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Reclaiming food sovereignty

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An alternative approach to trade and agriculture

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Reclaiming food sovereignty: an alternative approach to trade and agriculture

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Executive Summary

This report highlights how the European Union's approach to trade and agriculture is damaging Europe's farmers and threatening our food security. It calls for a fundamental shift towards food sovereignty, prioritising domestic production and reducing the bloc's reliance on imports.

Current challenges in EU agriculture

- **The EU Paradox: a thriving agricultural sector failing farmers.** The EU is one the world's leading agricultural powers, with total output worth over €500 billion per year. Agricultural incomes as a whole have been growing for years. Despite this, small and mid-sized farms are struggling: most farms in Europe are unable to provide a decent income for those who manage them – often families.

- **Consolidation and concentration.** Over the past two decades, the EU's agricultural sector has undergone a massive process of concentration and consolidation, with large farms increasingly dominating the market. The EU has lost five million farms in the past 20 years, disappearing at an average of 800 farms per day. This has resulted in a dramatic decline of small farms, which provide numerous economic and societal benefits. Consolidation has led to increased economic productivity and efficiency, but has also harmed the livelihoods of small farmers and accelerated the decline of rural communities. Perhaps even more crucially, as this report shows, this structural change represents a threat to European food security in the long run.

- **Production of primary agricultural products no longer a priority.** Concentration of farm ownership has been accompanied by a shift away from the production of low-value, but essential, primary agricultural commodities towards the production of high-value, but not essential, processed agri-foods. There are ideological and economic reasons for this. The EU's adoption of green ideology means that agricultural production, as the second-largest contributor to greenhouse-gas emissions, has gradually become a taboo in Europe. From a big business point of view, the production of basic foodstuffs is also seen as less profitable than the production of processed foods.

- **Growing import dependency.** Thanks to the Common Agricultural Policy's original focus on food sovereignty, the EU remains broadly self-sufficient in many primary agricultural commodities. Yet as a result of current policies, its self-sufficiency rates have declined for many primary products over the past two decades. Meanwhile, it remains heavily dependent on imports for key inputs like oilseeds and protein crops. This growing import dependency poses risks to European food security, especially given the volatility of global markets and geopolitics.

- **The EU's free-trade obsession: a threat to farmers and food security.** The EU has the largest free-trade regime in the world, with 42 free-trade agreements covering 74 partner countries. These agreements generally benefit large agri-food corporations at the expense of small farmers. The negotiation process for these agreements lacks transparency and democratic scrutiny, further marginalising the interests of smaller farmers. The EU's trade policy, by using imports of primary agricultural

commodities from third countries as a bargaining chip to promote the export of EU industrial agri-food products, undermines the EU's long-term food security by exposing domestic producers to unfair competition and increasing the EU's import dependency.

- **Free trade: a textbook case of climate hypocrisy.** The report also highlights the hypocrisy of the EU's climate policy. On the one hand, the EU imposes stringent regulations on European producers to reduce greenhouse-gas emissions, which threatens to drive farmers out of the market and reduce domestic production. On the other hand, it promotes international trade through free-trade agreements (FTAs) that will only lead to increased emissions and increased agricultural imports from countries with lower environmental standards.

The case for food sovereignty

- **Growing resistance.** European farmers and civil-society organisations are increasingly opposing FTAs that disadvantage local agriculture. Europe-wide protests by angry farmers, plus the recent rejection of CETA by the French Senate and widespread opposition to the EU-Mercosur agreement, reflect this growing resistance.

- **Rejection of free-trade paradigm.** This report argues for rejecting the EU's current free-trade paradigm in favour of the original 'Community preference' principle of the Common Agricultural Policy (CAP). This principle emphasised domestic production to meet local demand before resorting to imports

- **Environmental and economic benefits.** Increasing domestic production would not only support European farmers and consumers, but also reduce the environmental impact associated with long-distance trade.
- **Feasibility of domestic production.** Research indicates that the EU has significant potential to increase the production of many agricultural goods, which could replace imports without causing major price rises. This includes products like oilseeds, pulses, vegetables and fruits.
- **Conclusion.** The report concludes that the EU's current trade and agriculture policies are flawed and unsustainable. The ongoing consolidation of agricultural production benefits large corporations at the expense of small farmers and rural communities. To ensure Europe's long-term food security and support for European farmers, the EU must return to its original focus on food sovereignty. This means rejecting harmful FTAs, reducing import dependency, prioritising the production of food over unrealistic environmental targets, and implementing policies that favour domestic agricultural production. We should stand with and support Europe's farmers, not treat them as a problem to be disposed of or replaced.

Introduction

European countries have been swept by massive farmers' protests. Though often a reaction to specific national policies (proposals to scrap tax breaks for agricultural diesel, proposed reductions in nitrogen emissions, etc), the common thread uniting the protests was the farmers' opposition to the growing economic and bureaucratic burdens associated with the European Union's climate and environmental agenda – first and foremost, the European Green Deal. Farmers have good reasons to oppose these policies, which risk decimating small and mid-sized farms while achieving little, if anything, in terms of climate and/or environmental benefits, as several reports, including by MCC Brussels, have shown.[1]

However, it's important for the public to understand – and for farmers to explain, to maintain public support – the wider context of these protests. An uninformed observer might think that European farmers were doing fine until the EU's 'green' agenda came along to ruin the party – or worse, that farmers oppose these policies on ideological grounds. Nothing could be further from the truth. The reality is that small and mid-sized farmers have been struggling for years with rising costs, over-regulation, unfair competition and the practices of corporate cartels along the entire supply chain. Farms have been disappearing at an alarming rate across the EU.

The latest wave of 'green' policies is simply the straw that risks breaking the proverbial camel's back. No wonder farmers are revolting against them. In a wider sense, however, they are revolting against a system that is rigged against them, to the benefit of corporate farms and agri-food conglomerates. This report offers a wide-angle analysis of the problems plaguing Europe's farmers, with a particular focus on the impact of the EU's free-trade regime.

1 The EU paradox: a thriving agricultural sector that is failing farmers

The European Union is one of the world's leading agricultural powers. EU output totals over €500 billion per year, around half of which comes from crops (mainly cereals and vegetables) and almost two-fifths from livestock and animal products (mostly milk and pigs)[2]. Three quarters of the value of the EU's agricultural output come from seven EU countries: France (18 per cent), Germany (14 per cent), Italy (13 per cent), Spain (12 per cent), Poland (seven per cent), the Netherlands (seven per cent) and Romania (four per cent)[3]. Even though the EU's agricultural sector today accounts for only about 1.4 per cent of the bloc's total GDP, its value cannot be judged solely in economic terms. Agriculture provides arguably the most important product in any society: food, the building block of life.

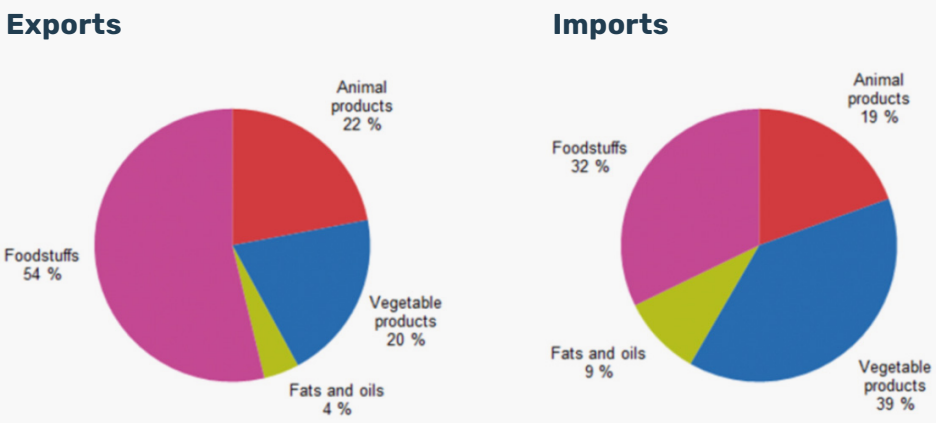
In this respect, the EU is in a strong position. Even though there are some important exceptions, discussed below, the bloc is broadly self-sufficient in most agricultural primary commodities: most types of meats, dairy products, fruits and vegetables, as well as most types of cereals (particularly wheat).[4] It produces enough (and in some cases much more than enough) to satisfy domestic consumption levels, often resulting in significant surpluses that it exports to the rest of the world. Indeed, in economic terms, the EU is also one of the world's largest exporters of agri-food products, even though the bloc's exports aren't driven by primary products, with the exception of cereals, but rather by processed food products (mainly beverages, wines and spirits), meat and dairy products.[5]

The EU is also a major importer of agricultural products – mostly fish and crustaceans, animal feed, oilseeds (mainly soybeans) and protein crops

also used for animal feed, fruits and nuts, coffee, tea and spices, and vegetable oils.[6] Many of these commodities cannot be grown in Europe's climate zones (such as tropical products); however, they also include products that are extensively grown in Europe – often in sufficient quantities to satisfy domestic consumption – or that could potentially be grown in much larger quantities.

