

Laurence Roudart and Lou Plateau

# Rethinking the regulation of agricultural markets for agroecological transition in Europe

Report from the International Conference of Researchers and Farmers

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## **AUTHORS**

Laurence ROUDART, professor, Université libre de Bruxelles

Lou PLATEAU, postdoctoral researcher, Université libre de Bruxelles

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**Contact person:** Emma Courtine - emma.courtine@eurovia.org

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*This report is dedicated to the memory of Gérard Choplin, an important figure in the European peasant movement. In 1986, he was one of the main architects of the creation of the European Peasant Coordination (CPE), the first European peasant confederation, which was renamed the European Coordination Via Campesina.*

*He devoted his life to working with and supporting peasant organisations. His numerous contributions to policy and reflection have left an indelible mark on the movement. He helped lay the foundations for our cause and was an expert in agricultural market regulation.*

*We are deeply grateful for the legacy Gérard leaves us: the depth of his expertise, his visionary outlook for a more just and united world, and the generosity with which he shared his knowledge. These gifts will continue to inspire and guide future generations.*

# Abstract

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The Common Agricultural Policy (CAP) of the European Union (EU) is the subject of intense controversy. However, the uncertainties and risks affecting agricultural production and food supply, both within the EU and globally, pose an ever-greater threat. The security of the European population's food supply can no longer be taken for granted.

Given these challenges, on 3 and 4 March 2025 European Coordination Via Campesina, Université libre de Bruxelles and the International Institute of Social Studies of Erasmus University Rotterdam organised an international conference in Brussels. The aim was to reflect, in a transdisciplinary and interdisciplinary manner, on the lessons to be learned from the successes, failures and setbacks of agricultural market regulation policies in Europe and other parts of the world, both past and present.

**The first part of this report** briefly outlines how the CAP has evolved since 1992: the transition from market price support as the primary measure to direct payments and then to decoupled direct payments represented a major turning point. This section then reviews the rationale for public intervention in the agricultural sector as understood within a particular school of public economics. It then discusses decoupled direct payments in comparison to other instruments for supporting farm incomes: market price support, production-coupled payments, area-based payments, payments based on the use of variable inputs, and flat-rate payments based on historical entitlements.

The economic studies referenced in this first section do not provide any sufficiently substantiated arguments in favour of decoupled direct payments over market price support. Some of these studies conclude that production-coupled payments are more efficient than decoupled direct payments when positive externalities increase with the level of production. Other studies show that, when combined with quotas, market price support and certain coupled payments can result in outcomes comparable to flat-rate payments. Furthermore, agricultural sociology research suggests that decoupled direct payments have encouraged the development of corporate-style farms managed through delegation rather than by farmers themselves.

**The second part of the report** provides an overview of agricultural market regulation instruments that can be used to promote agroecological transition, ensure decent incomes for farmers and recreate socio-economic conditions conducive to entering the farming profession. In this perspective, it is essential to reinstate a policy of supporting the prices paid to farmers for certain products. Such a policy must be linked to supply management mechanisms in order to prevent overproduction, and must be consistent with international trade policies.

The current CAP, which supports agricultural incomes through decoupled payments without explicit orientation, encourages the expansion of large, productivist farms and the continued reduction in agricultural land. In contrast, the agroecological transition involves developing a network of more numerous and diversified farms distributed across Europe's agricultural landscapes. To be able to engage in sustainable agricultural practices, which initially involve high risks, farmers must secure prices that cover their production costs. Otherwise, they cannot take these risks.

There are various agricultural policy measures that can be taken to anticipate market imbalances and minimise the risk of future crises arising. It is important that they are implemented in collaboration with producer organisations, at multiple levels of intervention. Such policies are currently operational in many countries, including India, Canada and Norway. Empirical analyses of guaranteed price systems covering milk production costs combined with supply management show that these policies do not necessarily lead to higher costs for consumers. On the contrary, market deregulation can lead downstream actors in supply chains to increase their profit margins, to the detriment of both producers and consumers.

Neoliberalism is dead. We are facing a severe ecological crisis. Given the new global geopolitical and environmental context, it is vital that we reform the CAP for 2027-34, reverse the decline in the number of farmers, and move towards diversified and sustainable forms of agriculture.



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# Acronyms

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AoA	Agreement on Agriculture (World Trade Organisation)
CAP	Common Agricultural Policy
CMO	Common Organisation of Agricultural Markets
EEC	European Economic Community
ECVC	European Coordination Via Campesina
EU	European Union
FSS	Food Social Security
GATT	General Agreement on Tariffs and Trade
OECD	Organisation for Economic Co-operation and Development
PO	Producer organisation
PSE	Producer Support Estimate
PDO	Protected Designation of Origin
WTO	World Trade Organisation

# Introduction

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The European Union's (EU) Common Agricultural Policy (CAP) is the subject of heated debate, but there is broad consensus on certain points: it is on its last legs, its environmental measures have failed, it has become little more than an counter around which representatives of Member States jostle to secure the largest possible sums of money. It needs to be rebuilt with a clear redefinition of its objectives and by using coordinated public policy instruments while taking into account the contemporary geopolitical and environmental context.

These opinions are based on shared observations, such as:

- 'agricultural income crisis situations are increasing within the EU' (Détang-Dessendre and Guyomard (eds.), 2020, p. 40, translation);
- agricultural market prices and volumes, as well as farm incomes, have grown increasingly unstable in recent years (idem, p. 103);
- farmers' incomes are, on the whole, particularly low: on average, they represent less than half of gross wages in the EU (European Parliament, 2022);
- direct income support for farmers is distributed very unevenly: 20% of the largest beneficiaries receive 80% of this support (Chatellier and Guyomard, 2020);
- CAP environmental measures have led to changes in agricultural practices on only a very small fraction of EU farmland, around 5% (European Court of Auditors, 2017);
- since the beginning of 2024, farmers have been expressing their anger and distress once again by organising large demonstrations across the EU.

This situation is all the more alarming given that the uncertainties and risks affecting agricultural production and food supplies, both within the EU and globally, are becoming increasingly severe. They are linked to climate change, the depletion of fossil fuel sources, soil degradation, plant, animal and human diseases, and geopolitical rivalries. Under these circumstances, **the security of the European population's food supply can no longer be taken for granted.** Moreover, in 2020 European authorities began drafting a 'Contingency plan for ensuring food supply and food security in times of crisis' (European Commission, 2021): this plan resulted in the creation of the 'European Food Security Crisis preparedness and response Mechanism', which was put to the test following the outbreak of war in Ukraine. That being said, it must be acknowledged that threats to the security of food supplies are **not limited to episodic crises**: they now stem from a systemic reality that has developed over time (largely since 1945) and has ultimately led to the radically new ecological and social conditions we see today. Such a situation calls for innovative

public policies, above all a reformed CAP that is capable of addressing the monumental ecological and social challenges we are faced with.

