bodied part-time and absent (including large but particularly small) farmers, while full-time farmers could not easily achieve economies of scale, reduce costs, become
viable and more competitive in front of the USA, Canada, Australia and New Zealand with much larger farm size and much lower general production costs and many developing countries with much lower labor costs. Without a solution, farmers (mainly full-time ones) pressed the governments for a high standard living equivalent to that of the part-time and absent farmers against the difficulties caused by the lower prices following the overproduction. The governments had to yield fearing losing not only their votes but also food basic self-sufficiency if full-time farmers were also forced to become part-time and absent. Thus the EU implemented protectionism of a coupling between subsidies and production; price supports to keep domestic agricultural goods at prices over the international levels; export aids for farmers to dump products at prices lower than costs to developing countries, and high tariffs against cheaper imports. As the coupling is the most important of them, the following analysis will focus on it.

Section 4 The Coupling Could Not Solve the Fundamental Dilemma But Has Led to Derived Dilemmas

I. Concerning overproduction. Under the coupling, if farmers have produced surplus, the EU has to buy it, which has encouraged overproduction and concealed the irrational and polyopolistic land use by able-bodied part-time and absent small farmers in the large farm sector mainly in the plain areas where land is generally consolidated, because the protectionism could guarantee the income of the tenants to be able to pay high rents to the landowners to lease land out (here the large farm obviously means a farm under operation, not necessarily under ownership, as the operator may lease in small parcels to form a large farm). Thus on one hand, the EU has intended to avoid surplus, and has put quotas on some products (e.g., milk, sugar); and set aside a part of arable land from production of cereals (and other arable crops, i.e., food-used oilseeds and protein plants), including highly productive land (producing over 92 tons/20 ha in cereals, representing on average 72% of the arable crops area), at a rate set each year by the EU (in the 2000/01-2006/07 marketing years 10%) under a (quasi-)compulsory program (Council Regulation 1251 of 1999: Article 6. European Commission January 2002: 1), (quasi means farmers were not obliged to set aside land, but induced to do so if they wished to receive the set-aside subsides), and less productive land on a voluntary basis (European Commission January 2002: 3). On the other hand, overproduction has not been avoided since the coupling as the engine is still yielding it. Derived dilemma 1.

II. Regarding competitiveness. Under the coupling, farmers’ competitiveness through lowering costs seems not so important, because if they could not sell products, the EU would buy them. Thus on one side, the EU has the incentive to make the land use more efficient via economies of scale to reduce the enduring high costs, and has exercised an early retirement scheme in both the EU and CEE accession countries through SAPARD (European Commission 2000) to pay old farmers to transfer land to young farmers (lease, sale, or entitlement change without sale). In the plane areas of the EU-15, this obstacle has been concealed by the protectionism which could guarantee the high income of the tenants to be able to pay high rents to the landowners to lease land out. This has been the main cause to the phenomena ‘We have an ongoing structural change and farms tend to get larger and more efficient in the EU. Farm labor reduces by 2% to 3% each year’, ‘We simply do not have the problems of land absenteeism and abandonment in the EU to a scale which is comparable to that in many and differently organized developing countries’ (Demarty 9 October 2007), and across the EU about 20-75% of land was leased (Ahner 27 September 2004).

But it would in turn contribute to overproduction. Thus on the other side, irrational and polyopolistic land use by able-bodied part-time and absent small farmers seriously exists in the small farm sector of the southern states (Greece, Italy, Portugal, Spain) and accession countries where land is more fragmented because the rents of the fragmented small parcels are usually lower than those of the consolidated land. Of course, it also appears in the other countries like Finland, Germany, Ireland, Sweden, etc. One example for the southern hilly areas of the EU was provided in the ‘Plan of Rural Development of the Tuscan Region 2000-2006’ of Italy: ‘By an analysis of the agricultural sector in more details, of all Regions that are taken into consideration, Tuscany is characterized by a weight on average regarding the work unit, but with an extremely low
productivity. This is due to the existence of a relatively wide range of farmers who carry out their activities in part-time or leisure time, with motivations that go beyond those incomes and with a productive capacity much lower than that of professional farms, thus influencing negatively the Regional average’ (Tuscan Region 17 May 1999: 12). Derived dilemma 2.

III. In respect of the budget. The coupling has led to overproduction and unanticipatable budget as the overproduction may exceed the expectation in the planned budget, and cost the taxpayers and consumers huge amount of money. The EU, on one hand, wishes to reduce the heavy budget deficits, but on the other, has introduced in the set-aside to reduce overproduction, and the early retirement schemes to raise land use efficiency, which however, have added financial burdens, meanwhile have resolved neither overproduction nor irrational and polyopolistic land use. Derived dilemma 3.

IV. In the field of the international cooperation. The EU aims to help developing countries and has set up many programs with economic and technological assistance. But the high trade-distorting coupling, price supports, export aids and import restrictions have unfairly harmed the interests of the Third World. Thus, the EU has been continuously criticized in this aspect. Derived dilemma 4.

Section 5 The Decoupling Could Not Bypass the Fundamental Dilemma

Realizing some of the shortcomings of the coupling, the EU has conducted an incremental partial decoupling between subsidies and production during 1992-99, and released the 'Mid-Term Review of CAP of Agenda 2000' (MTR) (European Commission 10 July 2002) as a watershed document in the reform of the CAP (Common Agricultural Policy). The MTR was important because ‘One of the objectives of the process of CAP reform since 1992 has been to focus on shifting support for agriculture from the product to the producer.' 'Decoupling' [between subsidy and production] ‘is the natural conclusion of the shift’. (European Commission 10 July 2002: 18). Under decoupling, farmers would fully compete in the market, rather than gearing production to subsidies. It would be implemented by the accession countries, thus reducing the financial burdens of the enlargement. It stipulated ‘the maximum sum paid to a farm will be EUR 300,000’ annually (European Commission 10 July 2002: 23) so as to abate the previous situation that most subsidies went to the fewer large farms. It would also improve market opportunities for the developing countries, and constitute a good example for the other developed economies (in particular the USA, Canada, Japan, South Korea, Switzerland, etc.) to follow.

The MTR was significant also in that the decoupled direct subsidies to each farm would be conditional upon cross-compliance with the environmental, food safety, and animal welfare standards. This would bring about chiefly positive results in these aspects.

1. But the decoupling could not bypass the above-mentioned fundamental and derived dilemmas.

At the demand side, the decoupling has increased the need for more efficient land use. As mentioned above, under the coupling, competitiveness of farmers seems not so important, because if farmers could not sell products, the EU would buy them. After the decoupling, however, the EU would cease doing so. Therefore farmers would have to fully compete in the market for selling their products. Higher quality and localized special trade marks could promote their sales. But with the same or similar quality, in the sea of numerous localized special trade marks (each of which would claim that it is the best), and for many cereals which could not be easily specialized locally, lower costs would be more competitive. This would in turn necessitate the increase of farm size so as to achieve economies of scale and reduce costs by the full-time farmers.