The EU's approach to agricultural trade can be summed up as follows: it imports mainly low-value, primary, raw products and exports mainly high-value, processed food products (with the notable exception of wheat). In other words, it imports cocoa and exports chocolate; it imports coffee beans and exports roasted coffee; it imports soy for animal feed and exports meat and dairy products.

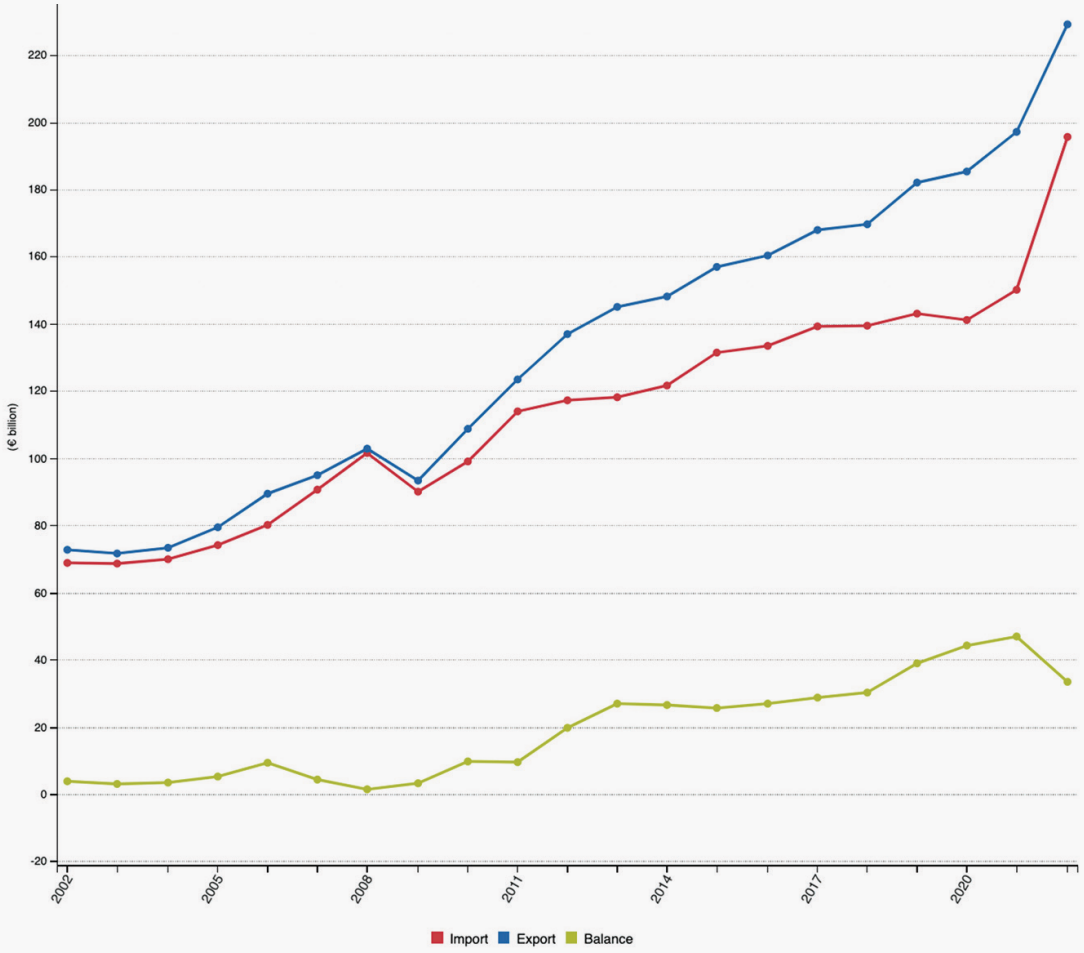
EU exports and imports of agricultural products by category, 2022



Source: Eurostat[7]

Overall, the EU exports significantly more than it imports – and has done so for more than a decade – leading to a sizeable trade surplus (€33 billion in 2022).[8]

EU trade in agricultural products 2002–22

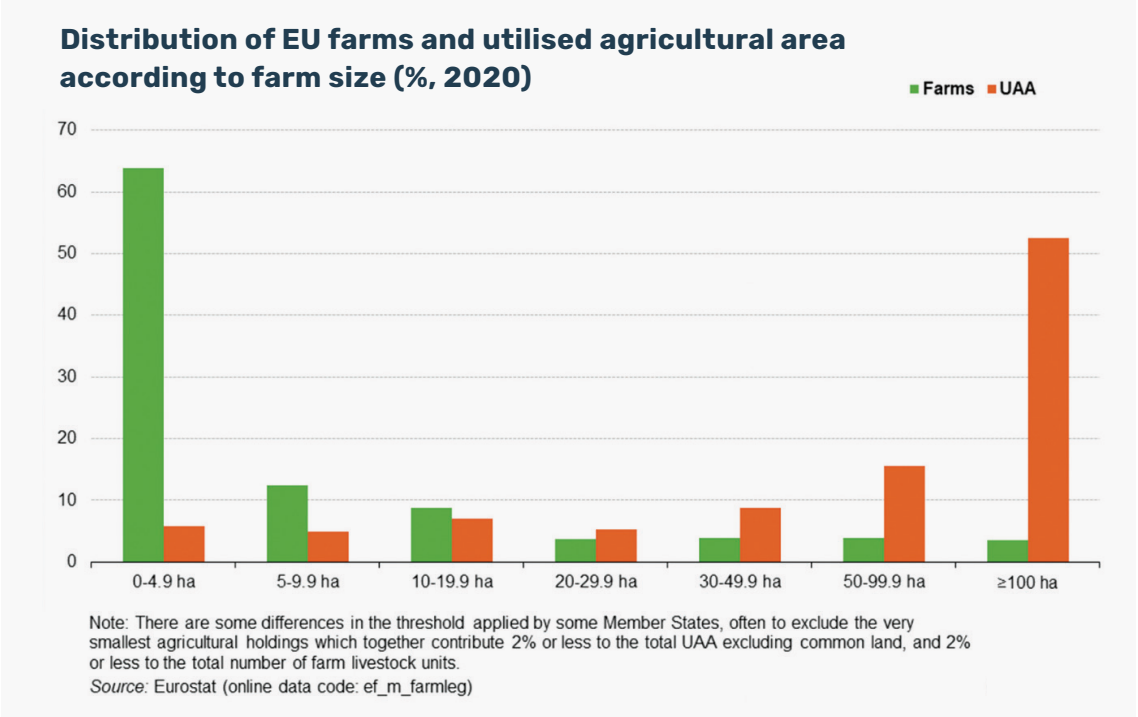


Source: Eurostat[9]

This brief overview suggests that the EU's agricultural sector is in great shape – and indeed, in overall economic terms, it is. Agricultural output in the EU has been growing steadily for years[10], reflected in the steady growth in agricultural incomes.[11] As one recent study put it, 'farmers have made steady gains in their income from agriculture over the last two decades (since 2005) and agricultural income levels have been at their highest in the past three years, despite higher input costs'.[12]

So, one may ask, what are farmers complaining about? The answer lies in the fact that even though the sector as a whole is doing well, most farmers are not. There are around nine million farms in the EU, 2.9 million of which are located in Romania, followed by Poland (1.3 million), Italy (1.1 million) and Spain (0.9 million).[13] The overwhelming majority (94.8 per cent in 2020) of these are classed as family farms, defined as farms on which 50 per cent or more of the regular labour force is provided by family members.

Most of the EU's farms are small: almost two-thirds are less than five hectares in size, and account for only around five per cent of all utilised agricultural land. At the other end of the production scale, only 7.5 per cent of the EU's farms are 50 hectares or more in size, but they control almost 70 per cent of all land.[14]



Source: European Commission[15]

Most of the EU's agricultural land is concentrated in the hands of a relatively small number of very large farms – many of which are corporate enterprises. There is a huge disparity in shares of output and income between small and medium-sized farms on the one hand, and large and very large farms on the other. Simply put, only a small number of large farms have output levels large enough to generate meaningful incomes.

The numbers[16] are rather shocking: over the 2015-2019 five-year period, just 295,000 mega-farms[17] (less than 3 per cent of the 9 million farms in the EU) managed 35 per cent of all agricultural land and accounted for almost 60 per cent of output. The largest 20 per cent of farms[18] accounted for a staggering 80 percent of all agricultural land and 91 percent of output.

At the other end of the income spectrum, almost five million farms, 53 per cent of all holdings, managed only 6 percent of all agricultural land.[19] These are almost (semi-)subsistence income levels. In between we find what we may consider small and medium-sized farms by economic size.[20] These represented 35 percent of all holdings but accounted only for 8 percent of output. In other words, only a minority of farms in the EU can be considered to be profitable — and most of these, with the exception of large and very large farms, account a fraction of the sector's total output and incomes. The majority of farms in Europe, on the other hand, are unable to provide a decent income for those who manage them — and have been for quite some time.