In this context, European Coordination Via Campesina, Université libre de Bruxelles and the International Institute of Social Studies of Erasmus University Rotterdam organised an **international conference on the 3 and 4 March 2025 in Brussels**<sup>1</sup>. The aim was to reflect, in a transdisciplinary and interdisciplinary manner, on the lessons to be learned from the successes, failures and setbacks of agricultural market regulation policies in Europe and other parts of the world. The aim was to propose a new CAP, based in part on instruments for regulating agricultural markets, with the common goal of achieving agroecological transition in the EU. This conference brought together mainly farmers and academics, as well as other professionals (working in NGOs, research consultancies, government departments and international organisations) to discuss and jointly develop a shared knowledge on such an overhaul of the CAP. The conference was therefore part of a participatory research approach, in which field practitioners and researchers collaborate on an equal footing to formulate questions that are both scientifically and socially relevant, and then to explore those questions.

This report summarises the contributions and discussions that took place **on agricultural market regulation tools and direct income support for farmers**. The first part analyses decoupled direct payments from a theoretical standpoint, comparing the measure to other agricultural policy instruments. The second part presents an overview of agricultural market regulation measures that can be used to promote agroecological transition.

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<sup>1</sup> Details of the conference programme can be found at the following links: <https://www.eurovia.org/events/3-4-march-2025-international-conference-of-researchers-and-farmers-rethinking-the-regulation-of-agricultural-markets-for-agroecological-transition-in-europe/> and <https://cecid.phisoc.ulb.be/actualites/repenser-la-regulation-des-marches-agricoles-pour-la-transition-agroecologique-en-europe>

# 1. Direct payments and other agricultural policy instruments: a theoretical analysis<sup>2</sup>



Photo by Alona Kim on Pexels

<sup>2</sup>This first section was written by L. Roudart. She wishes to thank several readers, including Jean-Marc Boussard, Frédéric Courleux, Françoise Gérard, and Hélène Tordjman for their careful and constructive comments on an early draft of this text. She bears sole responsibility for any inaccuracies or mistakes in this version.

The agricultural sector is unlike any other economic sector, because it is vital for human survival. For thousands of years, almost all of our food has come from agricultural produce. As the ‘food riots’ of 2007–08 highlighted, crises in access to food can be a source of political instability. Furthermore, agricultural activity occupies land and uses resources such as water and soil, which are also vital for human survival. It has a major impact on the environment and on living conditions. Therefore, in practice, agricultural policy also encompasses policies on food, the environment, land use, and public health.

These characteristics of the agricultural sector have prompted government intervention since ancient times, taking different forms depending on the era and region of the world. A frequent objective has been to guarantee the security of food supplies for the population. Therefore, states intervened in the agricultural sector long before economic theories emerged in the 18th century to justify, or not, such interventions.

In this first part of the report, which is theoretical in nature, we present the vision of agricultural policy promoted by a certain school of thought in public economics, which has influenced the CAP for several decades. Public Economics examines the reasons for government intervention in the economy, the methods of such intervention, and its effects, whether intended or otherwise.

The school of thought we are interested in aims to be ‘both positive (to explain) and normative (to recommend)’ (Détang-Dessendre and Guyomard, 2020, p. 17). It is based on welfare economics, understood in terms of both individual and collective well-being.<sup>3</sup> This branch of welfare economics is grounded in neoclassical microeconomic theory, which studies individuals as producers or consumers, as well as their market-based interactions. Bruce Gardner is a key representative of this school of thought in agricultural policy analysis. Hal Varian and Jean-Jacques Laffont are two other well-known economists contributing from the same methodological perspective.

An introductory section briefly outlines how the CAP has evolved since 1992. Next, the first section reviews the reasons for public intervention in the agricultural sector according to this branch of public economics. Then, the second section deals with decoupled direct payments as compared to other instruments for supporting farm incomes, a topic that has been at the heart of CAP discussions since the 1990s.

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<sup>3</sup> It is worth noting that the shift from individual well-being to collective well-being raises serious conceptual issues, which we will not address in this report.

## Introductory section. From market price support to decoupled direct payments: a major turning point in the Common Agricultural Policy

The CAP in its original 1960s form was first contested and then changed dramatically in terms of its objectives and instruments from the 1990s onwards. This section provides a brief, schematic overview of the stages through which income support for farmers in the EEC/EU has shifted from mainly market price support<sup>4</sup> to mainly decoupled direct payments.

Until 1992, the EEC/EU CAP relied heavily on public market price support, which was implemented alongside a 'structural policy' targeting the restructuring and expansion of farms. However, from the early 1980s, under the influence of the then-dominant neoliberal economic paradigm, agricultural policies in many countries were called into question, particularly the CAP. Indeed, this decade was marked by the accumulation of agricultural surpluses in the EEC and the United States, a trade war between the two regions over international agricultural markets, a significant drop in world market prices, a sharp rise in the costs of storing surpluses, and export subsidies (which took different forms in the United States and the EEC), as well as stagnating farm incomes in Europe and numerous farm bankruptcies in the United States.

For these reasons, the political authorities of these territories agreed on the need to conduct multilateral negotiations on international trade and agricultural policies. To this end, they chose the General Agreement on Tariffs and Trade (GATT), during its final round of negotiations known as the Uruguay Round (so named because it was initiated in the city of Punta del Este). Initiated in 1986, this round concluded in Marrakesh in 1994: representatives from over half of the world's countries signed a series of agreements, including an Agreement on Agriculture (AoA), and decided to establish the World Trade Organisation (WTO) in 1995 to succeed the GATT (Roudart, 2018).

The preamble to the AoA states that its long-term objective is 'to establish a fair and market-oriented agricultural trading system' and to achieve 'substantial progressive reductions in agricultural support and protection' (WTO/GATT, 1994). As early as 1987, an OECD ministerial communiqué stated: '[t]he long-term objective is to allow market signals to influence by way of a progressive and concerted reduction of agricultural support [...] the orientation of agricultural production' (OECD, 2000, p. 6) Therefore, **at both the OECD and the WTO, an intermediate objective is to significantly reduce support for agriculture, so that this sector can then evolve based solely on market signals** (Courleux, 2012).

In 1992, the first major reform of the CAP (known as the MacSharry reform) was introduced: one of its aims was to bring the CAP into line with the AoA, which was to be signed two years later. From 1992 to 1995, the prices paid to farmers for cereals, oilseeds, and protein crops, as well as for beef, fell sharply. To compensate for these drastic reductions, a **new system of direct income support for farmers** was introduced. At that time, these payments were calculated per hectare or per head of livestock, and their allocation was conditional on setting aside 15% of arable land in order to reduce production. In 1999, another reform followed the 1992 reform, introducing further institutional price cuts and partially compensating income losses through direct payments. These payments were supposed to be temporary; they were only intended to last until farmers adjusted to the new situation (Gohin et al., 1999). In other words, following a process of market-driven selection favouring the most competitive farmers<sup>5</sup>, these farmers were thereafter expected to produce in line with prices determined by those markets. These markets were supposed to be self-regulating, rendering public intervention unnecessary or even harmful.