At the supply side, some MTR measures may strengthen the irrational and polyopolistic land use. First, after the decoupling, farmers would have to sell their products in the market because the EU would no more purchase their surplus, and market prices would be lowered due to more competition. This would lead to a positive result that farmers would no longer have the incentive to produce more than what they could sell, but also a negative consequence, i.e., ‘in some cases abandonment of land’, as the MTR (European Commission 10 July 2002: 19) anticipated, rather
than leasing it to the full-time farmers who would require it for achieving economies of scale. Second, after the decoupling, a direct subsidy would be given to each ha which has been granted a payment in 2000-02 under one of the support schemes (e.g., in the UK 200-250 pounds per year), even if it does not produce any product, as long as the farmer has fulfilled the cross-compliance with the environmental standards (it would not be difficult to plant trees and grasses to prevent soil erosion), while the cross-compliance with the food safety and animal welfare standards would be irrelevant if the farm neither produces any crop nor raises any animal. This would give the incentive to some and even many farmers to just enjoy a direct subsidy without production, and spend all or most of their time on earning off-farm income, without leasing the land to the full-time farmers, so as to avoid the decoupled subsidy from going to the tenant (according to the MTR, the decoupled direct payments should be given to the operator who could be either landowner or tenant). In order to let farmers decide whether to produce or not, the farm ministers of the EU Member States proposed in the MTR that the decoupled payments be given to farmers even if they produce zero (Lohe 5 October 2004).

This decision was based on the belief that with the decoupling, ‘Farmers will’ respond to market signals’, and ‘those farmers who leave the sector’ will use the ‘possibility to transfer the land to those who want to expand its [their] business’, as reflected in the replies to the author by the European Commissioner on Trade Peter Mandelson (2 December 2005): ‘Thank you for your email of 23 October 2005 which contains interesting ideas on agriculture. You are certainly aware that the Common Agricultural Policy has been reformed in depth in 2003: once this reform will be [is] fully implemented, the bulk of direct payments to farmers will be fully decoupled (no obligation to produce anymore). Farmers will have therefore no more incentive to produce due to the subsidies they received, but will instead respond to market signals. In order to get their payments, farmers will have to fulfill environmental criteria, as well as animal and plants health standards and animal welfare conditions. The rural development policy will be boosted. With this reform, the European Union has been in a position to make ambitious proposals in the DDA [Doha Development Agenda] negotiations, so as to significantly improve market access and reduce trade distorting subsidies. The EU has indeed proposed on 28 October 2005 to cut by 70% its trade distorting subsidies and to cut by 47% its average tariff rates. This comes on top of the proposal made last year to fully eliminate our export subsidies’, and by the Director-General for Agriculture and Rural Development of the European Commission Jean-Luc Demarty (9 October 2007): ‘Land markets in Europe facilitate the intensive and extensive use of agricultural land via pricing over the medium to long term. Commodity markets have a short term impact: The currently high prices of agricultural commodities trigger a more intensive use of agricultural land and much of the less intensively used land is now converted into intensive use again. The inverse happens in times of low agricultural prices. Hence, the market economy offers self-regulation which we should use to the better.’ ‘The land markets offer those farmers who leave the sector a possibility to transfer the land to those who want to expand its [their] business. This decentralized way of shifting ownership and use has been working very well.’

But such belief has not taken into account the key obstacle pointed out in the author’s reply to Mandelson on 6 December 2005: ‘Even if subjectively full-time farmers [will instead respond to market signals], objectively they would not succeed in so doing, since the Able-bodied Part-time and Absent Farmers Would Refuse to Lease their Insufficiently Producing Land to Them to achieve economies of scale because they could not afford to pay high rents once the present EU guarantee of their high income has been abolished.’

Thus there should be an effective and appropriate solution to achieve the efficient allocation of land in farming to those who can produce the same output with fewer resources or a larger output from the same resources from those who cannot. But unfortunately the MTR did not provide any solution.

‘Therefore, the decoupling could not bypass the above-revealed fundamental dilemma. Rather, it would only expose it which has been largely covered by the protectionism of coupling. In
fact, although the MTR anticipates the risk of land abandonment after the decoupling, it has provided no solution to deal with it. Thus if this fundamental dilemma could not be overcome, then the decoupling might fail, as the full-time farmers would again exert pressure on the political parties to resume coupling so as to guarantee them a high standard living.’ This was the prediction in the Cambridge Conference paper (Zhou, Jian-Ming 2003: 26-7) submitted on 13 June 2003.

Unfortunately, supportive evidence appeared so quickly: on 26 June 2003, after about one year’s debates on the MTR, what the EU farm ministers adopted (European Commission 26 June 2003) was a retreat from the MTR’s full decoupling aim to a bulk decoupling and limited coupling: ‘the vast majority of subsidies will be paid independently from the volume of production’, while ‘Member States may choose to maintain a limited link between subsidy and production under well defined conditions and within clear limits’, just in order ‘to avoid abandonment of production’. Although called ‘a fundamental reform of the CAP’, it was downgraded to be merely a continuation in the same category of the incremental partial decoupling during 1992-99. This has clearly demonstrated that after decoupling, some farmers would irrationally abandon production, rather than leasing their irrationally and polyopolistically used land to the full-time farmers who would need it to achieve economies of scale, reduce costs, and become viable or more competitive.

Following the wider (although still partial) decoupling decision in 2003, since its implementation in 2005, for energy crops, protein crops, nuts, etc., the EU has set up mandatory coupled subsidies to all the Member States. For the other products, only two in the EU-15 (Ireland, Luxemburg); and 11 in the EU-12 (without Slovenia), have adopted a full decoupling from the EU funding by February 2007, and some EU-12 countries have given coupled subsidies with their own funding. For example, Estonia has given totally 707.8 million Estonian krooni as Complementary National Direct Payment in 2007, one third being coupled (Talvik 28 September 2007).

II. Although the decoupling was only partial, reductions in agricultural production have happened immediately across the EU.

In the EU-25, in 2004, according to Table 1, there was an increase (percentage on previous year) of the price indices of agricultural products output: in nominal value, seven of the 13 categories of products, and in deflated value, four of the 13. Correspondingly, as Table 2 demonstrates, of the indices in the volume (preceding year = 100) for the 13 categories, only three

### Table 1  Price Indices of Agricultural Products Output (annual, base 2000=100) in the EU-25 during 2004-2007 (percentage change on previous year)

<table>
<thead>
<tr>
<th>Products</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nominal value</td>
<td>Deflated</td>
<td>Nominal value</td>
<td>Deflated</td>
</tr>
<tr>
<td>01000  Cereals (including seeds)</td>
<td>0.8</td>
<td>-1.4</td>
<td>-13.2</td>
<td>-15.1</td>
</tr>
<tr>
<td>02000  Industrial crops</td>
<td>0.3</td>
<td>-2.1</td>
<td>-6.5</td>
<td>-8.6</td>
</tr>
<tr>
<td>03000  Forage plants</td>
<td>7.8</td>
<td>5.3</td>
<td>-15.8</td>
<td>-17.7</td>
</tr>
<tr>
<td>04000  Vegetables and horticultural products</td>
<td>-8.7</td>
<td>-10.6</td>
<td>6.1</td>
<td>3.8</td>
</tr>
<tr>
<td>05000  Potatoes (including seeds)</td>
<td>-4.0</td>
<td>-6.0</td>
<td>-8.0</td>
<td>-9.9</td>
</tr>
<tr>
<td>06000  Fruits</td>
<td>-5.3</td>
<td>-7.6</td>
<td>-4.6</td>
<td>-7.2</td>
</tr>
<tr>
<td>07000  Wine</td>
<td>-0.8</td>
<td>-3.1</td>
<td>-10.2</td>
<td>-12.1</td>
</tr>
<tr>
<td>08000  Olive oil</td>
<td>9.0</td>
<td>6.1</td>
<td>17.0</td>
<td>13.7</td>
</tr>
<tr>
<td>09000  Other crop products</td>
<td>-2.1</td>
<td>-3.9</td>
<td>0.8</td>
<td>-1.1</td>
</tr>
<tr>
<td>10000  Crop output</td>
<td>0.6</td>
<td>-1.6</td>
<td>-7.3</td>
<td>-9.4</td>
</tr>
<tr>
<td>11000  Animals</td>
<td>5.7</td>
<td>3.4</td>
<td>2.1</td>
<td>-0.1</td>
</tr>
<tr>
<td>12000  Animal products</td>
<td>-2.0</td>
<td>-4.0</td>
<td>-1.3</td>
<td>-3.3</td>
</tr>
<tr>
<td>13000  Animal output</td>
<td>2.4</td>
<td>0.2</td>
<td>0.7</td>
<td>-1.4</td>
</tr>
</tbody>
</table>