Distribution of holdings, area, Standard Output and labour force across holdings of different economic size, EU, 2020

	Holdings	Hectares	SO	AWU	Share holdings	Share ha	Share SO	Share AWU
	'000	Mill. ha	Bill. euro	'000 AWU	%	%	%	%
Zero euros	75.6	0.2	0	21	1%	0%	0%	0%
Over zero euros to less than 2000 euros	3,346.0	4.5	2,874	1,127	37%	3%	1%	14%
From 2 000 to 3 999 euros	1,354.0	4.4	3,899	746	15%	3%	1%	9%
From 4 000 to 7 999 euros	1,172.7	6.6	6,684	842	13%	4%	2%	11%
From 8 000 to 14 999 euros	842.3	8.1	9,267	761	9%	5%	3%	10%
From 15 000 to 24 999 euros	547.2	8.6	10,617	605	6%	6%	3%	8%
From 25 000 to 49 999 euros	591.7	15.7	21,020	791	7%	10%	6%	10%
From 50 000 to 99 999 euros	445.0	21.1	31,537	719	5%	14%	9%	9%
From 100 000 to 249 999 euros	398.6	33.9	62,919	839	4%	22%	17%	11%
From 250 000 to 499 999 euros	175.3	22.6	60,930	528	2%	15%	17%	7%
500 000 euros or over	118.9	29.4	150,019	939	1%	19%	42%	12%
Total	9,067.3	155.1	359,767	7,918	100%	100%	100%	100%

Source: CAP Reform[21]

This explains why small farms across Europe have been disappearing at an alarming rate. Over the past 20 years, more than five million farms have been lost in the EU, from 14.5 million in 2005 to around nine million today – a decrease of almost 40 per cent.[22] That is equivalent to around 800 farms disappearing every day, the vast majority of which were small farms under five hectares in size, though there were considerable losses in larger farm-size classes as well.[23]

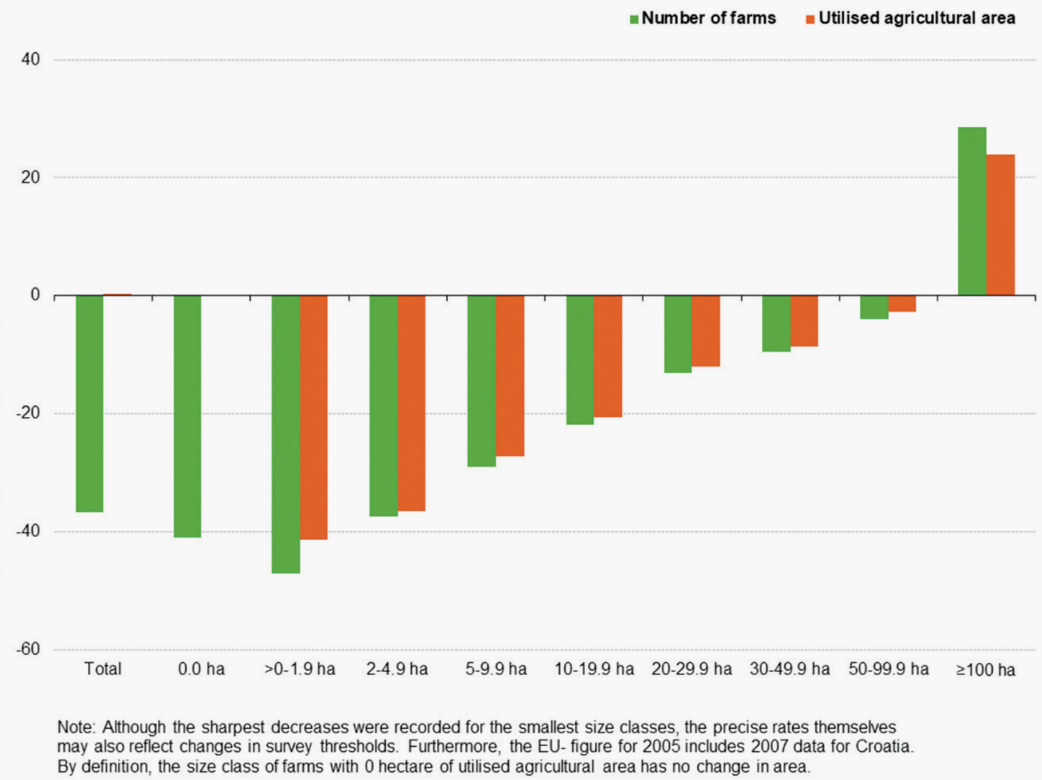
This tendency is visible across all member states, but the largest reductions were recorded in Romania (an indicative loss of 1.4 million farms, equivalent to a decline of 32 per cent), Poland (1.2 million farms lost, 47 per cent), Italy (0.6 million farms lost, 34 per cent), Hungary (0.5 million farms lost, 68 per cent), Bulgaria (0.4 million farms lost, 75 per cent) and Greece (0.3 million farms lost, 36 per cent).[24]

At the same time, the number of very large farms (over 100 hectares in size) has grown significantly – by more than 20 per cent – as has the extent of agricultural land they control.[25] EU agricultural production has become

increasingly concentrated and consolidated: mega-farms, many of which are run by corporations, control more and more of the total agricultural land.

This concentration has also taken place through mergers and takeovers. As one 2022 European Parliament report noted: 'Over the years, structural change has led to a sharp decline in the number of farms, a consolidation of farmland, and an increase in average farm size. The EU's smallest farms have experienced the strongest decline compared to other farm sizes. This consolidation process, which sees the growth of the largest farms and their farmland, is occurring nearly all over the EU.' [26]

Development in the number of farms and utilised agricultural area by size class (%, EU, 2005–2020)

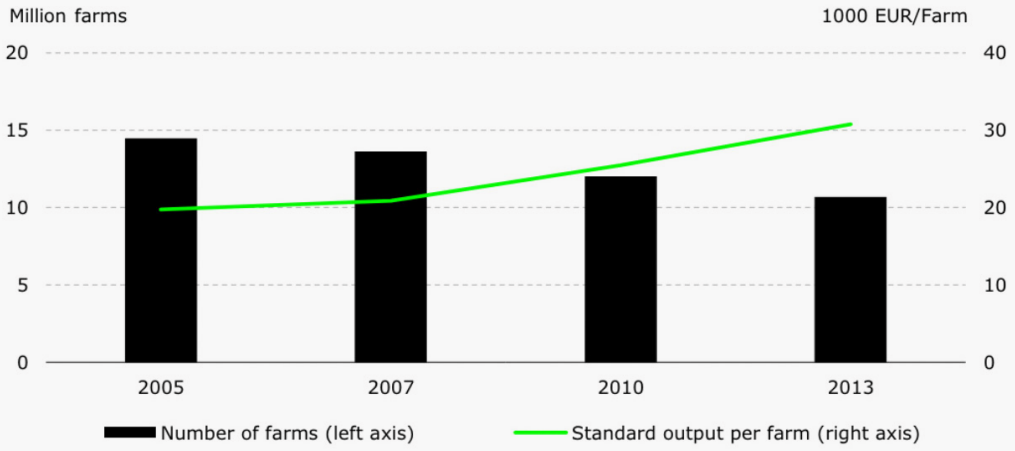


Note: Although the sharpest decreases were recorded for the smallest size classes, the precise rates themselves may also reflect changes in survey thresholds. Furthermore, the EU- figure for 2005 includes 2007 data for Croatia. By definition, the size class of farms with 0 hectare of utilised agricultural area has no change in area.

Source: Eurostat[27]

What has been a calamity for small farmers has been a boon for the largest players in the market. As one study put it, '[t]he consolidation of farms has been the most significant factor behind the steady growth in agricultural incomes'.[28] In strictly economic terms, this process of consolidation has made the EU's agricultural sector more productive and 'efficient', since larger farms are more industrialised and capital-intensive and can rely on economies of scale to boost output. Indeed, the decrease in the number of farms, and the growing concentration of production in large farms, has been accompanied by an increase in productivity, measured in output per farm.[29]

Farm size and productivity in the EU, 2005–2013



Output per farm is measures by the standard output (SO) per AWU. The SO of an agricultural product (crop or livestock) is the average monetary value of the agricultural output at farm-gate price, in euro per hectare or per head of livestock.

Source: European Commission[30]

One might conclude that the ongoing consolidation of agricultural production, while harmful to individual farmers, nonetheless represents a positive trade-off for society as a whole, especially in terms of food security,

since it allows us to produce more on the same amount of land. There are several problems with this argument, however. For starters, small farms provide a wide range of economic and societal benefits that crude metrics such as output fail to capture: they play a key role in keeping remote rural areas alive by keeping up services and social infrastructure; they support rural employment (which has declined dramatically in recent years); they help preserve the identity of regional products; and they protect landscape features.