<sup>4</sup> In this report, we use the terms 'market price support' and 'producer price support' interchangeably to refer to the support paid to farmers for their products.

<sup>5</sup> This idea of favouring the most competitive farmers is well illustrated by the economist E.F. Nash. In 1965, he proposed dismantling the UK's system of agricultural protections, while also considering transitional payments to mitigate the impact on farmers. He wrote that these transitional payments should not 'influence the productive decisions of those who remain in agriculture or induce anyone to remain in preference to retiring or finding another occupation' (Nash 1965, cited by Beard and Swinbank (2001), p. 124).

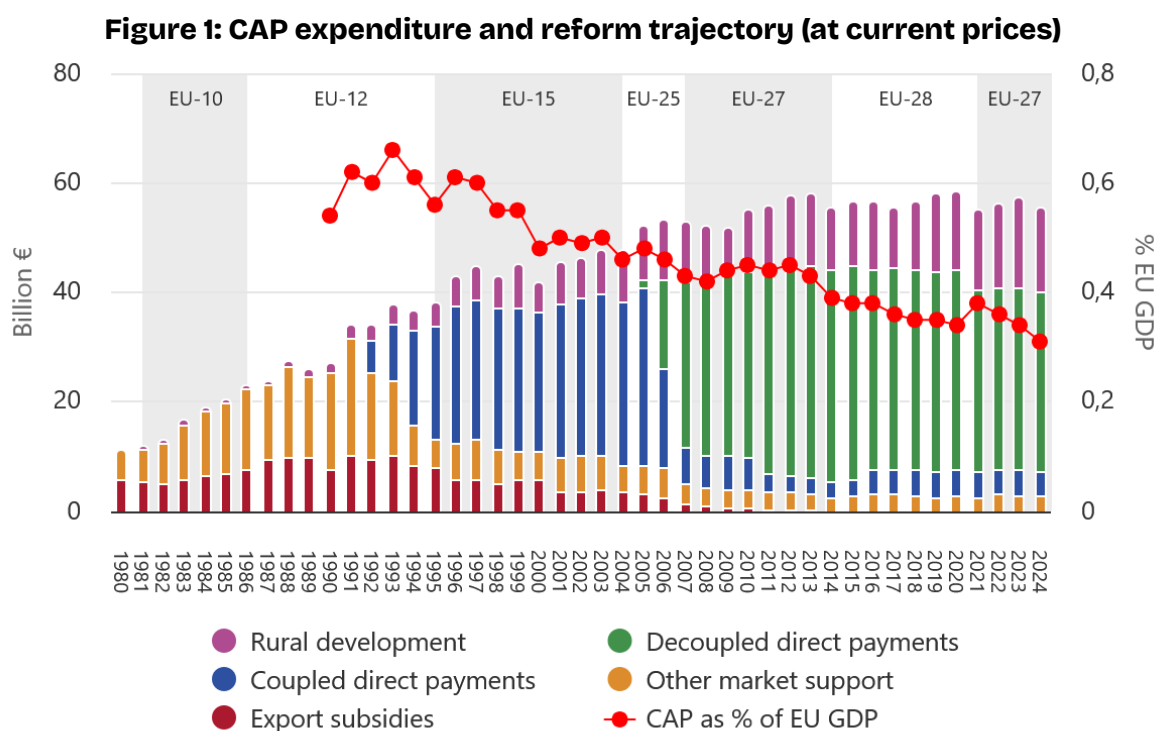
The reform introduced in 2003 extended these measures to include more products and, above all, introduced the **decoupling of direct payments** (see section 1.2.1 below for a definition of decoupling). This measure was another significant departure from the principles of the original CAP: at that time, farmers received a **single annual payment** for their farm, based on the number of eligible hectares but irrespective of their production that year (type of crops, volumes, prices), and even without any requirement to produce (Courleux, 2019). However, this payment was conditional on maintaining the land for at least potential agricultural use (compliance with 'good agricultural and environmental conditions'). Nevertheless, some direct payments remained coupled, primarily for cattle farming (Guyomard et al., 2007).

In 2013, slightly stricter environmental conditions were applied to a portion of decoupled direct payments. These were initially known as 'green payments', then 'eco-schemes' from 2021.

In 2015, single payment entitlements became **basic payment entitlements**. Today, a farmer can receive this basic payment entitlement and, if eligible, a redistributive payment, an eco-scheme payment, and a young farmer payment (Chatellier et al. (Eds.), 2025).

Ultimately, public interventions in the markets were largely phased out. Only a few customs duties remain (which can be high, as in the case of straw cereals), and in the event of a 'crisis', public authorities are expected to purchase commodities at intervention prices and provide aid for private storage (Bureau, 2018). However, there is no definition of what constitutes a 'crisis', and the price levels that trigger public intervention are particularly low, covering only about half of production costs.

Moreover, imports are affected by non-tariff barriers to account for differences in quality or safety standards between the EU and the rest of the world.



Source: CAP expenditure: European Commission, Directorate-General for Agriculture and Rural Development (financial report), November 2024. Available at: [https://agriculture.ec.europa.eu/data-and-analysis/financing/cap-expenditure\\_fr](https://agriculture.ec.europa.eu/data-and-analysis/financing/cap-expenditure_fr) (accessed September 2025).

## 1.1 The agricultural sector: public intervention is necessary

In the public economics literature of interest here, real-world markets are sometimes treated as equivalent to theoretical markets (see Section 1.2.2 below), and sometimes analysed in terms of how they differ from those theoretical markets. In the latter case, it is these differences or their impacts that will provide the rationale for public intervention. On this basis, three characteristics of agricultural markets are of particular interest to economists<sup>6</sup>:

1. **agricultural markets, when left unregulated, are highly unstable:** quantities sold vary and prices are particularly volatile, largely due to the inelasticity of demand (see Box 1);
2. **agricultural production generates externalities**, both positive and negative. In other words, it indirectly impacts the well-being of certain individuals, without these effects being reflected in market transactions: they are 'external' to the markets<sup>7</sup>;
3. when farmers grow crops and raise animals, they simultaneously produce certain types of goods known as 'public goods'.

In economics, a 'pure' public good has two attributes. The first is **non-rivalry**, meaning that consumption by one individual does not prevent or significantly reduce its consumption by other individuals. The second is **non-excludability**, when it is very costly or even impossible to prevent a person from consuming the good once it has been produced<sup>8</sup>. In the real world, public goods exhibit varying degrees of non-rivalry and non-excludability.