### Table 2 Volume Indices of Agricultural Production in the EU-25 during 2004-2007 (preceding year = 100)

<table>
<thead>
<tr>
<th>Products</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>01000 Cereals (including seeds)</td>
<td>116.7771</td>
<td>85.8114</td>
<td>95.0855</td>
<td>99.7265</td>
</tr>
<tr>
<td>02000 Industrial crops</td>
<td>110.7405</td>
<td>95.3927</td>
<td>88.9980</td>
<td>101.3525</td>
</tr>
<tr>
<td>03000 Forage plants</td>
<td>118.4117</td>
<td>94.7261</td>
<td>95.4808</td>
<td>108.0536</td>
</tr>
<tr>
<td>04000 Vegetables and horticultural products</td>
<td>100.7447</td>
<td>102.6572</td>
<td>98.1613</td>
<td>100.3144</td>
</tr>
<tr>
<td>05000 Potatoes (including seeds)</td>
<td>111.5982</td>
<td>92.7823</td>
<td>91.8628</td>
<td>114.0034</td>
</tr>
<tr>
<td>06000 Fruits</td>
<td>107.3119</td>
<td>99.3271</td>
<td>103.7991</td>
<td>95.2570</td>
</tr>
<tr>
<td>07000 Wine</td>
<td>123.5462</td>
<td>93.3301</td>
<td>98.2866</td>
<td>96.5989</td>
</tr>
<tr>
<td>08000 Olive oil</td>
<td>142.0365</td>
<td>82.0909</td>
<td>88.1631</td>
<td>103.2011</td>
</tr>
<tr>
<td>09000 Other crop products</td>
<td>110.8344</td>
<td>105.6712</td>
<td>104.7566</td>
<td>99.3885</td>
</tr>
<tr>
<td>10000 Crop output</td>
<td>112.0250</td>
<td>94.7476</td>
<td>96.5847</td>
<td>100.9396</td>
</tr>
<tr>
<td>11000 Animals</td>
<td>98.9983</td>
<td>100.2587</td>
<td>98.9529</td>
<td>102.0796</td>
</tr>
<tr>
<td>12000 Animal products</td>
<td>99.2777</td>
<td>99.8836</td>
<td>98.9794</td>
<td>101.2327</td>
</tr>
</tbody>
</table>

Notes:
- e - Estimated value.
- Value 01 Value at basic price.
- P_adj vol Volume.
- Geo eu25 European Union (25 countries).
- Base year n_1 n-1 = 100.


were lower than in 2003, while those in 10 were higher than in 2003, showing a general increase of agricultural output.

In 2005, the starting year of the wider (although still partial) decoupling, as shown by Table 1, there was an increase (percentage on previous year) of the price indices of agricultural products output: in nominal value, five of the 13 categories, and in deflated value, two of the 13. However, as displayed by Table 2, of the indices in the volume (preceding year = 100) for the 13 categories, 10 were lower than in 2004, and only three were higher than in 2004, starting a general trend of higher prices but lower production.

In 2006, as revealed by Table 1, there was a wider increase (percentage on previous year) of the price indices of agricultural products output: in nominal value, nine of the 13 categories, and in deflated value, eight of the 13. But, as introduced by Table 2, of the indices in the volume (preceding year = 100) for the 13 categories, 11 were lower than in 2005, and only two were higher than in 2005, strengthening the general trend of higher prices but lower production.

In 2007, as displayed by Table 1, there was an even wider increase (percentage on previous year) of the price indices of agricultural products output: in nominal value, ten of the 13 categories, and in deflated value, nine of the 13. But, as introduced by Table 2, of the indices in the volume (preceding year = 100) for the 13 categories, five were lower than in 2006, continuing the general trend of higher prices but lower production. Moreover, the EU turned from a net exporter of agricultural products in 2006 to net importer in 2007 (European Commission June 2008).

That is to say, farmers have not responded ‘to market signals’, just opposite to the kind expectation of Mandelson (2 December 2005). And ‘The currently high prices of agricultural commodities’ did not ‘trigger a more intensive use of agricultural land and much of the less intensively used land is now’ not ‘converted into intensive use again.’ Rather, farmers have used land less and produced less while the prices have been higher. Therefore, ‘those farmers who leave the sector’ have not used the ‘possibility to transfer the land to those who want to expand its [their] business’, and ‘This decentralized way of shifting ownership and use has’ not ‘been working very well’, just contrary to the nice belief of Demarty (9 October 2007).

This has given evidence to the author’s view in his reply to Mandelson on 6 December 2005: ‘Even if subjectively full-time farmers [will instead respond to market signals], objectively
they would not succeed in so doing, since the Able-bodied Part-time and Absent Farmers Would Refuse to Lease their Insufficiently Producing Land to Them to achieve economies of scale because they could not afford to pay high rents once the present EU guarantee of their high income has been abolished.’

III. Concerning reducing overproduction, the MTR proposed to continue the (quasi-) compulsory set-aside on highly productive land (i.e., farmers should set aside such land if they wanted to get the decoupled direct subsidies), while lowly productive land could receive the decoupled direct subsidies no matter whether it was set-aside or not (i.e., not quasi-compulsorily). This was adopted by the EU Presidency Compromise (30 June 2003: 6, 12, 27) (in agreement with the Commission). Although the new set-aside was called environmental set-aside, it was still aimed at reducing overproduction. Here the EU has again neglected that its overproduction has not been caused by the availability for farming of too much highly productive land, but by protectionism (without which farmers would have no incentive to overproduce even if much highly productive land is available) which is in turn caused by the irrational and polyopolistic land use of the able-bodied part-time and absent (mainly small) farmers. The EU farm ministers’ decision of 26 June 2003 and EU Presidency Compromise of 30 June 2003 have been legalized into Council Regulation (EC) No 1782/2003 (29 September 2003).

IV. However, continuing protectionism is not a solution acceptable to the developing countries, other developed countries, international organizations, and the EU itself. Thus in 2000, the EU had adopted the Lisbon Strategy which permits, encourages and strengthens competition. Seeing the unsatisfactory result of its implementation, at the beginning of 2005, the EU has revised it and requested the Member States to set up national programs of execution.