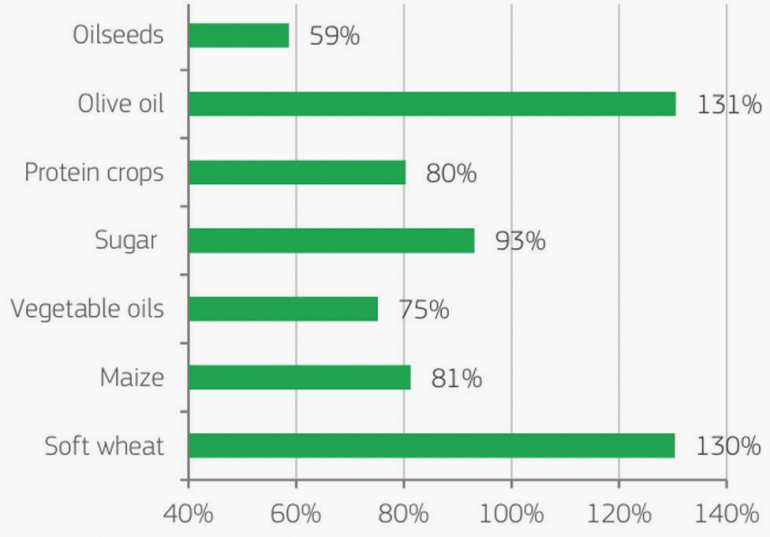
The trade-off argument needs to take into account the many positive contributions of Europe's small-farming model, including those that can't be measured in strictly economic terms. But, even more fundamentally, it's far from clear that the gains in productivity/output offered by greater consolidation are making the EU's agricultural sector more resilient in the long run – especially in terms of food security.

2 Sacrificing self-sufficiency for profit and ideology

The EU is, today, broadly self-sufficient in most agricultural primary commodities – most types of meats, dairy products, fruits and vegetables, and most types of cereals – and is not overly dependent on food imports in a way that could potentially endanger the food supply.[31] In short, the EU enjoys a high degree of food sovereignty. This reflects the EU Common Agricultural Policy's (CAP) original focus on agricultural self-sufficiency and self-reliance.[32]

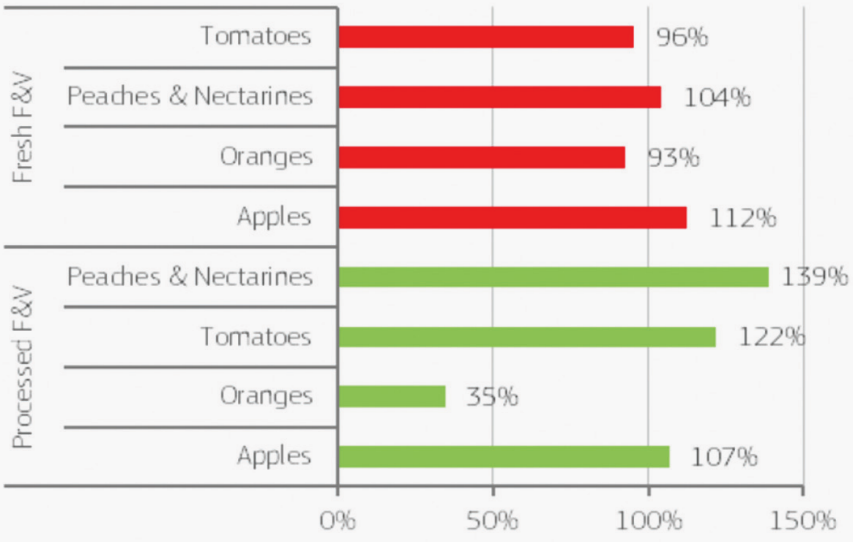
However, there are important exceptions. In particular, the EU is highly dependent on imported oilseeds (mostly soy) and meal for animal feed – and thus cannot trul y be considered 'self-sufficient' in terms of meat and dairy production.[33] In total, the EU is less than 80 per cent self-sufficient in plant protein used for feed[34], while less than a quarter of our oilseed protein demand is domestically produced[35]. As one study put it: 'When agri-food trade is measured not in economic terms but according to what actually feeds the world, then our surplus becomes a large deficit. The EU is a net importer of both calories and proteins, relying on imports for the equivalent of 11 per cent of the calories we consume and 26 per cent of proteins.'[36] The EU is also highly dependent on other key inputs for food production, especially fertilisers (and the gas used to manufacture them). Other products for which the EU is dependent on imports include protein crops, maize, vegetable oils, sugar, and certain fruits and vegetables.[37]

EU self-sufficiency rates for selected plant products (average 2020–2022)



Source: DG Agriculture and Rural Development[38]

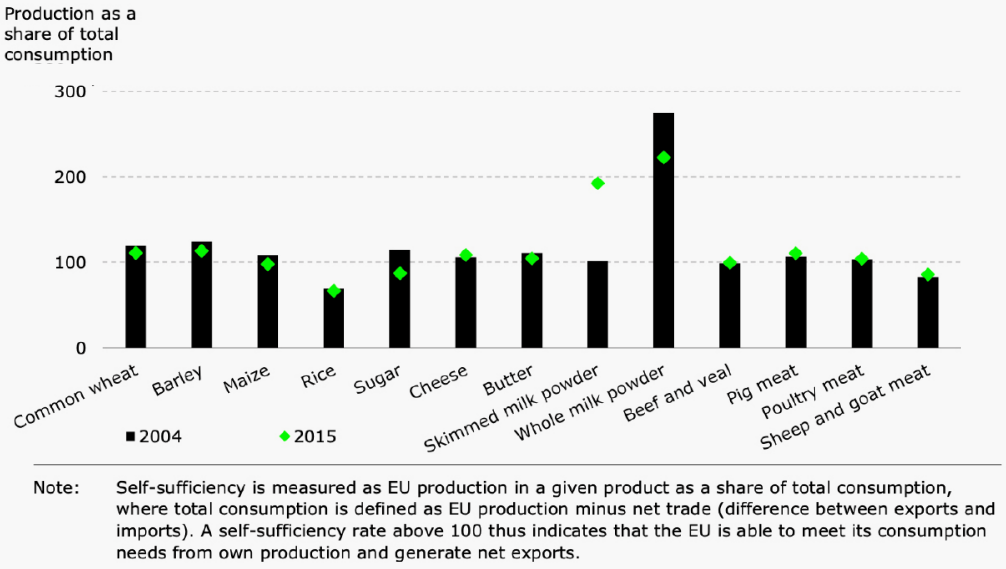
EU self-sufficiency rates for selected fruit and vegetables (average 2020–2022)



Source: DG Agriculture and Rural Development[39]

For many primary products, self-sufficiency has been declining over the past two decades.

EU self-sufficiency rates in agricultural products, 2004 and 2015



Note: Self-sufficiency is measured as EU production in a given product as a share of total consumption, where total consumption is defined as EU production minus net trade (difference between exports and imports). A self-sufficiency rate above 100 thus indicates that the EU is able to meet its consumption needs from own production and generate net exports.

Source: European Commission[40]

This is the result of several factors, which all have one thing in common: the EU's diminished focus on, if not outright hostility to, the domestic production of primary agricultural commodities – and the concept of agricultural self-sufficiency.

Part of it has to do with a dogmatic approach to trade, which treats all products as equals, be they shoes or food, and insists that if a certain product can be imported at a lower cost from abroad, then it should be, regardless of the impact on domestic production and the risk of creating dangerous dependencies. This is especially true if this facilitates the export of higher-value products than the ones being imported. This has led the EU to foster a large network of free-trade agreements, and to increasingly rely on imports

for low-value primary agricultural products, while privileging the export of high-value processed agri-food products – a point to which we will return.

More significant has been the EU's adoption of/capture by green ideology. In recent years, EU policy makers have come under the growing influence of the ideology of climatism[41], which elevates concerns about global climate change above everyday matters such as feeding Europeans. Agricultural production, as the second-largest contributor to greenhouse gas emissions, has gradually become a taboo in Europe. In its quest for carbon neutrality, the EU has effectively committed itself to limiting agricultural production in the long run, through the agricultural version of its European Green Deal, the so-called Farm to Fork Strategy, put forward by the Commission and approved at the end of 2021 by the European Parliament.

