www.taxpayersalliance.com

FOOD FOR THOUGHT

How the Common Agricultural Policy costs families nearly £400 a year

Dr Lee Rotherham

Contents

About the author

Dr Lee Rotherham is a graduate of the University of London and holds an MPhil and PhD from the University of Birmingham. Dr Rotherham is one of the most experienced researchers on EU issues working in British politics, having been a researcher for the "Westminster Group of Eight" Eurorebels and an adviser to three successive Shadow Foreign Secretaries, a role part-based within the European Parliament. This expertise led to his appointment as Chief of Staff to the Rt Hon David Heathcoat-Amory MP, British parliamentary delegate to the Convention on the Future of Europe. Dr Rotherham played a central role assisting delegates opposing the European Constitution, and the drafters of the Minority Report. A reservist with service in both Iraq and Afghanistan, he has been extensively published internationally.

Executive Summary

With the onset of a recession, family budgets are tight. Despite agricultural commodity prices falling from their recent exceptional high, there are still global concerns at a food crisis.[1] Saving £400 a year, over one per cent of average household, post-tax income,[2] would be a welcome boost for many families struggling in a these tough economic times.

The Common Agricultural Policy (CAP) imposes a significant burden on families both by costing significant amounts of taxpayers' money and by pushing up food prices:

- The CAP costs the UK £10.3 billion a year, £398 per household. That is equivalent to adding around £7.65 per week to family food bills.

This is made up of:

Item	Cost
Increased food prices in the UK	£5,300 million
Increased social welfare costs	£317 million
Regulatory burdens	£264 million
Duplication of food safety agencies	£5 million
UK share of CAP budget	£4,700 million
Subtotal	**£10,600 million**
Less double counting of agriculture and sugar levies in EU budgetary contributions and higher prices at the till	(£336 million)
Total	**£10,300 million**
Cost per household	£398

Figures over £1 billion rounded to the nearest £100 million.

These are the costs despite high world food prices converging on the high food prices in the CAP zone, despite repeated reforms of the system over the past two decades, and despite the pledge of serious reforms made in response to the surrender of part of the UK's rebate.

The CAP also has other pernicious effects:

- Despite reforms made to British agriculture that have made it more competitive, British farmers get a raw deal from the CAP. The UK has about as much farmland as Germany, but gets six tenths of its level of grants. The UK has about a seventh more farmland than Italy, but gets a fifth less money. France gets the lion's share of the grants, with approaching a fifth of the whole CAP budget.
- Forty years ago, the UK was to a significant degree self-sufficient in milk. Now, under a quota system, many UK farmers try to deal in their quotas

[1] Blas, J. 'Poor still hit by high food prices, says UN', *Financial Times*, 19 March 2009
[2] Office for National Statistics *'Effects of taxes and benefits on household income 2006/07'*, 14 July 2008

rather than sell milk at depressed UK gate prices. UK breeding stock is declining despite the fact that global food demand is increasing.

- Recent pledges to purchase 30,000 tonnes of butter and 109,000 tonnes of skimmed powder milk are creating new food mountains. The EU already holds 2.3 million hectolitres of inferior wine – enough to fill around 92 Olympic sized swimming pools.
- Without the CAP, the EU would be able to retarget around £400 million (€500 million) of its development aid away from compensating subsistence farmers.
- CAP civil servants alone cost over £72 million (€90 million). Other costs including technical assistance and satellite imagery show the huge administrative burden associated with the CAP.
- Grants are provided to support the tobacco industry while yet more is spent trying to undermine it.
- Millions are spent on communications and publicity, including £5.6 million (€7 million) on "Enhancing Public Awareness of the Common Agricultural Policy" and £84 million (€105 million) on supporting "producer organizations".

The Government has two choices. It can either do nothing, and hope that over the next fifty years the CAP's budget is frozen and in comparative decline while the rest of the EU budget grows. Or, it could force reform along one of several lines designed to save some or most of this money. Even running exactly the same policy from Whitehall would save taxpayers one billion pounds a year.

Agriculture needs to be repatriated to member states. Reform can only happen when taxpaying voters have a sense of ownership of agricultural policy, and the costs and values that go with it.

1. The Cost of the CAP

With the onset of a recession, the public finances are in a perilous state, with debt set to double by 2013-14, that is despite taxes on businesses and families increasing significantly in recent years. The cost of the CAP is particularly critical at this point, when families are facing tough economic times.