In June 2005, the UK jumped out to press the EU to substantially reduce its agricultural budget. The EU then agreed on 17 December 2005 to advance the review of it from 2013-14 to 2007-08. (Tian, Fan 24 June 2005. Zhang, Nian-Sheng 17 December 2005). The result of the public budget review during 12 September 2007 – 15 June 2008 was that ‘Most respondents would like to see a significant reduction in agricultural spending and favor more or less radical changes, especially in the first pillar [agriculture]’ (European Commission 3 November 2008: 6).

On 18 December 2005, the WTO passed ‘Ministerial Declaration’ signed by all the member countries which announced that the developed countries will abolish export aids for cotton by 2006 and all forms of export aids for the other agricultural goods by 2013; developed and some developing countries will import farm products from the leased developed countries without tariff and quota from 2008; reached consensus on largely reducing domestic farm supports; adopted the Swiss Formula and made specific direction for non-agricultural market access; agreed to establish concrete steps (modalities) for substantially reducing domestic farm supports and for non-agricultural market access by 30 April 2006 and to submit comprehensive draft schedules based on these modalities by 31 July 2006. (Liu & Gong 19 December 2005. XHW 19 December 2005. WTO 22 December 2005)

On 23 July 2006 in Geneva, the EU agreed to make average cuts of 54% to their farm import duties. The USA wanted the EU to cut some 66%, and declined to cede to demands for bigger cuts to its own farm subsidies, unless it could get much more access to the industrial and services market. Brazil thus complained that the developing countries were disappointed since their richer counterparts were not making the kind of sacrifices needed to get the negotiations moving and were instead leaning on poor countries to open their markets for industrial and services goods, while the Indian Minister of Industry and Commerce Kamal Nath stated that the USA must be held responsible for the failure of the WTO Doha negotiations started four years ago and their consequent suspension on 24 July 2006. (Waddington & Schomberg 30 June 2006. Zhang & Ya 25 July 2006. Liu, Guo-Yuan 24 July 2006)

On 30 April 2007, the Chairman of the Agriculture Committee of the WTO Crawford Falconer noted ‘that the EU has signaled already that it could be prepared to go to a 75% cut which, if applied, would take its OTDS [overall domestic trade distorting supports] figure down to around
27.5 billion euros’ and demanded ‘at a minimum with an EU cut above 70% and that a cut up in the vicinity of 75-80%’ (Falconer 30 April 2007: 6). ‘A 75% cut in the overall level of the trade distorting support from the current WTO bound levels (i.e., WTO limits) would be broadly equivalent to a cut in the region of just under 50% in relatively recent expenditure (e.g., 2003 / 04 levels)’ of the EU (DEFRA 9 November 2007).

However, on 12 September 2007, the EU announced that, as agreed among the European Council, Parliament and Commission, ‘By 2013, the share of traditional CAP spending (excluding rural development) will’ be ‘32%’, from 34-36% in 2007 (European Commission 12 September 2007). A reduction of only 2-4% over so long a period as six years of 2007-13 would not seem so substantial, considering only 5% of the total population is in agriculture (CPE 30 June 2005).

In July 2007, ‘Falconer published a series of proposals for WTO members which suggested that the US reduce its agricultural subsidies to between 12.8-16.2 billion dollars (9.2-11.6 billion euros). Washington had previously refused to cut its farm support to below 23 billion dollars.’ But on 19 September 2007, it accepted this proposal, ‘provided everybody else would work within the same parameters.’ (Yahoo News 19 September 2007). Canada has followed the suit in 2007.

Therefore, now the ball is mainly at the EU (and other developed countries such as Japan, South Korea). If the EU could not reduce its agricultural budget substantially, then the WTO Doha negotiations would be blocked, and the whole world would blame the EU as responsible.

V. Once protectionism has been further reduced, refusal of leasing land out at low rents and irrational production abandonment would be graver and the EU would lose agriculture substantially.

(I) The European Commissioner on Agriculture and Rural Development Fischer Boel (14 May 2007) has planned ‘Nearly 90 per cent of direct payments will be decoupled by 2010’. The Health Check report (European Commission 20 May 2008a) further proposed ‘to remove the remaining coupled payments and shift them to the Single Payment Scheme, with the exception of suckler cow, goat and sheep premia, where Member States may maintain current levels of coupled support’.

But, ‘On the occasion of the integration of the cotton sector into the single payment scheme, it was deemed necessary that part of the support should continue to be linked to the cultivation of cotton through a crop specific payment per eligible hectare to avoid the risk of production disruption to the regions of cotton production’ (European Commission 20 May 2008b: 20). Consequently, on 23 June 2008, the EU Council of Agricultural Ministers adopted the reformed EU cotton support scheme which maintained 65% as decoupled, and 35% as coupled aid in the form of area payments. (European Commission 23 June 2008)

Therefore, the unique root for the EU to maintain a partial coupling is still because it has not overcome the production abandonment caused by the irrational and polyopolistic land use of its part-time and absent farmers who refuse to lease even the land beyond their family consumption need to the full-time farmers at low rents once the coupling has been completely lifted, the same as for its retreat from a complete decoupling aim proposed on 10 July 2002 to keeping a partial coupling on 26 June 2003.

(II) The EU has also started modulation, i.e., ‘transfer of subsidy funds from Pillar 1 of the CAP (guarantee expenditure and single farm payments) to Pillar 2 (rural development and agri-environmental schemes). Since 2005, modulation has been applied on a compulsory basis in all EU-15 Member States. This transfer of funds will amount to nearly 9 billion euros across the EU-15 in the period up to 2013’. ‘A 4% rate of compulsory EU modulation was applied to subsidy payments in 2006 and a 5% rate will apply from 2007 onwards. All farmers will have the first 5,000 euros of their payments effectively exempted from compulsory modulation; the appropriate sum will be repaid to farmers as an additional amount of aid’. (DEFRA 27 September 2007). The European Commission (20 November 2007) proposed ‘increasing the rate of “modulation”, i.e., the reduction of direct payments to all farms receiving more than 5,000 euros per year and the transfer of the money into the rural development budget. This would be increased gradually from 5 percent now to 13 per cent in 2013.’
The Health Check report (European Commission 20 May 2008a) furthermore indicated that ‘Currently, all farmers receiving more than €5,000 in direct aid have their payments reduced by 5 percent and the money is transferred into the Rural Development budget. The Commission proposes to increase this rate to 13 percent by 2012. Additional cuts would be made for bigger farms (an extra 3 percent for farms receiving more than €100,000 a year, 6 percent for those receiving more than €200,000 and 9 percent for those receiving more than €300,000). The funding obtained this way could be used by Member States to reinforce programs in the fields of climate change, renewable energy, water management and biodiversity.’

(III) The Health Check report (European Commission 20 May 2008a) also proposed ‘Moving away from historical payments: Farmers in some Member States receive aid based on what they received in a reference period. In others, payments are on a regional, per hectare basis. As time moves on, the historical model becomes harder to justify, so the Commission is proposing to allow Member States to move to a flatter rate system.’ This move would reduce decoupled subsidies.