Several studies have shown that the planned 'greening' of European agriculture will result in drastic production reductions – and a growing dependency on imports. One study by the Joint Research Center (JRC), a European Commission research centre, found that cereal exports would fall from 27 to 15 million tonnes per year. Exports of pork and poultry would also fall. Dependency on imports would increase for oilseeds, fruit and vegetables, and beef.[42]

Another study, by the University of Kiel, concluded that the EU's trade balance in cereals, which is currently in surplus by 22 million tonnes, would plunge into the red by 6.5 million tonnes.[43] The deficit in fruit and vegetables (currently 10 million tonnes), would more than double to 22 million. Even a European Parliament report warned that 'some of the proposed measures [of the European Green Deal] might have unintended effects, which have not yet been properly assessed and identified at farm level, in particular on the need to ensure food security in the long term and the viability of farms, especially small and medium-sized farms'.[44]

The combination of these trends – a myopic approach to trade that risks a growing dependency on imports of primary agricultural commodities, and a policymaking elite that is increasingly biased against production – means that, even though the EU currently enjoys high levels of food security, this cannot be taken for granted. The various trade shocks of the past few years have made this abundantly clear.

The disruption caused by Russia's invasion of Ukraine, in particular, laid bare the vulnerability of the EU's food systems, leading to significant increases in the price of fertiliser, energy and feed, which harmed European farmers and consumers alike. As the European Parliament report noted, 'current geopolitical challenges prove that food security is not a permanent achievement' and that 'a high dependency on food and feed imports exposes populations to global market volatilities'. Unfortunately, European leaders don't seem to have learned the lesson, as the bloc's approach to trade makes clear.

3 The EU's free-trade obsession: a threat to farmers and food security

The EU economy has the largest free-trade regime in the world, with 42 free-trade agreements (FTAs) covering 74 partner countries spread across the world, and representing 44 per cent of the EU's total external trade.[45] This network has expanded significantly over the past decade – with new deals being concluded with South Korea (full entry into force in 2015), Colombia and Peru (2013), Ecuador (2017), Canada (partial entry into force since 2017), Singapore (2019), Japan (2019), Vietnam (2020) and others – negotiations are currently underway with additional trading partners, such as India, Australia and Mercosur (Argentina, Brazil, Paraguay, Uruguay). This network of agreements constitutes the main pillar of the EU's trade policy.

It's important to note that the EU has exclusive competence over the bloc's trade policy, meaning that it negotiates and signs trade deals on behalf of member states, generally without the need for ratification by national parliaments. In theory, member states' governments exercise a degree of control over the process, but the reality is that the negotiation of these agreements has been marked by secrecy and opacity, and by a worrying lack of democratic scrutiny. National governments and MEPs from the European Parliament's Trade Committee have only limited access, or no access at all in the case of national MPs, to the content of the negotiations.

National ratification is only necessary in the case of so-called mixed agreements – that is, trade agreements that include provisions outside of its exclusive competence, such as taxation policy and investor-state arbitration. However, even in the case of mixed agreements, the EU resorts to the so-called provisional application of its free-trade agreements, allowing these to provisionally come into force even before they've been ratified by national governments.[46] This 'allows federal polities where the federal level does not have exclusive treaty-making powers to develop an effective external action that is not hindered by that polity's complex internal division of competences', according to the opinion of a legal expert.[47] This is further evidence that the EU's de facto control over fundamental aspects of members states' economic policies, including trade policy, goes well beyond even what is foreseen in the treaties.

Free trade – or, more specifically, the gradual removal of restrictions on international trade, not just between member states, but also between them and third countries – is a founding principle of the European Union. It was enshrined in 1957 in the preamble to the Treaty of Rome establishing the European Economic Community (EEC), the institutional predecessor of the EU, and successive European treaties have reiterated the EU's commitment to free trade. For example, Article 206 of the Treaty on the Functioning of the European Union (TFEU) states that the EU intends to contribute 'to the harmonious development of world trade, the progressive abolition of restrictions on international trade and on foreign direct investment, and the lowering of customs and other barriers'.

Even today, this principle remains the cornerstone of European trade policy. A 2021 Communication in which the European Commission outlined its trade policy for the years to come opens with the following statement:

'Trade is one of the EU's most powerful tools. It is at the centre of Europe's economic prosperity and competitiveness.' [48] Nonetheless, given the CAP's original focus on self-sufficiency, the EU initially adopted a relatively protectionist approach to agricultural trade. One of the CAP's original principles was 'Community preference', meaning that the domestic EU market should be supplied in the first instance by EU farmers, with imports playing a residual role.[49] This principle led to the adoption of high border protection, in the form of import levies and tariffs. However, over the past 20 years, the inclusion of agriculture in the EU's ever-growing network of free-trade deals, which generally include complete or partial tariff reductions, has gradually exposed the EU's agricultural market to growing international competition

3.1 Is free trade good for the economy?

According to the mandarins (no pun intended) in Brussels, the impact of free trade is almost unambiguously positive – including for agriculture. But does this claim hold up to scrutiny? Answering that question depends on defining what we mean by 'positive'. Do we judge these agreements purely on their economic results or should other metrics (consumer protection, social and environmental impacts, etc) be taken into consideration as well? Should we consider an improvement in the EU's overall agri-food trade balance to be unambiguously positive, regardless of the composition of our imports/exports?

Moreover, the data is scant. Rather surprisingly (or maybe not), the EU doesn't carry out a regular, systematic evaluation of the impact of its free-trade agreements (FTAs). The Commission publishes an annual report on the implementation and enforcement of the EU's free-trade agreements[50],

but this is relatively short (around 50 pages), very broad in scope – it covers all FTAs and trade in general – and offers little in terms of hard data.

Moreover, as of early 2024, only three editions have been published. National or EU studies assessing the implementation of these FTAs on a case-by-case basis are virtually non-existent. There are some in-depth studies conducted by the European Commission on the (estimated or actual) impact of proposed or already implemented FTAs on the EU's agri-food sector, but these generally cover only certain agreements, and are not published on a regular basis.[51] Nonetheless, even based on the limited data we have, several interesting conclusions can be drawn.

Let's begin by looking at the impact of FTAs on the EU's agricultural sector from a strictly economic standpoint. Simply put: have these agreements improved the EU's agricultural trade balance? Over the past 20 years, the EU's agricultural balance of trade has improved, however it's unclear to what extent the bloc's FTAs contributed to this.

If we examine the evolution of the EU's overall trade balance in goods and services with partner countries following the entry into force (or the provisional application) of these FTAs, no clear pattern emerges. In some cases, the trade balance improved, in others it worsened, in others it remained largely unchanged.[52] In most cases, the trade balance seems to confirm previously existing trends, which suggests that there are most likely other factors at play. Moreover, looking at this in aggregate terms isn't very helpful, because it obscures the fact that different sectors – and countries – tend to be affected in very different ways.

For example, the trade balance of France, the leading agricultural nation in the EU, has tended to deteriorate after the implementation of these agreements (though, of course, correlation does not imply causation).[53] According to an EU Commission study of the impact of some existing FTAs

(Mexico, South Korea, Switzerland), EU agricultural imports from these partner countries as a whole have grown faster than agricultural exports following the entry into force of the FTAs.[54] In other words, these agreements are correlated with a worsening of the EU's agricultural trade balance.

3.2 Free trade and unfair competition: how the rules of the game are rigged against European farmers

However, an increase in imports over exports isn't necessarily a bad thing; it depends on what we are importing. If we are mostly importing products that don't compete with domestically produced goods, then the increased exports, even if smaller than the increased imports, can be considered a net gain for the EU agricultural sector. Indeed, the Commission emphasises that '[t]he increased exports have supported almost 20,000 jobs in the agri-food sector, of which 13,700 jobs are in primary agriculture'.[55]

But again, this tells us little about the *overall* impact of these trade agreements on production and employment in the EU agricultural sector. We need to consider the nature of the increased imports – and the potentially negative impact of increased imports that compete with domestic production, particularly of vital primary commodities. What role, if any, have FTAs played in the disappearance of small farms across the EU over the past two decades, and in the EU's declining self-sufficiency rates, and increased dependency on imports, for primary agricultural commodities?

European farmers have long lamented that these free-trade deals subject them to unfair competition. Third countries tend to have lower environmental, health and social standards, as well as lower labour costs, than the EU, so their farmers are able to sell their products on European markets at much lower prices than their European counterparts (who produce those

same goods). Indeed, the EU's FTAs generally contain no 'mirror clause' requiring foreign agricultural exporters to conform to European standards on issues such as pesticide use, animal feed, sanitary and phytosanitary measures, and animal welfare.

This lack of reciprocity – or regulatory misalignment, in technical jargon – means that foreign farmers, for example, are allowed to use toxic pesticides in their agricultural production, to add animal meal to their animal feed, and to administer growth-boosting antibiotics to their livestock – all things that are banned or restricted in the EU. Non-EU countries also tend to have lower animal-welfare standards than the EU, with fattening and slaughtering occurring in much larger structures and in poorer sanitary conditions.

Moreover, when it comes to practices that are banned from products destined for export to the EU, such as the use of growth hormones, serious doubts have been raised about the EU's actual capacity (and willingness) to monitor third-party compliance with these rules, on-site as well as at the point of entry into the EU.[56] This is bad news for European consumers, who are (often unwittingly) exposed to food that doesn't meet the EU's own health-and-safety standards.