The Common Agricultural Policy imposes a significant burden on ordinary people both as taxpayers and consumers. It historically has made up around one half of the entire EU budget, though as a proportion this has shrunk to around 42 per cent today. £42 billion (€52 billion) will be spent on the CAP this year.[3] This will be made up of £34 billion (€42 billion) on markets and direct aid and £8 billion (€10 billion) on rural development aspects of agriculture.

The total cost of the CAP to ordinary families is significantly higher, though:

Table 1.1: The Cost of the CAP

Item	Cost
Increased food prices in the UK	£5,300 million
UK share of CAP budget	£4,700 million
Increased social welfare costs	£317 million
Regulatory burdens	£264 million
Duplication of food safety agencies	£5 million
Subtotal	**£10,600 million**
Less double counting of agriculture and sugar levies in EU budgetary contributions and higher prices at the till	(£336 million)
Total	**£10,300 million**
Cost per household	£398

Figures over £1 billion rounded to the nearest £100 million.

Programmes that come directly from the DEFRA budget are excluded from the total above. Research projects are also excluded since we assume the Government would choose to continue with them on an international footing were Britain to leave the CAP.

The estimate is a conservative one and has been tempered even further by the current high world food prices masking higher farm gate costs of imports. It implies that the CAP imposes a burden equivalent to around £7.65 per family per week, or £398 per year.

[3] Conversion to pounds based on a rate of €1:80p, the average 2008 exchange rate, www.oanda.com/convert/fxhistory/

1.1 Higher food prices

The adverse effects of the CAP are most directly felt by the average Briton when they go shopping. Cheaper imported food becomes more expensive because of tariffs and quotas, leaving the consumer no choice but to buy at higher prices:

Table 1.2: Average Price of Products 1970-2004, pence per kilogramme

Item	1970	1980	1990	2000	2004	Proportionate Change 1970-2004
Cheese (cheddar)	40.8	209	330	505	567	13.9
Lamb loin, imported	57	238	414	537	731	12.8
Unsliced white loaf, 800g	8.8	37	65	70	91	10.3
Back bacon	72	262	462	603	711	9.9
Imported butter, 250g	10.1	44	65	88	92	9.1
Granulated sugar	8.3	36	62	55	74	8.9
Carrots	7.3	29	59	45	57	7.8
Pork sausages	41	134	225	307	316	7.7
Instant coffee, 100g	22.7	101	131	188	175	7.7
Pasteurised milk, pint	4.7	17	31	34	35	7.4
Size 2 eggs, 5g-70g, dozen	23.2	72	121	168	169	7.3
Rump steak, British	125	507	813	866	897	7.2
Ham cooked and sliced	111	361	668	770	793	7.1
Eating apples	18.5	53	103	108	125	6.8
Flour, per 1.5kg	10.8	39	55	60	68	6.3
Bananas	16.8	59	114	99	86	5.1
Onions	12.6	33	63	56	62	4.9
Tomatoes	30.9	99	143	150	129	4.2

Source: http://www.statistics.gov.uk/articles/economic_trends/ET626_CPI.pdf

In a letter to ECOFIN ministers, dated 13 May 2008, the Chancellor of the Exchequer Alistair Darling, made a series of proposals on agricultural reform. In it, he referred to measures under the CAP that were designed to keep EU agricultural prices above world market levels, and that such measures cost

EU consumers £34 billion (€43 billion) in 2006. That £34 billion (€43 billion) explicitly excludes direct payments, and from the context does not appear to include other direct budgetary costs.[4]

- Distributed in line with population, that would mean Britons are spending **£5.3 billion** more each year than they would outside the CAP, without the artificially increased prices.
- Total expenditure on food and drink – other than fish which is regulated by the separate Common Fisheries Policy – is around £110 billion. That means the CAP accounts for around 5 per cent of food prices.[5]

If, in the past, the contribution of the CAP to food prices has been much higher, this might be explained in part by the recent shortages and the resultant hike in world food costs. As such, the figure may yet understate the long term impact of the CAP on food prices, and that impact will likely increase as world prices fall.

OECD statistics support the British Government's figures. That organization is planning to conduct long term research into the impact of the CAP, but that will only begin later this year. In the meantime, the OECD's figures for "Transfers from Consumers" (Consumer Support Estimates), show a transfer of £34 billion (€43 billion) across the EU, which supports a UK cost of around £4 billion to £5 billion.[6]

These figures confirm either that the Treasury's estimates are accurate; or that the source of the story is accurate and that the Treasury is basing its own estimates on OECD figures.