(IV) The Health Check report (European Commission 20 May 2008a) moreover suggested ‘Payment limitations: Member States should apply a minimum payment per farm of €250, or for a minimum size of 1 hectare or both.’ This would curtail direct subsidies from going to the smallest ‘farms’, as Fischer Boel stated ‘If you keep one goat in your backyard you are not a real farmer’. (Castle 20 November 2007)

The modulation, abolition of the decoupled payments on the historical basis, and exclusion of the smallest farms from the decoupled payments, would reduce the amount of the decoupled subsidies, as according to Choplin (6 October 2004), the EU’s current budget on the decoupled payments is higher than that on the coupled ones.

(V) The Health Check report (European Commission 20 May 2008a) recommended a reform towards abolition of protectionism in the ‘Intervention mechanisms: Market supply measures should not slow farmers' ability to respond to market signals. The Commission proposes to abolish intervention for durum wheat, rice and pig meat. For feed grains, intervention will be set at zero. For bread wheat, butter and skimmed milk powder, tendering will be introduced.’

(VI) There is still overproduction: ‘applications to use the sugar restructuring fund have not been at the level that we need, and we must do something about it’, ‘we must bring production quota down to the right level. We do this either by boosting applications to the restructuring fund, or simply by cutting quotas.’ (Fischer Boel 14 September 2007)

But if these proposals of the Health Check report could be fully approved by the EU, or the remaining coupling, price supports, export aids, and import restrictions of the protectionism to guarantee the present income of the tenants could all be abolished, and the high decoupled payments could be decreased, then the refusal of leasing out the under-producing land beyond their family consumption need by the able-bodied part-time and absent farmers at low rents and the consequent irrational production abandonment would become more serious.

(VII) In fact, there is already potential or real food and biofuel shortage.

i. 'The price of milk would not normally be an editor's first choice for a headline topic, but this summer, it really made waves in some countries.' 'We must give particular thought to what happens when the milk quota system finally comes to an end.' 'The strait-jacket effect of the quota system has received particular attention in recent weeks, as drought in producer countries and thirst in big consumer countries have sent prices rocketing.' (Fischer Boel 14 September 2007)

The Health Check report (European Commission 20 May 2008a) thus proposed that ‘Milk quotas will be phased out by April 2015. To ensure a 'soft landing', the Commission proposes five annual quota increases of one percent between 2009/10 and 2013/14.’

However, although Fischer Boel (14 September 2007) has been aware that ‘Still others blamed the retail giants’, ‘I also note complaints from some farmers that higher retail revenues are not being passed on to them’, ‘Producers must be able to stand together if they want to bargain effectively with the retail giants’, the Health Check report did not propose how to abolish the
monopoly and oligopoly of the giants in the inputs (backward) and outputs (forward) linkages around agriculture, including those in the dairy sector.

As a result, on 27 May 2008, nearly 1,000 Dutch milk cow farmers demonstrated against the low purchasing price of milk in front of the biggest Dutch dairy producer Friesland Food Group. The organizer - the Dutch Dairy Board which represents about one third of the Dutch milk cow farmers, pointed out that since the end of 2007, while the prices of forages, fuels, and chemical fertilizers have been increasing, the milk purchasing price by the main dairy producers has been reduced from 0.5 euros to 0.34 euros per liter, lower than the production costs. It demanded to raise the price to 0.43 euros per liter to match the costs. But the Group refused to discuss with the farmers on the price. Thus the Board appealed to the farmers to destroy milk and stop supply to the dairy producers. Milk cow farmers in France, Germany, Italy, Luxemburg, and Spain have also launched similar protests to demand dairy producers to raise milk purchasing prices. However, the Dutch Organization for Agriculture and Horticulture criticized destroying milk as a wrong signal because currently the global food prices are so high and numerous people do not even have enough to eat. (Liu, Li 29 May 2008).

Therefore, as long as the monopoly and oligopoly of the giants in the inputs (backward) and outputs (forward) linkages around agriculture are not abolished, the milk farmers would continue to suffer from the low purchasing prices even though their milk production quotas have been lifted (more output might make the prices even lower), and consumers would still endure the high retail prices, while these giants could keep enjoying the huge monopolistic and oligopolistic profits. It is thus imperative to abolish them, by, e.g., separating them into more independent companies.

ii. ‘European Union agriculture ministers today approved the Commission's proposal to set at 0% the obligatory set-aside rate for autumn 2007 and spring 2008 sowings. The change comes in response to the increasingly tight situation on the cereals market. It should increase next year's cereals harvest by at least 10 million tons. In the EU-27, a lower than expected harvest in 2006 (265.5 million tons) led to tightening supplies at the end of marketing year 2006/2007 and to historically high prices. Intervention stocks have shrunk from 14 million tons at the beginning of 2006/2007 to around 1 million tons now.’ ‘Setting the rate at zero does not oblige farmers to cultivate all their land. They can continue with voluntary set-aside and apply environmental schemes.’ (European Commission 26 September 2007)

The Health Check report (European Commission 20 May 2008a) in addition proposed ‘Abolition of set-aside: The Commission proposes abolishing the requirement for arable farmers to leave 10 percent of their land fallow. This will allow them to maximize their production potential.’

This measure may not solve the irrational and polyopolistic land use by the able-bodied part-time and absent farmers in their refusal to lease their land beyond family consumption need to the full-time farmers, because ‘Setting the rate at zero does not oblige farmers to cultivate all their land’ for production.

iii. 'Many members of the general public worry that biofuel feedstock competes with food crops for land, and that this could have implications for food production.' 'If we want biofuels to make up 10 per cent of our transport fuel usage by 2020, our studies estimate that this would use about 15 per cent of our arable land by then – some 17.5 million hectares.' (Fischer Boel 14 September 2007)

In fact, producing biofuels is aimed to bypass the monopoly and oligopoly of the petroleum exporting countries, which have been regarded as one of the most important causes of the rise of the oil prices and food production costs world-wide. Therefore, the production of biofuels itself in principle should not be perceived as wrong. What are not correct are firstly to turn food crops into biofuels when global human food consumption need has not been matched, as human beings should convert non-edible stuff into biofuels [but it may need about 10 years to develop such technology into commercially applicable one (Shiwang 25 May 2008)], and only in case the global demand for food by human consumption has been satisfied, could food crops be turned into biofuels; and secondly, to use the sufficiently food producing farmland for biofuels, as Brazil, the USA, EU and
all the other countries should have used the idled or under-utilized land for biofuels. For example, in Brazil, there are 224,900,000,000 acres (91,013,800,940 ha) of idled farmland in 2008. But instead of using them, the biofuels program started in 2004 slashed Amazon forests! (Xue, Liang 7 April 2008). In the EU, now that following the decoupling in 2005, so many farmers have produced less food, at least they could use the production-abandoned land for biofuels from non-edible stuff, or even from food crops in case the global demand for food by human consumption has been satisfied. The EU should really endeavor to investigate and publish the annual data of its normal and environmentally sensitive rural land, cultivable land, and farmland; and its sufficiently- and under-producing land.

(VIII) However, the Health Check report did not provide any solution to avoid the irrational production abandonment following the adoption of its protectionism-reducing proposals. Thus, its proposals might either be partially rejected, or if fully adopted, would lead to the loss of food basic self-sufficiency of the EU, both of which would cause to keep protectionism. Actually, worried about the production abandonment, resistance to such proposals has already been underway.

i. Concerning the increase of decoupling and decrease of coupling, the CPE-COAG (European Farmers Coordination - Coordinator of Organizations of Farmers and Ranchers) (20 May 2008) immediately lodged a protest on the same day after the release of the Health Check report: ‘decoupling is an important factor for abandoning the production and we expect from the Commission an assessment backed up by figures of its implementation regarding the production structures, for example in the case of dairy production. We ask to the Council to re-couple the direct payments.’