### Box 1: Causes of extreme price volatility

It is widely acknowledged that prices of agricultural products in unregulated markets are highly unstable: sharp increases are followed by crashes in a completely unpredictable manner.

Consequently, market prices do not convey reliable information about marginal production costs, contrary to what a supply curve is supposed to indicate according to neoclassical producer theory.

There are several reasons for this high volatility:

- **Demand for agricultural goods is inelastic.** In other words, in agricultural markets, the quantity that consumers are willing to purchase varies very little when the price of that good rises or falls. This is particularly true for basic foodstuffs that have no substitute. This is also true for agricultural commodities taken together, since they are essential.
- Events beyond farmers' control influence the quantities brought to market: extreme weather events, plant or animal diseases, pest infestations, etc. **Variation in the quantities available** causes prices to rise or fall.
- **The supply of agricultural goods is inelastic in the short term.** If the price of a product increases, it takes time for farmers to produce more, given the length of production cycles and the way farms are organised. It can reasonably

take several weeks for vegetables, more than a year for cereals, and several years for fruit.

- When starting a production cycle (several months for a cereal crop, for example, or years for fruit trees), a farmer must 'anticipate' the price they will be paid for their product. The farmer does this in a context of uncertainty, which leads to 'forecasting errors': the price they ultimately received differs from the anticipated price on which their production decisions were based. These **price forecasting errors** (which are endogenous, since they result from the market's own dynamics) are a source of price fluctuations. This type of analysis, which began with the famous 'cobweb model' presented by American agricultural economist Mordecai Ezekiel in 1938, has been the subject of numerous publications. Unlike the neoclassical producer model, this type of **analysis takes into account the time-related challenges and uncertainty** that farmers face.
- Another endogenous source of price fluctuations arises from the **cyclical pattern of farmers' investment**; they invest when high prices prevail over several years, and have **periods of non-investment** when low prices persist for multiple years.

**Sources:** Boussard 2017, Boussard et Benmehaia 2025, Cordier et Gohin 2020.

<sup>6</sup> Other characteristics are discussed at the end of this section.

<sup>7</sup> For example, air pollution from pesticides or ammonia is a negative externality, while carbon storage in soils is a positive externality.

<sup>8</sup> A beautiful agricultural landscape is an example of a pure public good. In his work *The Wealth of Nations* (1776), Adam Smith used the example of a coastal lighthouse guiding ships (at a time when radar guidance did not exist).

The extreme **instability of prices** for agricultural products is considered very harmful by many economists. Firstly, because it causes **fluctuations in farmers' incomes**. And when prices and incomes slump for several consecutive years, this leads to farm bankruptcies.

Price and income variability creates a **context of uncertainty** for farmers (see Box 1), which influences their short-term production decisions because they cannot be sure that they will cover their production costs when they sell their products. Uncertainty also makes investment decisions difficult because their profitability is not guaranteed. This in turn tends to limit production among risk-averse farmers. In fact, the private insurance market for farmers does not cover the risks of low prices because they are systemic; these hazards affect all farmers connected to the same market at the same time. In other words, the occurrence probabilities of such a hazard are correlated and farmers would all claim compensation from the insurer at the same time, which could lead to the insurer's bankruptcy. Moreover, with such insurance, farmers would produce more, which would in turn increase the likelihood of the risk materialising (Boussard, 2017).

On the other hand, when market prices are high, poor consumers face serious difficulties in accessing food, and may even have no access at all. The price variability of agricultural products is also a problem for the agri-food industries, who face fluctuating raw material supply costs.

With regard to **externalities**, the line of reasoning among economists is as follows: as there is no market for these goods and services, consumers cannot express their preferences, and there is a high risk that the production of positive externalities will fall short of consumer expectations and, conversely, that the production of negative externalities will far exceed what is socially acceptable (Butault, 2004).

As for **public goods**, economists argue that they require different types of intervention depending on their characteristics (Butault, 2004). For example, if a good is truly non-rival and non-excludable, no private agent has an incentive to produce it, since it is virtually impossible to prevent non-paying users from accessing it. If a public authority does not take responsibility for its production in the name of the public interest, then the good will not be produced (Samuelson, 1982, Laffont, 1988).

On this basis, many economists believe that **public intervention is necessary to regulate the agricultural sector**.

For example, A. Gohin, O. Gorin, H. Guyomard and C. Le Mouël (1999, p. 17) write: 'In agriculture, market failures are numerous, and the state must intervene, not only by providing a complex regulatory and institutional framework developed over time, without which no market economy can function efficiently, but also by recognising the constraints and roles inherent in agricultural activity. Market instability justifies the introduction of safety nets. By occupying the land, farmers perform a dual function. While food production is a matter for the private sector, nature conservation and land use planning are matters for the public sector and thus require state intervention'.

In addition to public goods, externalities, and the uncertainty associated with price instability, economists recognise that many real agricultural markets display additional characteristics that distinguish them from markets described by neoclassical theory, which in their view can justify public interventions:

- **non-atomicity on the demand side:** while there are many agricultural producers, they face a highly concentrated buyer market characterised by oligopsony or even monopsony;
- **restricted market entry:** it is difficult to become a farmer, and poor consumers do not have access to many markets;

- **lack of transparency/ information asymmetries:** some market actors have more information than others in the same market.

The idea that public intervention in the agricultural sector is necessary is therefore well supported in the branch of public economics that is our focus.

## 1.2 Decoupled direct payments and other agricultural income support tools: theoretical analysis and challenges formulating public policy recommendations

### 1.2.1 What is decoupling?

As we have seen, in the history of the CAP, the shift from market price support to direct payments, and subsequently to decoupled direct payments, represented major turning points.

The idea of decoupling emerged during the AoA negotiations (see introductory section above), as attention turned to the **effects of agricultural policy measures**, in this case agricultural income support, on production and international trade. The AoA proposes several categories of agricultural policy measures depending on the extent of these effects. It considers acceptable those measures that respect ‘the fundamental requirement that **they have no, or at most minimal, trade-distorting effects or effects on production**’ (AoA, Appendix 2, para. 1, p. 15). The other measures had to be dismantled, at least in part, in the countries that are signatories to the AoA<sup>9</sup>. Where necessary, the dismantled measures were replaced by other measures regarded as acceptable. It was this logic that guided the reform of the CAP from 1992 onwards.

Box 2 presents a more detailed description of ‘**decoupled income support**’ according to the AoA. It should be noted that this support is defined in contrast to producer price support. **It does not depend on the type, volume, or prices of current-year production, nor on the inputs used. It is not tied to any production requirement.**

Conversely, coupled support is linked to current-year production or to the inputs used.



Photo by Seb on Pexels

<sup>9</sup> The AoA distinguishes three categories of countries: developed countries; least developed countries (LDCs), and developing countries other than LDCs. While the latter were not required to reform their agricultural policies, the former were, albeit under differentiated commitments for developed and developing countries.