A figure larger than £5.3 billion appears plausible based on a comparison of what happened to prices between the UK and New Zealand since 1972. There is a considerable mirroring of comparative price rises. The difference is that farm gate prices, even if they grew by similar magnitudes, actually began from lower levels and that reforms in Auckland have forced its farmers off subsidies in the meantime. If UK shop prices reflected these current rates, items such as sausages would be a third cheaper, and you could buy sirloin for less than the current price of rump steak. Butter that is currently imported under the existing tariff barriers would come in a third cheaper.[7] An

---

[4] The text is (leaked?) at http://caphealthcheck.eu/darlings-daring-bid-for-reform/, whose accuracy appears confirmed by contemporary broadsheet reporting. The tally is very much in the range of estimates historically produced by ministers. There have also been several extremely valuable cost estimates by academics (most notably Burkitt, Hindley, Howe, Minford, Pain, Young and Milne), but the most recent major study dates from 2005.

[5] https://statistics.defra.gov.uk/esg/publications/efs/2007/complete.pdf

[6] Line 688 of http://www.oecd.org/dataoecd/59/26/40958473.xls. This would include all grant support in the EU, including those outside of the EU budget (but still under the EU/CAP remit)

[7] Statistics New Zealand. On the Antipodean reform and options arising, see in particular *Crisis in the Countryside* by James Gladstone (2000)

estimate of five per cent of UK food prices being due to the CAP therefore seems very cautious.

1.2 The CAP budget

The total EU budget under Title 05 for 2008 is £42 billion (€52.5 billion).[8] The UK's share of that budget is around **£4.7 billion**.

Unfortunately, reports are already suggesting that the Commission is looking at increasing the CAP budget by £400 million (€500 million) next year as part of a supposed stimulus package.[9]

1.3 Increased social welfare costs

Higher food prices also create some additional costs to the taxpayer by increasing the amount paid in Social Security benefits. As we have seen when costing the CFP in an earlier report, higher food prices increase benefits as food is a significant element which helps determine the rate at which benefits are set.

This report ignores potential savings in state pensions by assuming a minimum 2.5 per cent would be awarded as an annual increase even where basket prices have dropped. Our calculations are made more difficult by recent changes in the welfare system, and a lack of statistics needed to assess future claimant numbers. However, using the claimant figures as at November 2008, we estimate the CAP adds the following in extra welfare bills:

- £95.1 million from higher food prices for 1.07 million on unemployment benefit
- £222.2 million from higher food prices for 2.5 million on forms of incapacity benefit[10]

[8] We include in this figure the €14million guilt money also spent on tobacco health warnings under the Health budget, and to which we referred to earlier

[9] *European Voice*, 5th February 2009

[10] To be merged into the Employment and Support Allowance. These figures are somewhat on a par with the consumer costs of the CFP. This should not surprise too much; the CFP is fundamentally about a scarce resource and the CAP a resource surplus, and the markets react accordingly. Fish may be a much smaller part of the RPI and its cousin indices that determine benefit, but cod's price increase since 1973, for instance, has outmatched even steak. Furthermore, we have crucially not included here the end cost of tariffs on agricultural product destined for non-domestic use, such as we have been able to do for fish product. As such, the true end cost of the CAP may be double the figures cited in this section, but we use the more cautious estimate. See our paperhttp://www.taxpayersalliance.com/home/the-price-of-fish-costing-the-common-fisheries-policy.html

This would add another **£317 million** to the national bill and the cost is likely to rise as the number of people claiming unemployment benefit rises in the recession.

The number of Jobseekers' Allowance Claimants had already risen to 1.46 million in February 2009, which will mean the cost of higher food prices under the CAP, in increased unemployment benefit payments, will have risen to £130 million.[11]

1.4 Regulatory burden on agriculture

The British Chambers of Commerce estimate that British industry across the board has faced £66 billion in increased red tape over the past decade. Agriculture makes up around 0.4 per cent of the UK economy, excluding food processing. Rolling back the increased regulatory burden just on agriculture, to around the point where the key controversies began, would therefore produce estimated economic gains of **£264 million**.