The general public has realized the intrinsic problem of the decoupled subsidy, i.e., now that a farmer can enjoy it without production (but only planting trees and grasses to avoid soil erosion), nor leasing his land out (otherwise it will go to the tenant), then he would rather keep the land out of production, while earning higher off-farm income, as double income.

However, even after the Eurostat has revealed the general trend of higher prices but lower production in the EU since the implementation of the wider decoupling in 2005 as shown in Tables 1 and 2, the European Commissioner on Agriculture and Rural Development Fischer Boel (10 June 2008) persistently believes that ‘it's still true that decoupled direct payments are a powerful tool. They leave farmers free to respond to whatever the market tells them’. That is why the Health Check report did not provide any effective and appropriate solution to the irrational production abandonment mainly caused by the refusal to lease the under-producing land beyond family consumption need of the able-bodied part-time and absent small farmers earning higher off-farm income to the full-time farmers at low rents, as if it did not exist.

ii. Regarding the reduction of the direct payments to the large farmers, the Danish Member of the European Parliament (Chairman of the Independence/Democracy Group) Jens-Peter Bonde (13 October 2007) informed the author that he had tabled an amendment for the budget to cut all spending above 40,000 euros per legal unit receiving money from CAP funds as a beginning, but last time got only around 100 votes out of the totally 785 Members of the European Parliament.

iii. As for the exclusion of the smallest farms from the decoupled payments, the CPE-COAG (European Farmers Coordination - Coordinator of Organizations of Farmers and Ranchers) (20 May 2008) protested that ‘It is scandalous to propose to delete the smallest payments’. ‘The smallest farmers, especially in Romania, Poland, Italy would be excluded by the increase of the floor to 1 ha.’ ‘We propose the institution of a minimum fixed sum of direct payment for the very small farms.’

iv. Against the production of biofuels, the press release from AEFJN (Africa Europe Faith and Justice Network), Biofuelwatch, Carbon Trade Watch, COAG (Coordinator of Organizations of Farmers and Ranchers), Corporate Europe Observatory, CPE (European Farmers Coordination), Ecologistas en Acción (Spain), EcoNexus, FIAN (FoodFirst Information and Action Network), GRR (Grupo de Reflexión Rural), the Soya Alliance and the Transnational Institute (28 May 2008) presented that ‘A key report from the European Parliament has called for the EU’s 10% biofuel
target to be scrapped, amidst growing evidence over the impact on wildlife, people and the world's food supplies. The report by the European Parliament’s Rapporteur for the new laws on biofuels, Claude Turmes MEP, concludes that there is “overwhelming evidence to drop the mandatory 10 per cent target for fuels from renewables”.

‘Campaigners from a range of Europe-wide organizations welcomed the proposals to scrap the target and urged the industry and environment committees to drop the target.

‘Sofia Monsalve Suárez from FIAN said: "European demand" “for fuel is already helping push up food prices and creating a serious food crisis in some parts of the world. Land use for agrofuels is forcing small farmers and indigenous peoples off their lands, causing poverty and hunger. Agrofuels will not solve the hunger problem in the world. They will make it worse.”

‘Anders Wijkman MEP (Sweden PPE), who is reporting to the Environment Committee on the same legislation, has also called for the target to be reduced, but campaigners say his proposal of eight per cent - designed to “create a market” - cannot be justified.

‘Nina Holland from Corporate Europe Observatory said: “An eight per cent target will cause almost as much damage as a ten per cent target. Pushing up food prices is causing hunger and that fact is inescapable. The EU’s targets should be dropped.”

‘They are also concerned by some of the other recommendations made in the draft Turmes report, including the recommendation that large amounts of biomass are used for electricity generation and heating.

‘Campaigners say they want to see a tougher definition of “renewables”, excluding agrofuels from large scale plantations which rely on large quantities of oil-based inputs, and which have damaging social impacts.

‘René Louail, from CPE Board: “Agrofuel plant construction in Europe should be stopped. The money should be instead spent on switching production in Europe to vegetable proteins so that we no longer depend on imports.”

‘EU representatives are currently in Bonn for discussions on the Convention on Biological Diversity where discussions are focused on how the agrofuel boom will impact on biodiversity. Civil society organizations present in Bonn are calling on the Parties to ban agrofuels from industrial monocultures.’

(IX) Although the ‘Health Check’ report of 20 May 2008 only proposed a mildly wider decoupling and modulation, seeing no solution to the consequent production abandonment, most farmers and Member States, and the European Parliament opposed, so that the final agreement on 20 November 2008 was a considerable retreat, repeating the unpleasant setback to a partial decoupling decision on 26 June 2003 from the complete decoupling aim proposed by the European Commission on 10 July 2002.

i. It set up a much slower pace than originally planned, with full decoupling in some sectors delayed until 2012, and with the agreement on Article 68 likely to constrain a comprehensive shift in this direction [Article 68 allows Member States to retain up to 10% of their national ceilings for direct payments to provide support to specific sectors, the menu of options has been expanded (including top-ups to existing entitlements in areas where land abandonment is a threat), and the scheme has also been extended to more Member States]. Indeed, France has already stated its intention to switch support for its basic agri-environment ‘prime à l’herbe’ scheme, which supports the maintenance of grassland, from Pillar Two to Article 68 under Pillar One. (IEEP 2 December 2008)

ii. The decision to abolish set-aside will come into force on 1 January 2009. This is a disappointment from an environmental perspective, particularly as the measures that have been introduced through cross-compliance to help mitigate the negative environmental impacts of the loss of set-aside are insufficient to prevent the environmental losses that are already being experienced. (IEEP 2 December 2008)

iii. For the compulsory modulation, the final agreement resulted in much lower rates of both the basic modulation rate and the ‘progressive’ element. It allows for an additional increase in
modulation rates, over and above the existing rate, for the EU-15, of only 5% by 2012 for all farms receiving more than 5,000 euros in direct payments (in comparison to the original proposal of 8%). This rate will increase gradually, starting with a 2% in 2009, followed by a 1% increase in subsequent years. In addition, farms receiving over 300,000 euros (in contrast to the original proposal of farms receiving over 100,000 euros) in direct payments will be subject to an additional 4% modulation. (IEEP 2 December 2008)

Stakeholders have thus expressed disappointments, such as ‘a missed opportunity’ (UK; and Chairman of the Agriculture Committee of the European Parliament Neil Parish), ‘completely fails to address the new environmental challenges of the 21st century’ (Birdlife International), ‘myth of supposedly self-regulating markets’ (Coop de France), ‘not moving far enough in terms of market orientation’ (NFU - National Farmers' Union), etc. (IEEP 2 December 2008)

iv. To guarantee the income of the milk farmers facing the declining prices of milk products, the European Commissioner on Agriculture and Rural Development Fischer Boel proposed on 15 January 2009 to restore the export refunds in the following week for butter, cheese, skimmed and whole milk powder (which were suspended in June 2007 when the prices of milk products continuously grew), and implement market price intervention for butter and skimmed milk powder during 1 March – 31 August 2009. (Zhang, Bi-Hong 15 January 2009)