### Box 2: Definition of 'decoupled income support' according to Appendix 2 of the AoA

'Decoupled income support' must meet **two basic criteria**:

a. 'the support in question shall be provided through a publicly-funded government programme (including government revenue foregone) not involving transfers from consumers; and,

b. the support in question shall not have the effect of providing price support to producers.'

Moreover, 'decoupled income support' must meet the following **five conditions**:

a. 'Eligibility for such payments shall be determined by clearly-defined criteria such as income, status as a producer or landowner, factor use or production level in a defined and fixed base period.

b. The amount of such payments in any given year shall not be related to, or based on, the type or volume of production (including livestock units) undertaken by the producer in any year after the base period.

c. The amount of such payments in any given year shall not be related to, or based on, the factors of production employed in any year after the base period.

d. The amount of such payments in any given year shall not be related to, or based on, the factors of production employed in any year after the base period.

e. No production shall be required in order to receive such payments.'

**Source:** WTO/GATT, Agreement on Agriculture, p. 15-17

Drawing on the work of Cahill (1997), the OECD adopted this approach, focusing on the ex-post effects of policies on production and international trade. It distinguishes between two cases. An agricultural policy instrument is said to be:

1. **effectively fully decoupled** if it does not induce a change in the quantities produced and traded of the good in question (though the shapes of the supply and demand curves may change);
2. **fully decoupled** (simply put, although this is in fact a more restrictive definition) if it does not lead to any change in the quantities produced and traded of the good in question and, moreover, if, in the event of an economic shock, the adjustment of quantities produced and traded would be the same (corresponding to a situation in which the agricultural policy instrument does not alter the shapes of the supply and demand curves for the good in question) (OECD, 2000).

That said, full decoupling represents an exceptional situation, assuming it exists at all. This is why the OECD defined a 'degree of decoupling' (see Box 3), which seeks to measure the effects of an agricultural policy instrument on production and/or international trade by comparison with the effects of market price support. The OECD nevertheless acknowledges that **an empirical classification of agricultural policy instruments according to their effects on trade is difficult, especially when countries employ a broad mix of policy instruments** (OECD, 2000, p. 23).

### Box 3: Definition of the degree of decoupling according to the OECD

The degree of decoupling is an index that measures effective coupling independently of the units used to measure production. A value of one indicates that the policy instrument is effectively fully decoupled, with no effect on production and/or trade. A degree of decoupling equal to zero indicates that the effects of the policy instrument on production and trade are equivalent to those of producer price support, for the same level of the Producer Support Estimate (PSE). A degree of decoupling can be greater than one (indicating negative effects on production), or negative (indicating an effect on production greater than that corresponding to the same change in the PSE due to producer price support).

**Source:** OCDE, 2000, p. 12

## 1.2.2 Theoretical justification for decoupled direct payments: a critical analysis

### Partial equilibrium models for market analysis

There are numerous publications analysing the effects of decoupled direct payments in comparison with other agricultural policy instruments. In the rest of this text, we will focus on a few publications that are particularly prominent in recommending decoupled direct payments rather than market regulation instruments.

#### **Partial and static models**

Most of the models used for this purpose are inspired by neoclassical theory. They are referred to as 'partial equilibrium' models because they analyse the market(s) for only one or a few goods, unlike 'general equilibrium' models, which consider the markets for all goods and their interactions within an economy. Partial equilibrium models have the advantage of being simple. However, this simplicity comes at a cost: it leads to the assumption that all markets not included in the model are fixed, and that only the market(s) being studied change(s) as a result of an economic policy measure (or an external shock) (Guerrien 1989, 1993).

These models feature three economic agents: producers, consumers, and, where relevant, taxpayers.<sup>10</sup>

Furthermore, in most cases, these models are used to perform what is known as 'static' or 'comparative static' analysis. Static analysis reflects the market situation at a given moment. In comparative static analysis, we assume that one or more variables change and that all others remain constant, then we study the **effects of these changes assuming that they are instantaneous**.

In other words, we compare two snapshots of an economic situation in which a few elements have changed, while all other factors are assumed constant. Here too, **static analyses have the advantage of being simple, but they come at a very high cost: they effectively remove time from the analysis, along with all the uncertainties associated with it**. Such simplification is particularly problematic for the agricultural sector, where product prices vary greatly over time in unpredictable ways (see Box 1). However, in static analysis, by definition, prices are known<sup>11</sup>.

#### **Unrealistic assumptions**

Many of these models assume that markets are **perfectly competitive**.

In other words, they make assumptions about these markets that are widely recognised as unrealistic, especially the following:

1. producers seek only to maximise profit, subject to technological constraints;
2. consumers seek only to maximise their utility, subject to a budget constraint;
3. all producers and all consumers are price takers; in other words, none of them has any individual influence on the determination of market prices;

<sup>10</sup> These three categories of agents overlap considerably in the real world, but they are treated separately in this type of analysis. In neoclassical theory, a market consists only of producers and consumers. The introduction of the State and its taxpayers is therefore an adaptation of this theory.

<sup>11</sup> In neoclassical theory, time is incorporated through the assumption that there is a 'complete system of markets': producers and consumers can trade on all present and future markets, whose characteristics are assumed to be known.

Again, this eliminates uncertainty regarding current and future prices. However, since the 1980s, economists have developed so-called 'dynamic' general equilibrium models, which explicitly take time into account. For further reference, see the work of Jean-Marc Boussard, Françoise Gérard, and Marie-Gabrielle Piketty (2008).

4. producers and consumers determine the quantities they sell or purchase entirely in response to prices (Guerrien, 1989, 1993).

It should also be noted that producers and consumers are supposed to know everything about prices and quantities on the markets, implying the absence of any uncertainty.

In the real world, the vast majority of agricultural product markets do not conform to these assumptions (Détang-Dessendre and Guyomard, (Eds.) 2020, Gohin et al., 1999). **These models, therefore, do not represent real markets** (with some exceptions).

We are well aware that some economists suggest that we should not concern ourselves with the plausibility of assumptions, provided that the predictions of theories and models (or at least some of these predictions) are consistent with reality (Friedman, 1953).

Under this view, assumptions are regarded as mere heuristic tools. Of course, such a stance is controversial among economists (Samuelson, 1965). And, as far as models are concerned, their predictions are rarely tested against reality, mainly because the policies actually implemented differ to a greater or lesser extent from those envisaged by economists (Giraud, 2020). We will not enter into this debate. However, we are surprised by this frequent recourse to very old assumptions, which date back to the late 19th or early 20th century.

Moreover, with such models, dropping the single assumption of perfect certainty produces entirely different outcomes (Boussard et al., 2008).

B. Gardner, one of the leading experts on this type of model, notes that, by design, these models invariably conclude that public market interventions are harmful (Gardner, 1987).