The much less stringent regulatory requirements foreign farmers are subject to gives them a big cost advantage, especially when coupled with the lower labour costs – or outright exploitative labour conditions – often found in less-developed countries. Agriculture is the biggest user of child labour worldwide, involving 98 million children or 58.6 per cent of the global total in 2012.[57] It is true that many FTAs include labour conditionalities, but an analysis of several trade agreements found that such rules are often poorly enforced.[58]

As a recent report published by the French Senate noted: 'The new free-trade agreements concluded by the European Union contain provisions

relating to human rights and labour law. However, the lack of consideration given to entire areas of labour law, the absence of binding mechanisms in the agreements, and above all the poor consideration given to social rights in certain partner countries, lead to a mixed assessment of the defence of social rights.'[59]

Indeed, the EU has concluded FTAs with partner countries whose labour regulations completely contradict not just the social rights proclaimed by the European Union, but also the provisions contained in the agreements themselves. Take the case of Vietnam, with which the EU signed a trade deal in 2019, despite the fact that the country has been widely criticised for its social and human rights record; child labour and the forced labour of political prisoners are still a reality in Vietnam. In 2018, just as the agreement was being negotiated, a Vietnamese Ministry of Labour survey conducted under the aegis of the International Labour Organization (ILO) identified more than 1.7 million children involved in economic activities.[60]

3.3 Free trade: a Faustian pact that threatens farmers and food security

Importing cheap agricultural products from countries with poor regulatory and labour standards is questionable from a consumer protection and ethical perspective, especially if those same products are (or could be) produced domestically with higher standards. But is there an economic case for doing this? The argument usually made by supporters of trade liberalisation is that FTAs increase Europe's food security by securing new supply chains. In the short term, this is certainly true – indeed, from the perspective of consumers, the cheaper the better. But are farmers right in claiming that this is harming European producers? And, if so, what does this mean for Europe's food security in the longer term?

Over the past 20 years, the EU has adopted an agricultural trade model that privileges the import of primary raw products and the export of processed food products. A large part of what the EU imports consists of agricultural commodities that cannot be grown in Europe's climate zones, such as tropical products. However, most imported products compete directly or indirectly with products that are extensively grown in Europe – often in sufficient quantities to satisfy domestic consumption – or that could potentially be grown in much larger quantities.

What interests us here is the extent that trade liberalisation 'may impede the domestic potential to improve food security if domestic farmers cannot compete with lower prices or higher standards', as a recent European Commission report noted.[61] This, in turn, may increase the EU's food-import dependency, 'mak[ing] countries also more vulnerable in case of sudden disruptions of trade flows and price volatility'.[62]

We know that the expansion of the EU's free-trade regime has coincided with a dramatic contraction in the number of (mostly small) farms across the EU – and with declining self-sufficiency rates, and growing import dependency, for many primary agricultural products. But to what extent has trade directly contributed to this? As already noted, official impact assessments are few and far between, and any data that contradicts the official narrative tends to be heavily glossed over. However, if one digs deep enough, some interesting facts can be gleaned.

One of the few studies to focus specifically on the impact of agri-food imports on EU agricultural production (over the 2005-2018 period) was published by the European Commission in 2022.[63] Even though, as one might expect, the report emphasises the benefits of FTAs, it nonetheless found that 'the impact of agri-food imports was mainly complementary but also competitive, replacing EU production for a limited number of products'.

Overall, agricultural products that experienced stagnating or declining domestic production and growing imports – that is, faced production substitution – accounted for about a quarter of the total EU import value.

Main EU import products and their EU production

Main EU import products (HS-6)	Can product (or direct substitute) be produced in the EU?
Bananas, incl. plantains, fresh or dried	**Yes.** However, 85% to 90% of EU consumption is from imports.
Cocoa beans, raw or roasted	**No.** But some beans can be roasted in the EU from raw imports.
Coffee (excl. roasted and decaffeinated)	**No.** Produce requires more tropical growing conditions.
Crude palm oil	**No**. Palm oil is not produced (negligible quantity) in the EU. Although some substitutes exist, these are generally costlier.
Crude sunflower-seed or safflower oil	**Yes.** Significant EU production. Substitute with other oil seed crude.
Durum wheat	**Yes.** Highly standardised product with strong price competition.
Food preparations, n.e.s.	**Yes.** Produced in the EU.
Fresh grapes	**Yes.** Imported grapes can be counter seasonal substitutes.
Fresh or chilled bovine meat, boneless	**Yes.** Produced in the EU.
Fresh or dried almonds, shelled	**Yes.** But growing Southern European production is not sufficient.
Fresh or dried oranges	**Yes.** Strong production in Southern Europe (ES, IT and EL), complemented with seasonal imports (i.e. August to November).
Low erucic acid rape or colza seeds	**Yes.** Strong and growing EU production complemented by imports to address growing demand from livestock and biodiesel industry.
Maize (excl. seed)	**Yes.** But EU production is not sufficient for growing demand, especially for feed and bioethanol.
Meat or offal of animals (excl. fish)	**Yes.** Produced in the EU, although EU production is declining.
Meat or offal of fowls (chicken)	**Yes**. EU producers compete on price and quality.
Oilcake from extraction of palm nuts or kernels	**No.** Upstream levels of the global palm value chain are located within South East Asia and Latin America.
Oilcake from extraction of soya-bean oil	**Yes.** Demand for feed from downstream level value chain is growing. Can be substituted with other types of oil cakes.
Oilcake resulting from the extraction of sunflower seeds	**Yes**. The EU is a large producer of sunflower seeds, with a strong oilcake production and domestic demand.
Palm oil (excl. modified and crude)	**Yes.** Can be produced in the EU but mostly from imported crude.
Preparations of a kind used in animal feeding (excl. retail dog or cat food)	**Yes.** Significant EU production.
Raw cane sugar (excl. additives)	**Yes,** but marginally compared to imports. EU sugar is generally produced from sugar beets and often a sufficient substitute.
Roasted coffee (excl. decaffeinated)	**Yes.** Significant EU production, but coffee beans are imported.
Soya beans, whether or not broken	**Yes.** EU demand is strong, especially from the livestock industry. EU production growing fast but remains marginal compared to imports.
Tobacco, partly or wholly stemmed	**Yes.** Produced in the EU, although in small quantities.
Wheat and meslin (excl. durum wheat)	**Yes.** Highly standardised product with strong price competition.
Wine of fresh grapes (excl. sparkling)	**Yes.** Imports are substitutes competing on costs and branding.

Source: European Union [64]

Maize was the most significant product that saw stagnant EU production, but increased imports. Rice production increased by only six per cent between 2005 and 2018, while imports increased by 70 per cent. Other products that saw declining production and increased imports include sugar, molasses, raw tobacco, cigars and cigarettes, and beer. The report concludes that, to the extent that 'imports had a limited, though not negligible, impact on EU agricultural production', trade liberalisation and growing agri-food imports were 'contributing factors' to the structural changes seen across the bloc's agricultural sector over the past two decades, including the decrease in the overall number of farms and increasing concentration of agricultural land ownership.[65]

This generates a positive feedback loop: FTAs contribute to consolidation in the agricultural sector and to the emergence of increasingly powerful market players who directly benefit from the EU's free-trade model; these big businesses, in turn, use their economic and political capital to push for even more trade liberalisation.