The European Coordination Via Campesina (a farmer organization) immediately declared export refunds as dumping. ‘European dairy producers face a strong fall in milk prices and an increase in their production costs. Many of them already sell their milk at a loss. They need public regulation of the upstream market, which would stabilize the price on a remunerative level; if not many dairy operations will disappear into the profit of milk factories.’ ‘The EU thus gets it all wrong when reintroducing export refunds for milk products rather than regulating the problem upstream.’ ‘To increase export volumes at low prices fractures the farming communities in Global South, who would prefer to produce their own milk rather than to import our powder, and also those in Global North, forced to produce at low price for the export industry.’ (ECVC 22 January 2009)

The author agrees with the European Commission that the milk quotas should be gradually lifted. But he advises it to abolish the monopoly or oligopoly of the inputs (backward) and outputs (forward) linkages around the milk production, so that the profits would not be occupied by them but shared by the milk farmers. If prices of milk products decreased after the removal of the milk quotas, those milk farmers who could not survive could be paid a minimum living standard welfare, or earn off-farm income. Their unused land and other resources beyond family consumption need should be accessible by the full-time farmers so that the latter could achieve economies of scale, reduce costs, become viable or more competitive, without the need of protectionism such as export refunds.

Therefore, it is time for the EU to realize that the irrational and polyopolistic land use by the able-bodied part-time and absent farmers earning higher off-farm income but unwilling to lease the under-producing land beyond their family consumption need to the full-time farmers is the most fundamental microeconomic root of the three persisting macroeconomic problems: under-self-sufficiency, overproduction and agricultural protectionism, and endeavor to overcome it.

Section 6 These Western European Legislations Could Not Both Promote Large Farmers and Retain Small Farmers in Agriculture

During the incremental partial decoupling since 1992, the EU had gradually replaced price subsidies by direct income subsidies, reduced intervention schemes, and successively decreased administrative prices towards the international levels, aiming to achieve a ‘farming without subsidies’ and let the market decide prices in the long-run. As a result, ‘not all EU agricultural production is sheltered by high tariffs and the EU prices may be close to international levels for a significant share of EU production, depending on market price fluctuations’ in the view of Beaumond (6 March 2002) (although the view of many developing countries may not completely be the same). Such market-oriented measures have been relatively favorable to the large farmers, because they have lower costs due to economies of scale and are stronger in the market competition;
but unfavorable to the already weak small farmers, and have led to more exiting by them from agriculture, and consequently encountered protests from farmers out of their gained interests. Thus the EU wishes to both strengthen large farmers and retain small farmers in agriculture, because on one hand, urban unemployment has already been so high and homeless people so many, and on the other, rural development should be promoted to avoid the increase of ‘ghost towns’ with nearly empty population. (Zhou, Jian-Ming 2001: 398). But how to combine these two seemingly contradictory aims? In fact, both promoting large farmers and retaining small farmers in agriculture is also an unresolved dilemma persisting in both of the developed and developing countries. Apparently, the above-mentioned Western European legislations could not provide a solution.

Section 7 The Unsuitability of the Legislations Even at the Under-self-sufficiency Stage
Now that the above-cited two Western European legislations have been successful for overcoming food under-self-sufficiency, why could not they be popularized to many other countries still at that stage? One of the reasons is that they oblige landowners to lease out all their inefficiently used land or give right to other farmers to use all of it (which might be imperative in the war era, but not so in the peace epoch), so that part-time and absent landowners would be unable to produce for their family consumption and keep farming skills; and once lost off-farm jobs, would have no access to their land rented out, or have to withdraw it within the contractual period (as many developing countries cannot afford to provide them with a basic social welfare), hence affecting the lessees.

Section 8 Internationally Neglected Laws for Efficient and Competitive Land Use in the USA
It is claimed that the USA is the most liberal and democratic country of the world. But the author has dug out the following laws. Covering all the states, (1) there is a time effect on turning occupied private property into ownership - adverse possession, which means that if a private person has occupied a private property (e.g., farmland) without agreement of the owner, while the owner has not sued the occupier during a limited period, then this property will belong to the occupier. For example, in Texas, if the owner of a farmland has not sued the farming occupier within 10 years, he will lose his right to claim it and the occupier will own it legally (Civil Practice & Remedies Code). (2) There is ‘squatters' rights’ law for turning occupied public land into private ownership, which denotes that if a person (squatter) has occupied a public land for over 25 years and paid taxes, the Secretary of the Interior may issue a patent for 160 acres (64.75 ha) of such land upon the payment of not less than 1.25 dollars per acre (0.40 ha) (US Code Collection).

These laws are still exercised. Their main significance is to encourage the efficient use of the idled private and public land resources. Their main imperfections are that (1) If the private landowner has found that his idled land is being used by another farmer without his agreement within the limitations period, he may sue to get the land back, while still idling it. (2) Even if an adverse possessor or squatter has successfully gained ownership of a private or public land, he may idle or under-utilize it later on, without leasing it to those farmers who wish to produce sufficiently on it. (3) People in general may not wish to lose private property including farmland even if they do not use it.

Hence a global second land reform – land use reform – for rational and competitive land use, the environment improvement, and poverty reduction is necessary.

Section 9 Effective and Appropriate Proposals by the Author
Proposal (I) Give full-time farmers access to the under-producing land beyond family consumption need of the part-time and absent farmers, by creating a Dual Land System (where the farm is larger than for family consumption). A landowner may keep a part of his land as land for family consumption (as an economic buffer without relying on buying foods in the market, also for practicing farming skills as a technological buffer and returning to agriculture once lost off-farm jobs as a social buffer) even if he does not produce sufficiently on it (the criterion for sufficient production may be determined and adjusted according to each country’s conditions, and differ from 40% of the normal output as set up in the Italian law of 4 August 1978, e.g., it could be 70%). The
rest of the land is land for market. If nobody would like to lease it in, the landowner may keep it even without sufficient production, so that overproduction could be prevented. But if other farmers, without being forced by any one, merely out of their own economic considerations, would like to lease it in so as to achieve economies of scale, reduce costs and become viable or more competitive, the owner could not refuse even at low rents, so that the irrational production abandonment could also be avoided. The minimum lease term should be determined according to the local conditions and the nature of the crops. Having rented in contiguous parcels of different owners, the tenant would have the right to remove the boundaries and join parcels together so as to eliminate fragmentation (which is also a difficult and unsolved task under private land ownership), with the original boundaries recorded in the cadastre and a map and shown by field signs. Once the leasing contract is over, the owner has the right to withdraw the land. But if he does not produce sufficiently on it for maximally one year, while other farmers wish to lease it in for so doing, he could not decline. If afforded, the state may provide a minimum living standard welfare to every rural (and urban) resident who would have to compete in the market to earn more; and a decoupled direct subsidy to the real land operator (owner or tenant). The state should set up a ceiling of chemical fertilizer, pesticide and herbicide per ha and inspect its application so as to protect the interests of the landowners and promote green products.