1.5 Duplication of food safety agencies

Food safety is a difficult subject to place on the policy map, as it crosses three policy areas, including consumer policy. It is, however, appropriate to add to the CAP bill the operating costs of the European Food Safety Authority, which in 2008 cost **£50 million** (€63.5 million).

The authority duplicates national bodies such as the Food Standards Agency, was very much born of the BSE issue and likely would not exist if agriculture were not a community competence. It focuses its efforts on animal health, animal welfare, animal feeds, animal diseases, and GM crops.

---

[11] Wallop, H. 'Unemployment: number claiming benefits jumps by record number', *Daily Telegraph*, 20 March 2009

2. Other effects of the CAP

The financial burden imposed by the CAP on British taxpayers and consumers is not the only cost of the CAP. It also affects British farmers, the developing world and Britain's dependence on foreign imports.

The CAP is very much a product of particular circumstances facing continental Europe after the Second World War. The scheme is now unfair, costly and the source of severe distortions in international markets.

2.1 A brief history of the CAP

The CAP was a fundamental cornerstone of the EEC. However, it has its roots in an older tradition of French assistance for agriculture. For centuries, French leaders had conceived their nation's strength as being based on being the most populous country in Europe, heavily reliant on their cherished rural communities. The nineteenth century brought the triple shocks of industrialization, urbanization, and German unification. A century and a half of disastrous conflict from Napoleon onwards bled French manpower, and stunned leaders finally acknowledged its relative population decline.

The response in the 1950s was a traditional one: support the French countryside with protectionism.[12]

This decision was helped by broader post-war European policy consensus on farming. When the Common Market was set up in 1958, the memories of wartime starvation were still painfully vivid. Official rationing of some products like sugar had only ended a few years earlier. Agricultural policy among the six member states was heavily interventionist, including the control of supply, price guarantees, direct income support for farmers, and marketing and agricultural structures. The Common Market simply transferred existing national intervention mechanisms to Brussels.

In the 1950s such an agreement, particularly between France and Germany, may have made sense. Continental Europe was emerging from post-war economic difficulties. Germany agreed to bankroll French farmers. In return, it increased the size of the home market for its industries in a pre-GATT age, boosted its still-tarnished international standing, and helped secure itself internally against pressures east of the Elbe. That does not mean the scheme is still appropriate today.

In addition to the direct agricultural aspects of the CAP under Article 33, other aspects of the treaties have become increasingly important. These

[12] Students of Colbertism under Louis XIV will see further parallels in ACP and OCT agreements, not to mention VAT levies, state subsidy for picked 'champion' industries, regulations standardising quality control, protectionist trade barriers, internal tariff reform, and regional development aid

include international trade in agricultural products (Article 133) and public health (Article 152.1). The consequence is that state management of farming has acquired additional legislative impact, and that has further increased spending in the area.

There have been changes over the years, not least in reaction to public awareness of problems such as the 'wine lakes' and 'butter mountains'. The 2003 reform notably shifted support from direct market aid (by head of cattle or hectare, for instance) towards the concept of the single farm payment (SFP) based on previous levels of support. These reforms have improved some of the problems with how the scheme manages agriculture but the policy still imposes a substantial burden on consumers.

2.2 Disproportionate effect on Britain

Figures from the European Commission reveal how Britain is being treated unfairly under the CAP.[13] Table 2.1 shows that the agricultural sector in Britain is small but relatively efficient, with its comparatively smaller number of larger farms:

Table 2.1: Agriculture in Key EU Member States

	UAA – Utilised Agricultural Area, '000 ha, 2006	Number of farms, 000s, 2005	UAA per farm (ha) 2005	Employment in the whole sector, 000s, 2006	Production of the sector of agricultural activity (€million) 2006	Share of agriculture of GDP/GVA (%) 2006
Germany	16,951.0	390	43.7	844	40,070	0.6
Spain	25,359.0	1,079	23	944	37,327	2.3
France	29,538.0	567	48.6	977	60,645	1.4
Ireland	4,307.0	133	31.8	117	5,498	0.9
Italy	14,710.0	1,729	7.4	982	43,076	1.7
Poland	15,957.0	2,477	6	2,304	16,173	2.4
UK	16,761.0	287	55.4	382	21,558	0.4
EU25	**162,796.0**	**9,688**	**16**	**9,468**	**308,888**	**1.2**

[13] http://www.europarl.europa.eu/parliament/expert/displayFtu.do?language=en&id=74&ftuId=FTU_4.2.10.html. This valuable tabulation combines as sources: European Commission – EU budget 2006 Financial Report; European Commission - Indicative Figures on the Distribution of Aid, by size-class of aid, received in the context of direct aid paid to the producers according to Council Regulation (EC) No 1259/1999 and Council Regulation (EC) No 1782/2003 - Financial Year 2006; Sources: European Commission – Agriculture in the Union – Statistical and Economic Information 2007; European Commission - Rural Development in the European Union, Statistical and Economic Information. Report 2007, November 2007.