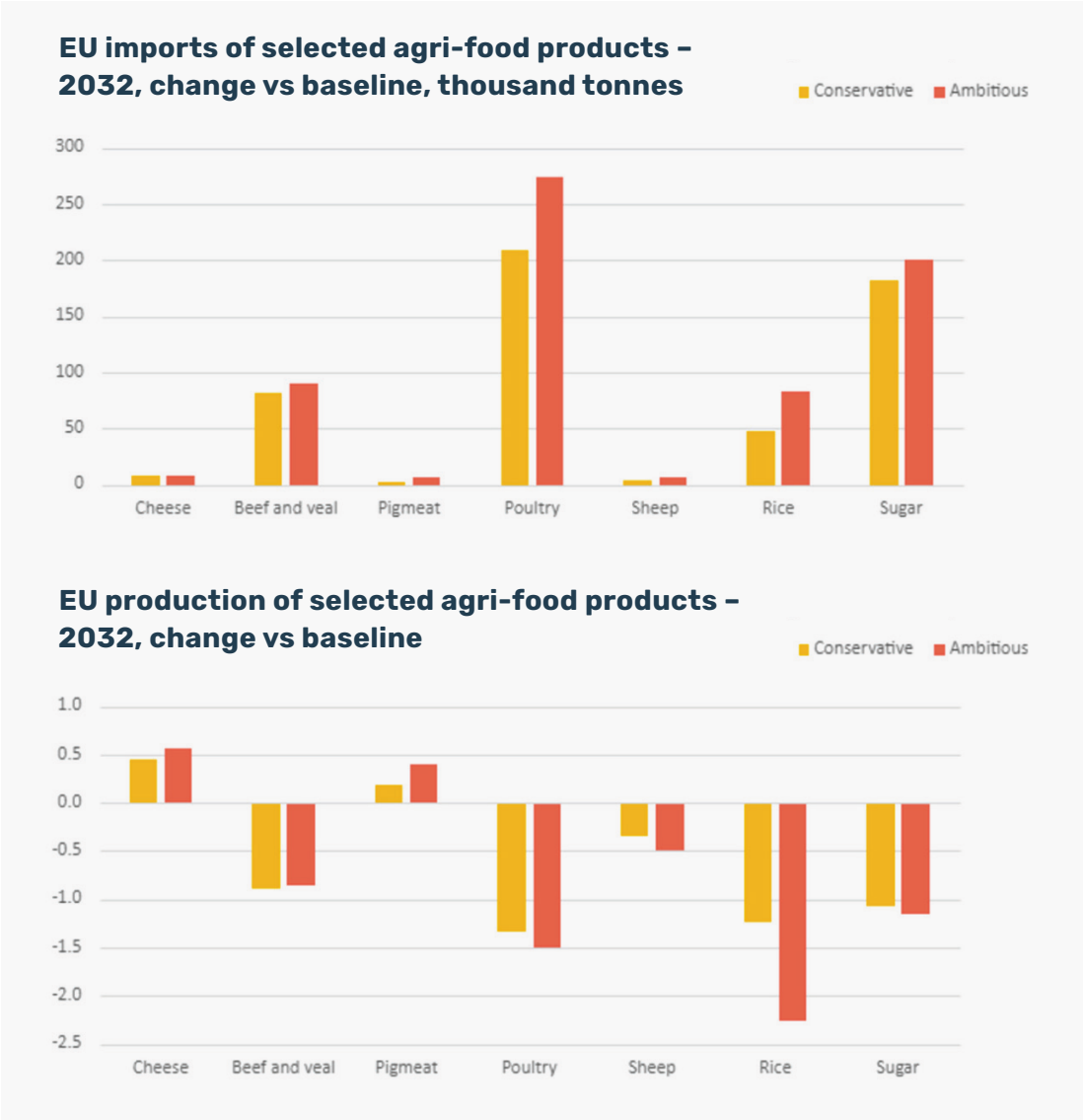
This becomes apparent when we consider that the big agri-food manufacturing firms that are among the main beneficiaries of these agreements also account for almost 30 per cent of imports of primary agricultural commodities, which in many cases are processed and then re-exported.[66] These companies clearly don't care about the fate of European farmers; all they care about is getting the raw product at the cheapest possible price. Most of the remaining imports, close to 50 per cent, are carried out by wholesale traders (such as those for grain commodities), who are often global- or foreign-owned.[67] As a European Commission report put it: 'Traders have increasingly become "managers of the value chain", taking on additional activities such as diversifying into different products and into additional activities upstream (eg, owning farms) and downstream

(eg, processing) in the value chain.'[68] These multinational conglomerates are even less interested in the fate of European farmers.

It is clear that the impact on the EU's agricultural sector of the FTAs concluded so far, however, is likely to pale in comparison to that of the many deals being negotiated or pending full implementation – particularly the EU-Mercosur and EU-Canada (CETA) free-trade agreements, both of which involve major agricultural powers. A recent report by the European Commission assessed the potential impact of 10 free-trade agreements recently concluded or currently under negotiation – involving Australia, Chile, India, Indonesia, Malaysia, Mercosur, Mexico, New Zealand, the Philippines and Thailand – and came to some worrying conclusions.[69]

Agricultural imports from countries with significantly lower regulatory and animal welfare standards are projected to increase significantly, particularly when it comes to beef and poultry. These findings come amid farmers' protests in Europe, highlighting concerns over imports with lower standards, especially from Mercosur. According to the report, the implementation of the 10 FTAs would increase the value of EU beef imports by more than 20 per cent, corresponding to 81,000-91,000 extra tonnes. Most of the increase would derive from trade with Mercosur, Australia and New Zealand.

Poultry imports would increase by more than 209,000 tonnes, mostly coming from Mercosur and Thailand. Sheep meat imports would also increase by between 4,000-6,000 tonnes, mainly from Australia. Other products for which imports are expected to increase significantly include rice and sugar. In all these sectors – beef, sheep meat, poultry, rice and sugar – domestic production is expected to decline accordingly, due to increased competition, resulting in a growing import dependency.



Source: European Union [70]

The Commission report emphasises that these production decreases due to increased imports are counterbalanced by a comparable production growth in other sectors – such as dairy, wine and other beverages, and processed agri-food products – due to increased exports. The net effect is close to zero, resulting in a small increase in the overall value of EU agricultural production.

One might therefore conclude that these free-trade agreements, while harmful to individual farmers, are not a problem for the EU agricultural sector as a whole, which is doing great in aggregate terms.

This rosy view ignores some serious problems. First, there are the issues related to the aforementioned growing concentration of agricultural production in the hands of a few corporate mega-farms. Second, not all agricultural products can be treated equally. The shift away from the production of low-value, but essential, primary agricultural commodities towards the production of high-value, but not essential, processed agri-foods – which FTAs contribute to – might make sense from a strictly economic standpoint. But it is not very wise from a long-term food security perspective, insofar as it leads to a growing import dependency for key agricultural products.

Yet, this is the logic driving the EU's approach to trade. Primary agricultural production is effectively treated as a bargaining chip – a sector worth sacrificing in exchange for gaining access to new markets, not just for the EU's high-end agri-food productions, but for its industrial exports as well. However, this makes even less sense. As the French Senate report mentioned earlier put it: 'Even assuming that [trade deals like Mercosur] can be expected to bring benefits to the EU's industrial sector – and this remains to be demonstrated – it's absurd to trade our agriculture for cars.'[71]

We have so far highlighted some of the main problems with the EU's free-trade regime in agriculture:

- it exposes European consumers to food that doesn't meet the EU's own health-and-safety standards, and that is often produced using exploitative labour practices, including child labour;

- it exposes European producers to unfair competition, leading to production decreases, and a growing import dependency, for key agricultural products, making the continent more vulnerable to sudden disruptions of trade flows and price volatility;
- and it contributes to the loss of small farms and growing concentration and consolidation of Europe's agricultural sector, which brings a whole set of related problems.

In short, it's bad for European consumers, bad for European farmers and, in the long term, bad for European food security. Even taking into account the positive trade-offs in terms of increased exports for other sectors – which aren't even conclusively supported by the data – the benefits of free trade appear to have been significantly oversold.

3.4 Free trade: a textbook case of climate hypocrisy

This becomes even more apparent when we consider the environmental and climatic impact of free trade. There's a glaring contradiction at the heart of the EU's agricultural climate policy. On the one hand, the EU is imposing increasingly stringent rules on European producers in the name of reducing greenhouse gas (GHG) emissions at home, which risk squeezing even more farmers out of the market, causing domestic production to decrease. Yet on the other hand, it is promoting the expansion of international trade through the multiplication of free-trade agreements that place further pressure on domestic producers as a result of growing imports – often from countries with lower environmental standards.

This is a clearly self-contradictory policy. International trade is itself responsible for 20-30 per cent of global CO_2 emissions – and thus FTAs that result in increased trade lead to an increase in emissions. Even more

paradoxically, the combined effect of these policies will only increase our dependency on imports from far-flung countries (with lower environmental standards) for products that could otherwise have been produced domestically – which will obviously lead to a net increase in emissions.

Curiously, for all of the EU's emphasis on climate policy, there is virtually no official assessment of the CO2 impact resulting from the conclusion of these FTAs, though it is reasonable to assume that increasing trade with countries at the other end of the globe will only lead to increased carbon emissions.

Indeed, several independent studies have concluded that most of the non-CO2 greenhouse emissions that would be saved by drastically reducing agricultural production in the EU would simply be 'exported' to third countries that will supply us with the food that we will no longer produce.[72] In other words, we would be sacrificing our food sovereignty for no environmental-climatic benefit whatsoever, or worse. It's hard to imagine a more hypocritical – and outright suicidal – policy.

3.5 Europeans fight back against free trade

It is not surprising that European farmers have placed opposition to the EU's free-trade agreements at the forefront of their struggles[73] – and that governments and national parliaments are following suit. In March of this year, a large majority of French senators voted against the ratification of one of the EU's most controversial trade deals yet, the EU-Canada Comprehensive Economic and Trade Agreement (CETA). For years, French farmers have spearheaded the fight against international free trade deals, and CETA in particular, for the reasons outlined in this report – first and foremost, the problem of unfair competition. This is why France is one of 10 countries that still haven't ratified the agreement, approved by

the European Council and European Parliament in 2017. The rejection by the French Senate means the bill needs to go back to France's lower house of parliament, the National Assembly, where lawmakers narrowly backed CETA in a 2019 vote.