## Results

Let us now examine the main results produced by such models, based on an article titled 'Interprétation économique, avantages et limites du principe de découplage des instruments de soutien des revenus agricoles [Economic interpretation, advantages and limitations of the principle of decoupling agricultural income support instruments]' (Gohin et al., 1999). These models conclude that:

1. a guaranteed price for producers leads to losses in 'national economic welfare,' as well as distortions in international trade, affecting both supply and demand (see Graph 1 in Appendix 1);
2. a payment linked to production volumes has the same two effects, but only on the supply side (see Graph 2 in Appendix 1);
3. a decoupled payment has no effect on either welfare or international trade (see Graph 3 in Appendix 1).

Based on this analysis, a decoupled subsidy is therefore a preferable policy instrument to producer price support. However, it is important to question what is meant by 'welfare' in this context. It is measured in terms of 'social surplus', which is the sum of producer surplus, consumer surplus, and taxpayer surplus. In other words, it represents a monetary value calculated by multiplying a quantity of a good by its price.

At this stage of the analysis, it should be noted that another assumption is necessary in order to conclude that a decoupled payment has no effect on welfare: the opportunity cost of public funds is assumed to be zero.

It should be emphasised that such results must be treated with the utmost caution: as they are derived from partial, non-temporal analyses that therefore eliminate any uncertainty and are based on unrealistic assumptions, the presentation of these results must be accompanied by an

epistemological reflection on their scope of validity. Such reflection is all the more necessary when the results provide grounds for public policy recommendations.

## **Maximising social surplus, achieving Pareto efficiency: are these objectives legitimate?**

### **Social surplus**

Thus, the criterion of maximising social surplus (or minimising social surplus losses) is considered relevant in many economic modelling exercises. However, this does not make it a legitimate criterion for public action. Indeed, even if these models had a much closer relationship with the real agricultural world, the **objectives** linked to the concept of social surplus would still need to be **made explicit so that they could be debated in the political arena, rather than imposed as arguments of scientific authority in economics**. As Baujard writes (2017, p. 116), ‘it therefore becomes essential to carry out work to identify and discuss the normative objectives invoked in public economics models’ (translation). Giraud (2020, p. 34,) takes a complementary stance on defining public policy objectives: ‘economists once again enjoy no privileges when it comes to choosing objectives. They are simply citizens like any others. This is therefore a strictly political step. All economists should be careful not to use their technical expertise [...] to try to impose their views’ (translation). Regarding the stage of economic policy design, he adds: ‘Economists at this stage are merely the prince’s consultants, simple experts: they produce variants of their models’ (translation), leaving it to the ‘prince’ to decide whether one of the variants should inform the policy ultimately enacted.

In this regard, it is entirely possible that **political representatives** may choose an agricultural policy option that is costly, or that does not maximise social surplus, with the aim, for example, of preventing food access crises. Conversely, systematically seeking out the least expensive agricultural policy options may effectively place little value on human lives lost or harmed during food access crises (Roudart, 2023).

### **Pareto efficiency**

Another objective (related to the maximisation of social surplus) frequently emphasised in the relevant public economics literature is to move an economy closer to a ‘Pareto efficiency’, which is defined as a state in which the allocation of goods is such that it is impossible to increase the welfare of any individual without reducing the welfare of at least one other individual. According to neoclassical theory, in an economy made up of perfectly competitive markets, when all these markets are in equilibrium, then the situation is Pareto efficient<sup>12</sup>.

The expression ‘moving closer to Pareto efficiency’ acknowledges the fact that real-world markets are not perfectly competitive. Consequently, allowing them to operate freely leads to situations that are not Pareto efficient. Public intervention can therefore be considered legitimate if it helps move the economy closer to Pareto efficiency<sup>13</sup>.

Again, we must question the political legitimacy of such an objective. Pareto efficiency optimum is used in economic reasoning, but it does not necessarily correspond to a social optimum defined by political choice. In this regard, it should be noted that Pareto efficiency is very

<sup>12</sup> This result is based on mathematical proofs. It is the first theorem of welfare economics. It helps explain the importance of general equilibrium in neoclassical theory. The second theorem of welfare economics states that, under certain conditions, any Pareto-efficient economic situation can be achieved through competitive general equilibrium. For some economists, this second theorem paves the way for public intervention based on criteria of social justice.

<sup>13</sup> This stance is well summarised by C. Détang-Dessendre and H. Guyomard (2020, p. 19): ‘When the conditions for validating the two welfare theorems are not met, as is the case in agriculture, it is highly unlikely that competitive equilibrium with private ownership will be Pareto efficient. This inefficiency paves the way for public intervention aimed at restoring efficiency. In other words, the existence of market failures (non-competitive markets, incomplete markets, non-convex consumption and/or production sets, externalities, and public goods) legitimises intervention by public authorities. This raises the question of how this intervention should be carried out so that it is effective, or at least as effective as possible. This analytical framework is employed in the later chapters of this book both to justify the objectives of the CAP and to define the instruments required to achieve these objectives at the lowest possible cost’ (translation). It is in this vein that the public interventions discussed above (Section 1.1) are regarded as justified.

restrictive, since it does not allow for the possibility that an individual's welfare may decrease. It also does not address the question of equity in resource distribution: a situation in which resources are concentrated in the hands of a minority can still be considered Pareto efficient.

### **The very real effects of decoupled direct payments on production and therefore on trade**

On the other hand, the idea that decoupled direct payments would have no effect on production, international trade or overall welfare is pure fiction. Gohin et al. (1999) explain the economic mechanisms through which decoupled direct payments have an impact. Firstly, as they increase and stabilise farm household incomes, they influence decisions regarding work and investments. They can facilitate access to credit and also lead to a reduction in risk and less risk aversion among farmers who receive them. Consequently, there are indeed effects on production. Gohin et al. (1999) specify that empirical case-by-case studies are necessary to estimate the magnitude of these effects.

It should be noted that investment-related effects materialise gradually. Time is also relevant because farmers form expectations about future agricultural policies, which in turn influence their decisions in the present (Andersson, 2004).

### **Decoupled direct payments: not always so effective**

Gohin et al. (1999) also explain that in cases where agricultural production generates **positive externalities that increase with volume**, partial market equilibrium analysis models lead to the conclusion that **policy tools linked to production are more effective in terms of overall economic welfare than decoupled direct payments**. This type of analysis thus suggests that **policy measures coupled with production could be the most effective in supporting agroecological production systems**. In contrast, when negative externalities are present, these models lead to the opposite conclusion.

They further explain that the opportunity cost of public funds is likely not zero, and therefore the effectiveness of decoupled direct payments is lower than under the null hypothesis.

Finally, Gohin et al. (1999) note that, for the public regulator, replacing market price support instruments with **decoupled direct payments effectively means relinquishing the ability to influence production decisions**. In the current geopolitical and environmental context, where the security of European food supplies cannot be taken for granted, this observation serves as a stark warning.