Table 2.2 shows that, despite this, the UK receives comparatively little in spending under the CAP, with only new member states like Poland receiving less:

Table 2.2: CAP Spending in Key EU Member States (2006)

Member state	Aid and markets / Rural development €million	EAGGF - Guarantee €million	Combined total €million	Combined total as national share of total agro-budget	Amount of cases where grants greater than €100.000
Germany	6,543	552.4	7,094.4	13.1%	1.33%
Spain	6,654.5	927.7	7,582.2	14.0%	0.30%
France	10,044.6	143.0	10,187.6	18.8%	0.84%
Ireland	1,723.2	26.2	1,749.4	3.2%	0.19%
Italy	5,461.0	586.7	6,047.7	11.2%	0.13%
Poland	2,033.5	515.9	2,549.4	4.7%	0.01%
UK	4,287.2	69.5	4,356.7	8.1%	2.89%
EU25	**49,865.2**	**4,187.0**	**54,052.2**	**100%**	**0.31%**

Britain's position is particularly poor compared to other major Western European economies:

- The UK has about as much farmland as Germany, but gets six tenths of its level of grants.
- The UK has about a seventh more farmland than Italy but gets a fifth less money.
- France gets the lion's share of the grants, with approaching a fifth of the whole CAP budget.
- Because of the nature of UK farming, the proportion of large landowners receiving large grants is, compared to other countries, disproportionately high (second only to the Czech Republic), and this may impact upon equitable grant distribution.

In short, as well as the huge burden the CAP imposes on consumers, the system gives British farmers a bad deal.[14] At the same time, the CAP puts in place tariffs on imports. As the UK imported more agricultural produce from outside of the EEC than other countries when it entered the CAP, this affected Britain disproportionately from the outset.

[14] The rate of grant return to the UK from the CAP is surprisingly high compared with the other elements of the EU budget. That the national ledger still runs here at such a serious loss raises further questions about the value for money for British taxpayers for the rest of the EU purse.

2.3 Undermining British self-sufficiency in milk

One example of how the CAP has failed to establish a stable agricultural sector is how it has affected British milk production. Forty years ago, the UK was to a significant degree self-sufficient, with shortfalls covered in a manner that was economically viable. Consumers got a particularly good deal because of trading relations with comparatively efficient farming nations such as New Zealand, which helped keep prices competitive, and filled output gaps for dairy products.

However, once the UK joined the EEC, the story changed. Initially, UK farmers joined their continental counterparts in receiving subsidies in order to boost their efficiency and output. The result, apart from tens of thousands of smaller farmers being driven from the industry, was a surfeit of milk. As a consequence, a quota system was introduced in 1984.[15] Britain's share of the market, despite increased efficiency, was locked so that continental imports would be guaranteed. Milk produced above quota is poured down the drain in order to avoid paying hefty fines.[16]

Many UK farmers have tried to deal in their quotas rather than sell at the depressed UK gate prices. UK breeding stock is declining despite the fact that global food demand is increasing (including a massive new dairy market in China).

2.4 The impact on the developing world

It is widely accepted that European farm subsidies, under the CAP, played a significant part in the failure of the Doha round of international trade negotiations.

Under current policies, a tariff is placed on cheap agricultural produce from developing countries, in order to make it less competitive in European markets. At the same time surplus European production is exported back, with subsidies underwriting high costs. Aid programmes are then put in place to help these countries deal with the effects of that trade imbalance. In this way, trade is replaced with aid, to the detriment of developing world economies.

In the absence of a detailed statistical breakdown, the extent of EU support for farmers impoverished by the CAP can be inferred by looking at EU levels of spending when it ended the practice of simply dumping food surpluses as

[15] A useful summary of the elements behind this shift can be found in *Changes in the Demand and Supply for Milk and Dairy Products*, By D. J. Roberts, Proceedings of the Nutrition Society (1988) 41, pp 323-329. Ironically, America had abolished its milk quota system the previous year. Some of the redundant British cows even ended up exported to third world farmers as aid.