**Proposal (II) Convert the environmentally sensitive farmland back to the nature obligatorily forever once a country has encountered constant overproduction.** The EU (and some other developed countries) has regarded the highly productive land as the cause for overproduction and set aside a part of it from cereal production on a quasi-compulsory basis, while setting aside the lowly productive land only on a voluntary basis. But the author finds that the true cause is protectionism without which farmers would have no incentive to overproduce even if much highly productive land is available for farming. Thus the EU should phase out protectionism, and make the non-environmentally sensitive cultivable land (no matter whether highly or lowly productive) available for full-time farmers to achieve economies of scale, while converting the environmentally sensitive farmland (both highly and lowly productive) permanently back to the nature (forests, lake land, grass land and wet land) beyond set-aside which is only temporary. Its landowners should not produce cereals, but could still pursue production of fruits, vegetables, livestock, fishery, afforestation, processing of agricultural products, transportation, rural tourism and other off-farm activities. Hence full-time large farmers could be further strengthened, overproduction of cereals reduced, multi-functionality of other agricultural and rural sectors promoted, and the environment improved. Especially, the full-time farmers could increase farm size, achieve economies of scale, reduce costs, become viable or more competitive, hence fully playing their entrepreneurship to produce for the national and global markets, without seeking protectionist subsidies (in the developed countries) or foreign aid (in the developing countries).

They would, without affecting private land ownership, simultaneously reach eight aims: (1) minimize/abolish/prevent protectionism, while (2) avoiding overproduction and (3) irrational production abandonment; (4) boost competitive full-time large farmers as entrepreneurs, whereas (5) not crowding part-time and absent small farmers out of agriculture; (6) reach/maintain national basic self-sufficiency in cereals, meanwhile (7) promoting multi-functionality of other agricultural and rural sectors and (8) improving the environment. They would be useful also for public land ownership. Hence launching a second land reform – land use reform.

**Section 10 Potential Global Relevance**

The implementation of the author’s Proposals would promote fraternity and fair competition among nations of the world.

I. These Proposals would be crucial for the EU (and most other economies under private land ownership such as Japan, South Korea, Switzerland) to avoid protectionism without losing agriculture. For decades, developing countries have had two main types of problems - their own and agricultural protectionism from the developed nations. The author’s Proposals are relevant to them. But even if they have resolved this microeconomic root, the protectionism of the developed nations
would still make their agriculture less or un-profitable, hence continuing the inequality between the developed and developing countries. Moreover, protectionism in agriculture of the developed nations and that in industry and services of the developing countries are interrelated - if the developed nations could not abolish their protectionism in agriculture then the developing countries would not do their part in industry and services in the WTO Doha negotiations. But in order to abolish agricultural protectionism, the developed nations would have to prevent irrational production abandonment, otherwise protectionism would never be ended. The author’s Proposals could just resolve this microeconomic root also in the developed nations, so that the abolition of their agricultural protectionism would be possible, hence also the industrial and service protectionism of the developing countries.

(I) In particular, due to no official solution to avoid the irrational production abandonment, the EU-27 has no plan on when to adopt a full decoupling, and has announced to cut the budget on agriculture by only 2-4% during 2007-13, rather than 50% as itself proposed in 2005 and requested by the WTO, as mentioned above. It is thus imperative for the EU to present these Proposals to the whole EU for a democratic discussion and eventual adoption.

(II) The EU has requested the CEE countries to postpone free movement of their cheap laborers into the Western EU areas up to seven years after the accession, worrying that they may easily take jobs away from the Western EU workers. Most of the CEE countries have agreed on a reciprocal basis vis-a-vis the Western EU Member States (Enlargement 14 June 2002), hence dividing the enlarged EU. The Western EU farmers have been actually allowed to lease in land in CEE freely, but not vice versa at the same extent. The author, however, has discovered that in the agricultural sector, the reality and trend in the EU is that able-bodied farmers are more interested in earning higher off-farm income, so that allowing the full-time farmers from CEE to lease in the irrationally and polyopolistically used land of the able-bodied part-time and absent farmers of the Western EU would not crowd them out of agriculture. In fact, there has already been an agricultural labor shortage in some parts of the Western EU, e.g., the Italian agricultural trade unions have demanded the Labor Ministry and Parliament to adopt a law to permit hiring workers for its agriculture from outside the EU-15 with possible priority to the accession countries (Bani 8-11 April 2002). The competition among the Western and CEE full-time farmers in the leasing markets in both the Western and CEE EU areas would be mutually constructive. Therefore, at least in this sector, there should be no harm for the Western EU to allow free labor movement from CEE immediately (or through a much shorter transition period) after or even before the accession, hence increasing fraternity and fair competition between the Western and CEE parts of the EU.

The Italian government lifted all employment restrictions to the immigrants from the new EU Member States in 2007 (Bo, Yuan 23 November 2007). France partially opened its job markets in May 2006 to eight Eastern European countries, i.e., the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia which joined the EU on 1 May 2004. It announced on 28 May 2008 to fully open its job markets on 1 July 2008 to them (Bulgaria and Romania which joined the EU in 2007 are in the waiting list). (Yao, Li 30 May 2008)

Of the EU-15, Austria, Belgium, Denmark, and Germany still have not fully opened their job markets to the Eastern European countries (Yao, Li 30 May 2008). The author hereby appeals to them to adopt his Proposals.

II. These Proposals have given an ideal direction in solving the fundamental global problems under private land ownership (also relevant to the countries under public land ownership such as China for avoiding protectionism). If all countries of the world could adopt these Proposals and allow not only nationals but also foreigners to lease in the irrationally and polyopolistically used land of their part-time and absent farmers, then resources would be more efficiently used, poverty and inequality reduced, the environment improved, sustainable rural development achieved, fair competition boosted, and fraternity among nations advanced. There has already been a successful example: China has allowed external and foreign farmers to lease in its land for agriculture, and farmers from its external regions (Hong Kong and Taiwan) and foreign countries (Australia, Brazil,
Canada, Germany, Israel, Japan, Singapore, Thailand, the USA, etc.) have indeed done so there (see Zhou, Jian-Ming 2001: 258-9), while Chinese farmers have rented land in other countries, e.g., Hungary and Russia, for agriculture.

The author is extremely happy that Commentators EA1 & EA2 (30 May 2005) so confidently conclude that ‘Certainly there are inefficient land uses across the world, but not only one cause, and certainly not only one simple remedy’. The author has provided his explanation to ‘Certainly there are inefficient land uses across the world, but not only one cause’ in the above text - after the development of off-farm activities, the irrational and polyopolistic land use by the able-bodied part-time and absent (including large but particularly small) farmers has become the most fundamental cause (although not the unique cause) of the inefficient land use when the rural facilities are backward (such as in numerous developing countries currently) and the unique cause when the rural facilities are advanced (such as in many developed countries presently, e.g., the EU). Because unfortunately they have not presented any other remedy, the author is eager to know it.

Therefore the valuable comments of all the distinguished readers, no matter whether specialized in land tenure or not, are gratefully solicited, especially on: (1) In your or other country or region, whether there are able-bodied part-time and absent farmers who are not willing to lease their under-producing land beyond family consumption need to the full-time farmers. (2) Any reason why these Proposals could not be adoptable by any country. (3) Any suggestions for improvement. (4) Any alternative to these Proposals. (5) How the EU, Japan, South Korea, Switzerland, etc., could, without adopting these Proposals, break the swing between protectionism (and subsequent overproduction) and irrational production abandonment (and consequent loss of basic self-sufficiency at least in cereals). (6) How numerous developing countries could, without adopting these Proposals, reach/maintain basic self-sufficiency or food sovereignty (at least in cereals) and reduce poverty without seeking protectionism.

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