### **Empirical studies: necessary but all too rare**

Let us now analyse several publications with empirical content that compare decoupled direct payments with other agricultural policy instruments. Let us begin with two articles, Dewbre et al. (2001) and Dewbre and Short (2002), which are based on static, partial equilibrium models with unrealistic assumptions (see the beginning of Section 1.2.2).

Dewbre et al. (2001) use an equilibrium model (one crop; two production factors: land and all other production factors; two world regions – the country under analysis and the rest of the world) to compare the effects on production, international trade, and farmers' incomes of four agricultural policy instruments: market price support, product-coupled direct payments, area-based direct payments, and payments based on the use of non-land inputs. The authors classify these tools according to their relative impact on each of the three variables analysed (production, trade, agricultural income). They conclude their theoretical analysis by stating that these rankings are unequivocal provided four conditions are met:

- initially, there is no support for the agricultural sector;
- the country is 'small' in the economic sense of the term (it has no influence on the price of the product on international markets);
- the elasticity of land substitution relative to other production factors is positive;
- the elasticity of land supply is lower than the elasticity of the supply of other production factors (Dewbre et al., 2001, p. 1207).

In all other cases, in order to rank the tools according to their effectiveness, they conclude that empirical studies are necessary, as these effects depend heavily on the initial conditions of support for the agricultural sector and the value of critical elasticities (Dewbre et al., 2001).

In the empirical part of this article, the authors deal with six countries or territorial groups: the EU, Canada, the United States, Mexico, Switzerland, and the rest of the world. Using a model comprising four types of crops (wheat, rice, coarse grains, oilseeds), they simulate agricultural policies. They carry out these simulations 'for each pair of countries and support tools, without considering whether the corresponding category of support is actually used in a country or not' (Dewbre et al., 2001, p. 1208). In other words, they do not take into account the actual initial conditions of support for the agricultural sector in the countries studied, even though they have just explained that these initial conditions influence the ranking of the agricultural policy tools being analysed. Consequently, **the results they obtain are based on partially fictitious country cases and cannot be considered applicable to the countries cited** (unless a thorough analysis of the scope of validity of the results is conducted). Overall, these results convey the idea that direct payments are a more effective agricultural policy tool than market price support<sup>14</sup>.

One year later, Dewbre and Short (2002) produce, based on a model very close to the previous one, a ranking of six agricultural policy instruments used in OECD countries. These instruments are those analysed in the previous article (market price support, direct payments coupled to production, direct payments based on area, and input-based payments), to which they add income support payments and lump-sum payments based on historical entitlements. They make the assumption that in the baseline scenario, there is no support for the agricultural sector. Such an assumption is not only unrealistic (OECD countries support their agriculture), but it is also known that this influences the ranking of the tools. In this regard, the OECD emphasises the following methodological point: 'the impact of any policy change should be analysed in a context which recognises that the status quo is already highly influenced by existing policies' (OECD, 2000, p. 8).

There is, therefore, **no reason to believe that the classification of tools presented by Dewbre and Short (2002) is valid for OECD countries**. Perhaps Dewbre and Short (2002) are proposing an unrealistic hypothesis for heuristic purposes, as we saw above? In any case, it is clear that the resulting ranking of tools cannot be transformed as such into policy recommendations: here again, prior consideration of the scope of validity of the results is absolutely necessary, as is political reflection on the comparison criteria used. As in the previous study, these results convey the idea that direct payments are a more effective agricultural policy tool than market price support<sup>15</sup>.

V. Chatellier and H. Guyomard (2020) briefly address the issue of ranking policy instruments (decoupled direct payments, product-coupled payments, guaranteed producer prices, and payments based on variable inputs) according to the orders of magnitude of their effects. They write that this issue 'can only be addressed on an empirical basis, on a case-by-case basis,' and that 'studies that (...) break down the impacts of a given income support policy into its different components are still too few' (p. 54, translation). Indeed, only two references are cited on this

<sup>14</sup> These results are shown in Appendix 2.

<sup>15</sup> These results are shown in Appendix 2.

subject: Andersson (2004) and Hennessy (1998).

Hennessy (1998) shows that decoupled direct payments do have an impact on production, by increasing income, reducing risk and reducing risk aversion (see section above on the very real effects of decoupled direct payments). Hennessy also demonstrates that, **in general but not always**, coupled payments have a greater impact on production than comparable decoupled payments. He examines this in the context of a measure from the 1996 U.S. Farm Bill.

The publication written by F. Andersson (2004) is a working paper that presents a review of the conceptual and empirical literature on decoupling. The conceptual section analyses the mechanisms through which five types of agricultural policy instruments have direct (prices and cross-subsidies) and indirect (income, risks, dynamic effects related to investment and policy expectations) effects on production and trade. The five types of tools are those that make up producer support according to the OECD: **market price support, coupled payments, area-based payments, input-based payments**, and lump-sum payments based on historical reference levels. The author explains that the **first four types of tools, when combined with quotas** (restrictions on the quantities produced, see Part 2 of the report), **might have no effect on production or welfare. These combinations are therefore equivalent to lump-sum payments** (pp. 15-16).

The empirical section reviews publications that examine the effects of agricultural policies on production in various countries or regions: the EU, the United States, Türkiye, Mexico, Sweden, and New Zealand (the dismantling of an agricultural policy measure in Canada is also mentioned). The central question is: following a reform process, to what extent will the new agricultural policies move towards decoupling? With regard to the EU, the reforms of 1992 and 1999 are analysed from this perspective; the 2003 reform is also discussed, but its effects were not yet visible when F. Andersson published his working paper (2004). As for the United States, it is interesting to note that the 2002 Farm Bill is considered less decoupled than the 1996 one: indeed, it reintroduced counter-cyclical payments that had been in place before 1996. **However, this empirical section does not provide a systematic comparison of the effects of different agricultural policy instruments.**

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In conclusion, the economic studies referenced in this first part of the report do not provide any sufficiently substantiated arguments in favour of decoupled direct payments over market price support. If there are economic studies providing a rigorous, empirically and epistemologically grounded demonstration of the superiority of decoupled direct payments compared to market intervention tools for the European agricultural sector, if such studies exist (we have not found any), the criteria for 'superiority' should be the subject of political deliberation before any results are translated into public policy recommendations.

We note with interest that partial market equilibrium analyses conclude that policy measures linked to production are more effective than decoupled direct payments when positive externalities increase with production. We also note that market price support and certain coupled payment schemes, when combined with quotas, can have effects equivalent to lump-sum payments.

One argument in favour of decoupled direct payments, other than economic efficiency or effects on production and international trade, is their acceptability in international negotiations on agricultural policies under the WTO, (Gohin et al., 1999). Given that these negotiations have been at a complete standstill for years, and that an increasing number of countries are implementing agricultural policy measures that run counter to the spirit and letter of the AoA, this argument of international acceptability no longer holds any validity today (Roudart, 2018).