[16] A result not unlike the forced discards of the Common Fisheries Policy.

quasi-aid. That had had the effect of depressing local agriculture and was replaced by around €500 million in assistance for those farmers.[17] For comparison, the current EU development budget is around €8 billion.

A more secure agricultural basis for developing countries would allow money otherwise spent on food aid to be directed to other needy causes.

2.5 New export subsidies

In late January 2009, the Commission indicated its intent to further subsidise the export of key dairy products from the EU, "in response to the serious situation on the EU dairy market, caused by a recent sharp fall in producer prices."[18] This may mean that the CAP will further distort developing world rural economies.

From March 1 until the end of August, the EU will buy up 30,000 tonnes of butter and 109,000 tonnes of skimmed powder milk, paid for at above market cost to support the dairy industry. Journalists compared the new purchases in weight to 75 jumbo jets. This would add to existing stocks of 717,810 tonnes of cereal and grain, 41,442 tonnes of sugar and 2.3 million hecto-litres of inferior wine.[19]

This has met with a very critical response from the Cairns Group, an international grouping of nineteen countries accounting for a quarter of world exports but with comparatively low levels of farm subsidies. The group includes both the Old Commonwealth countries but also states like Indonesia and Brazil. As the Group declared,

> *"This is a dangerous action, given the risk that it could encourage further trade-distorting responses which need to be avoided. Moreover, by resorting to export subsidies again, as it did last year for pork and did previously for wheat, the EU continues to shield its producers from market forces, at the expense of unsubsidised producers in other markets. It is of particular concern that farmers in many developing countries, which cannot afford to engage in subsidy wars, stand to suffer most from increased distortions in world agricultural markets. This is not the leadership we require from key economies at this point in time."*

[17] See the Court of Auditors Report 2003/C 93/01
[18] Reuters, 28 January 2009
[19] *Daily Telegraph*, 22 January 2009; Irish *Independent on Sunday*, 25 January 2009.

2.6 Grants and other budget items

The European Union budget shows that significant amounts of the CAP budget are wasted on administering the scheme:

- The budget for CAP civil servants is over £72 million (€90 million) a year.
- £8 million (€10 million) was spent just on providing "technical support" for the rural development programme.
- The allowance for the CAP civil servants' furniture and equipment is £5.4 million (€6.7 million).
- It seems that £5.2 million (€6.5 million) was spent on satellite surveillance, showing the scale of the management system.
- €16.8 million was set aside for cases the Commission might lose in the European Court of Justice if was found guilty of mismanaging the CAP in 2008.

Measures are taken both to discourage and to subsidise tobacco farming:

- Under budget line 05 03 02 22, £234 million (€293 million) is spent on tobacco premium for farmers.
- Meanwhile, under budget line 05 02 11 05, £5.6 million (€7 million) is spent researching and advertising the harm caused by tobacco. In addition, the Community Tobacco Fund provides £11.4 million (€14.25 million) (17 03 02) for anti-smoking information campaigns and another £128,000 (€160,000) is spent on participating in international bodies dealing with tobacco and public health (17 03 05).

Significant amounts are spent on communications and publicity, and the CAP budget is also used to support interest group lobbying:

- £5.6 million (€7 million) is spent promoting produce.
- £225,000 (€281,817) is spent on the European Forestry Information and Communication System.
- £5.6 million (€7 million) is spent on "Enhancing Public Awareness of the Common Agricultural Policy".[20]
- £84 million (€105 million) has been spent to support "producer organizations".
- A further £24 million (€30 million) has been spent supporting groups "granted preliminary recognition".

[20] We expect that this TPA report will trigger activity under this budget line, and trust that the European Commission will declare it.