As symbolically important as this rejection is, it won't have any immediate practical implications. The deal has been provisionally applied since 2017, and will continue to operate. But if the National Assembly also votes against the deal, definitively burying ratification on the French side, its provisional application would be at risk. But even this wouldn't be automatic. The decision of the French Parliament would still have to be notified by the government to Brussels in order to take effect. Without notification, the agreement will continue to apply provisionally. This is the situation that has prevailed since the Cypriot parliament rejected the ratification of CETA in 2020, without officially notifying the European Council and the EU Commission – another reminder of the way in which these trade deals override basic democratic principles.

Meanwhile, the French government continues to oppose the EU-Mercosur free-trade agreement, whose final texts, at the time of writing, have yet to be approved by the European Council and European Parliament. In January, it was reported that the European Commission had stopped negotiating the deal with the Mercosur group of South American countries at France's request.[74] The news was welcomed by French senators and civil-society organisations.

Opposition is growing against other FTAs as well. Earlier this year, more than 100 European civil-society organisations signed a letter to MEPs urging them to block a new modernised trade agreement that is meant to replace the current EU-Chile FTA, in force since 2003, citing among other

reasons the fact that 'the agreement is expected to have a negative effect on pasture-based livestock farming in both regions' and to 'squeeze small farmers out of the market, further encouraging the industrialisation of agriculture'. [75]

Initiatives like this can only be expected to grow as the European farmers' movement continues to spread across the continent. The tide is turning against the Europe's broken and archaic free trade model – and rightly so. The time is ripe to imagine an alternative approach to trade and agriculture.

Conclusion

Reclaiming food sovereignty – an alternative approach to trade and agriculture

Europe's current approach to trade and agriculture is deeply flawed. Squeezing domestic agricultural producers (predominantly of primary commodities) out of the market and increasing our import dependency for products that do not meet the same standards as those originating in Europe – all for short-term profits and in the name of 'green' ideals that fail even on their own terms – is harmful to farmers and to consumers. Even worse, it also threatens the continent's long-term food security. As an aforementioned European Parliament report noted, 'current geopolitical challenges prove that food security is not a permanent achievement' and that 'a high dependency on food and feed imports exposes populations to global market volatilities'.[76] Down the path that we are currently set on, these risks and vulnerabilities are bound to increase dramatically.

This calls for the bloc's current approach to be completely turned on its head. When it comes to food and basic agricultural commodities, we need to reject the EU's free-trade paradigm and reclaim the spirit of the CAP's original 'Community preference' principle. Anything that can be produced domestically should be produced domestically, to the highest possible health standards, to the fullest possible extent necessary to satisfy domestic demand. Imports should only be used when all other alternatives for obtaining the products in question have been exhausted. This would be good for European farmers and consumers – and would even be good for the environment, insofar as it would reduce unnecessary trade.

Even a recent European Commission report acknowledged that '[t]he EU food and feed industry is dependent on imports from outside the EU' and that this calls for a strategy aimed at 'expand[ing] own production where agronomically and economically possible', especially insofar as Europe's protein-crop deficit is concerned.[77] Similarly, a European Parliament report from last year advocated 'a comprehensive EU protein and feed strategy that must include effective measures to increase European production in the short, medium and long term [...] in order to fully harness its potential and reduce dependence on imports from third countries'.[78]

The problem is that these declarations of principle tend to be undermined by the belief, which is conventional wisdom in policymaking circles, that the scope for expanding the cultivation of protein and other crops in Europe is extremely limited from an agronomic/climatological and economic point of view. But is this true?

A peer-reviewed study from last year looked at what the consequences of a sudden stop to all agricultural imports to the EU would be.[79] It found that not only does the EU have plenty of scope to increase the production of many agricultural goods for which it is currently partially dependent on imports – oilseeds (especially soybean), pulses, potatoes, vegetables, fruit, and secondary products such as milled rice and sugar – but that absolute production increases would almost match the import decreases, or even overcompensate them.

Importantly, it also found that these import substitutions could be implemented without strong price effects for most products (with the notable exception of rapeseed, soy and sunflower, and some types of fruits and vegetables, and to a lesser degree meat), 'as [the EU] is close to self-sufficiency and features favourable soils, climate and advanced technology. Also, the EU is sufficiently large and diverse in terms of agro-ecological zones

to produce various products and to cushion local production slumps'. The study's findings were summarised as follows: 'Many singular import stops hardly impact domestic production, neither directly of the product for which imports are stopped nor indirectly for other products. In these cases, the import stop is absorbed by the EU agricultural sector without major disruptions.'

The study also argued that these domestic production increases, while technically feasible, would come at very high environmental and economic costs. Other studies, however, have challenged this view. One peer-reviewed study published in 2022 in *Nature Food* assessed the capacity of the European continent to become self-sufficient in soybeans, for which Europe is currently nearly 90 per cent dependent on imports, mainly for animal feed. [80] It found that the European agricultural area suitable for soybean cultivation is much higher than the area currently harvested, and that Europe could achieve 50-100 per cent self-sufficiency if 4-11 per cent of European cropland were devoted to soybeans. Even more importantly, it found that such an expansion would have significant economic and environmental benefits and reduce the use of nitrogen fertilisers. That is because soybean, like other legumes, fixes nitrogen in the soil thanks to symbiotic bacteria living in its roots, which is beneficial for the following crop and reduces the use of nitrogen fertilisers and their environmental impact.[81]

In short, it is within the EU's means to become fully self-sufficient in most agricultural sectors – and, most importantly, to close its protein deficit – without major environmental or economic disruptions. Indeed, the benefits are almost certain to outweigh the costs, especially in the long term. The time has come to ditch the EU's flawed and outdated free-trade paradigm once and for all – and agriculture is a good place to start.

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80 Nicolas Guilpart, Toshichika Iizumi and David Makowski, Data-driven projections suggest large opportunities to improve Europe's soybean self-sufficiency under climate change, in Nature Food, Volume 3, 2022, nature.com (accessed May 2024)
81 A proposed option to decrease EU soybean imports is using more grass–legume silage instead of maize silage, as this would increase on-farm protein production and help reducing the dependency on soybean imports (Lüscher et al. 2014)

About the author

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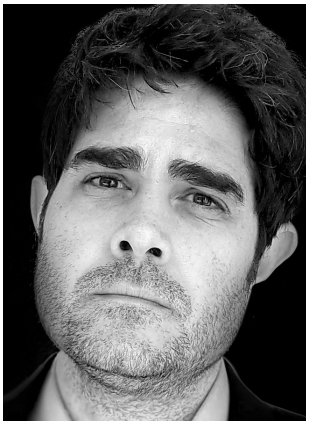
Author, researcher and journalist

Thomas Fazi is an independent researcher, writer and journalist based in Rome. He is the author of several books, including: T*he Battle for Europe: How an Elite Hijacked a Continent – and How We Can Take It Back* (Pluto Press, 2014); *Reclaiming the State: A Progressive Vision of Sovereignty for a Post-Neoliberal World* (co-authored with Bill Mitchell; Pluto Press, 2017); and *The Covid Consensus: The Global Assault on Democracy and the Poor—A Critique from the Left* (co-authored with Toby Green; Hurst, 2023). He is a columnist for *UnHerd* and *Compact*.



About MCC Brussels

At a time of unprecedented political polarisation, MCC Brussels is committed to providing a home for genuine policy deliberation and an in-depth exploration of the issues of our time.

MCC Brussels is committed to asking the hard questions and working with people of goodwill from all persuasions to find solutions to our most pressing problems. An initiative of MCC (Mathias Corvinus Collegium), the leading Hungarian educational forum, MCC Brussels was founded in the autumn of 2022 to make a case for celebrating true diversity of thought, diversity of views, and the diversity of European cultures and their values.

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European countries have been swept by massive farmers' protests.

Though often a reaction to specific national policies (proposals to scrap tax breaks for agricultural diesel, proposed reductions in nitrogen emissions, etc), the common thread uniting the protests was the farmers' opposition to the growing economic and bureaucratic burdens associated with the European Union's climate and environmental agenda – first and foremost, the European Green Deal. Farmers have good reasons to oppose these policies, which risk decimating small and mid-sized farms while achieving little, if anything, in terms of climate and/or environmental benefits.

However, it's important for the public to understand – and for farmers to explain, to maintain public support – the wider context of these protests. An uninformed observer might think that European farmers were doing fine until the EU's 'green' agenda came along to ruin the party – or worse, that farmers oppose these policies on ideological grounds. Nothing could be further from the truth. The reality is that small and mid-sized farmers have been struggling for years with rising costs, over-regulation, unfair competition and the practices of corporate cartels along the entire supply chain. Farms have been disappearing at an alarming rate across the EU.

This report explains how EU policies have systematically strangled food production in Europe, and makes the case for a renewed focus on food security.

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