2.7 Distribution of subsidies

Data presented by the farmsubsidies.org website shows that major firms and public sector organisations are receiving significant subsidies under the CAP. This shows the scheme is benefiting major corporate interests, public sector organisations and charities rather than small, marginal farms:

Table 2.3: UK corporate, public sector and charity CAP recipients, 2002-2007

Grant, £	Recipient
£357 million	Tate and Lyle
£38 million	Nestlé UK
£17 million	Incineration Scotland
£12 million	Wessex Incineration
£5 million	Fibrogen
£3.7 million	Cadbury
£3.6 million	South West Tourism
£1.6 million	Kraft Foods
£1.6 million	Business Link South Yorkshire
£2.1 million	Kelloggs
£2 million	National Trust*
£1.2 million	Cumbria County Council
£965,000	Irish Dairy Board Cooperative
£900,000	United Biscuits
£800,000	Boots PLC
£770,000	Lancashire County Council
£745,000	Heinz
£710,000	Soil Association*
£660,000	Cardiff County Council
£618,000	Glasgow City Council
£566,000	Metropolitan Borough of Manchester
£539,000	Dairy Council*

There are also a number of surprising subsidies:

Table 2.4: UK surprising CAP recipients, 2002-2007

Grant, £	Recipient
£750,000	Vetspeed Ltd T/A Cambridge Pet Crematorium
£332,000	National Starch and Chemical Ltd
£290,000	HM Prison Service (Outer London)
£223,000	Defence Science and Technology Labs
£112,000	London Borough of Tower Hamlets
£88,000	Imperial London Hotels
£82,000	British Wild Boar Association
£69,000	Cambridge Pet Crematorium
£60,000	Time Out Skiing
£42,000	Royal Agricultural College
£42,000	UK Coal Mining Ltd
£37,700	A steam engine museum
£28,000	British Gypsum
£27,000	British Telecom
£21,000	National Hedge Laying Society
£20,000	Royal School for Deaf Children
£18,600	Upchurch River Valley Gold Course
£17,500	Westminster City Council
£15,800	Anglian Water
£15,000	An archaeological site in the South West
£14,500	Jonjo O'Neill Racing
£10,000	Brian Perry Waste Paper
£9,300	Defence Estates
£6,800	British Worm Breeders
£5,600	National Museums of Scotland
£5,500	Glanlerry caravan site
£5,300	Eton College
£4,800	Salisbury Cathedral
£3,300	Oaksey Park Airfield
£2,300	Fire Services National Benevolent Fund
£1,500	Belfast International Airport
£600	Ulster American Folk Park
£600	National Society for Epilepsy
£283	Billinghay Tennis Club
£234	City of Derry Rugby Club

Conclusions

There are several possible strategies for a British Government that wants to make the CAP less of a burden on British taxpayers and consumers:

- The existing system could be reformed to redirect or significantly reduce levels of subsidy. Were CAP subsidies redirected, even while being kept at current levels, part of the £5.9 billion bill to consumers could be redeemed. This would also make progress in world trade talks easier.[21] Or, subsidies could be reduced by a democratically-decided amount. That would deliver valuable savings for consumers (a proportion of up to £10 billion in savings) but would, to some extent, be painful for farmers over the medium term.
- Running an identical policy but repatriating the system from Brussels would save a billion pounds a year currently spent subsidising foreign farmers. That excludes savings in bureaucracy and fraud.
- Following the example of New Zealand, the system could be entirely abolished. This would save taxpayers and consumers over £10 billion a year and would certainly provide a major boost to world trade talks, benefiting the UK economy as a whole.

As a major contributor to the EU budget, the UK's hand is very strong, but has been underplayed.[22] As long as the CAP exists, the UK will continue to shoulder an unfair portion of the burden of supporting foreign taxpayers' farmers. In itself, that discourages reform, and encourages obstructionism by an entrenched lobby of overseas farmers.

The EU needs to scrap the CAP, and hand back management to national governments. National governments should be made to understand that they can continue to pay their farmers subsidies, but that it must be out of their own tax revenue. Governments of other EU member states might then find their electorates take more of an interest in how their money is being spent. This change should be accompanied by the warning that the consequences for their own protectionism will fall on their own heads in future world trade talks. Alternatively, the money could be saved simply by leaving the EU.

The British Government needs to insist that the CAP is scrapped. Taking a strong stand like this may be controversial, but the price of meekness is up to ten billion pounds a year of British families' money.

---

[21] One such model is tested by the OECD for Italy in *Agricultural Policy and Trade Reform: Potential Effects at Global, National and Household Level* (2006)

[22] The ongoing saga of the EU Constitution, still unratified, also allows a formal negotiating opportunity. But at the end of the day, the UK government as bankroller of the policy only has itself to blame if it keeps writing blank cheques.