In extreme terms, the transition from market price support to decoupled direct payments marked a shift in the CAP from a policy aimed at guiding agricultural and food production (as well as associated externalities and public goods) to a policy of income redistribution without any explicit direction.

The branch of public economics referred to in this report primarily analyses the effects of different agricultural policy tools on production, international trade, and welfare. Sociological research on agricultural communities allows us to move beyond this perspective.

Hervieu and Purseigle (2013) establish a typology of forms of social and economic organisation of labour in agriculture. Among these forms, they identify what they refer to as 'delegated corporate farming', in which farmers maintain their legal status but outsource all farm operations (including cultivation, livestock management, and administrative tasks) to subcontracting firms. Farmers no longer work on their farms; they receive their decoupled direct payments and enter into new types of contracts with subcontracting companies. B. Hervieu and F. Purseigle explain that this form of organisation became much more widespread after the introduction of decoupled direct payments, which created a separation between the remuneration of farm capital and the remuneration of agricultural labour. Therefore, decoupled direct payments have promoted forms of farming without farmers, including corporate farming, which we consider a real threat to European food security.

This brings us to the second part of the report, which presents a set of public policy tools for regulating agricultural markets, framing the agroecological transition in Europe as a common direction, and drawing lessons from the shortcomings and setbacks of past experiences.

## 2. Market price support for agricultural products to promote agroecological transition



As previously mentioned, the main objective of the conference was to revive ‘the memory of examples of market regulation policies that existed and produced significant results in a not-so-distant past, in order to inspire those shaping tomorrow’s public policies’ (Ody<sup>16</sup>, 2025, p. 3, translation). The contributions from the conference converge on the need for a fundamental shift in the direction of European agricultural policy, moving away from decoupled direct payments and the largely unregulated agricultural markets. By establishing market self-regulation as the guiding principle for price formation, this model has increased the instability of agricultural markets.

This agricultural policy model is now at an impasse: direct payments, originally designed as temporary measures to help farmers adjust to market signals (Maass, 2025), now constitute a substantial portion of farmers’ incomes<sup>17</sup>. The viability of many farms therefore depends largely on these subsidies, in a context where the prices obtained for certain products remain structurally lower than production costs (Avignon and Guigue, 2024)<sup>18</sup>. The system of decoupled payments has also further intensified competition among EU farms, exacerbated inequalities between farms, and concentrated productive resources (particularly land) in the hands of an ever-smaller number of farmers (Chatelier and Guyomard, 2020). Consequently, the CAP has been criticised by some agricultural professionals for its ‘propensity to promote job losses’ (Trouvé and Bazin, 2018, p.102, translation). The means of public intervention in the agricultural sector are numerous, diverse, and, in principle, guided by desired outcomes. Among all these measures, a subgroup of measures acknowledges the fact that agricultural markets are **dysfunctional**: they are particularly unstable, prices fluctuate greatly, creating difficulties and uncertainties for both agricultural producers and food consumers alike. Moreover, these dysfunctions also affect the joint outputs associated with agricultural products (see Section 1.1 in Part 1 on externalities and public goods). **Public measures to regulate agricultural markets aim to mitigate or eliminate these dysfunctions, with a view to providing security for producers and consumers.**

The objective of this second part is to present a whole range of measures for regulating agricultural markets. Such policies shaped the CAP until the early 1990s, and are now implemented in many countries, including India, Canada and Norway (Jacobs *et al.*, 2025).

In the current context, market regulation mechanisms must be designed as levers to steer European agriculture towards agroecology, ensure decent incomes for farmers, and recreate socio-economic conditions conducive to entering the farming profession. To be able to engage in sustainable agricultural practices, which initially involve high risks, farmers must have decent incomes, otherwise they are not able to take these risks. This means, first and foremost, supporting the prices paid to farmers for at least part of their produce. This approach involves implementing ‘fair prices’, understood as prices that cover all production costs, including the labour of both independent farmers and employees (Voss, 2025).

A price support policy must be linked to supply management tools in order to avoid overproduction, and to an international trade policy that is consistent with the price policy on EU markets.

It must also be accompanied by a **land market regulation policy** (see Section 2.3), to facilitate access to land for new entrants carrying out agroecological projects on a greater number of smaller farms, and to curb the ongoing concentration of land in increasingly large holdings (Calo *et al.*, 2025).

<sup>16</sup> References in italics refer to contributions from the conference held in Brussels on 3 and 4 March 2025. The full names of the authors and the titles are listed in the bibliography of Part 2. The contributions can be accessed via the following link : <https://www.eurovia.org/publications/56059/>

<sup>17</sup> At the European level, and for the period 2012–2016, decoupled direct payments accounted on average for 63% of the pre-tax operating income of farms (Détang-Dessendre and Guyomard, 2020, p. 54). However, the share of these payments varies considerably depending on the country and the production focus of the farms.

<sup>18</sup> Consider, for example, the case of cows’ milk .

## 2.1 Co-developing market regulation measures to prevent crises

### 2.1.1 Crisis 'management' in deregulated markets

In the current context of deregulation, crisis management is the default response to the structural instability of agricultural markets. Crises are becoming recurring and normalised phenomena that are typically addressed through ad hoc measures (emergency funds, exceptional aid, etc.) designed to mitigate the most visible impacts on the agricultural economy.

Several recent publications call on the EU and its Member States to reconsider their approach to such crises, given the likely increase in their intensity and frequency in the near future (Guyomard et al., 2024, European Commission 2025). The problem is that this **crisis-driven approach reinforces the idea that instability in agricultural markets is inevitable, as if fluctuations in quantities and prices were solely the result of external factors** – extreme weather events, health risks, geopolitical tensions – and had no connection to the underlying economic mechanisms of agricultural markets (see Part 1 of this report). Each crisis is then presented as an unprecedented and exceptional situation, justifying, on the one hand, emergency interventions followed by a return to deregulation and, on the other hand, public support for financing commercial risk management instruments (such as insurance, futures markets and contracts).

This crisis-based management weakens the majority of farms, increasing their economic vulnerability and discouraging any long-term investment strategy. It therefore represents a significant obstacle to farmers' participation in agroecological transition pathways, by maintaining a climate of structural uncertainty. This approach also helps to **promote the idea that crises are part of a selection process that leads to the elimination of the least productive farms**, with the subsequently available resources partly recovered by the farms that are most capable of withstanding shocks.

Crisis management mechanisms are, to a certain extent, at odds with an agricultural policy that aims to anticipate imbalances in order to prevent crises from arising as far as possible. This is why, in the following sections of this report, certain instruments generally presented as crisis management measures, such as support for voluntary reductions in production volumes or subsidies for the processing of agricultural products, will be reframed as market regulation instruments. By adopting this semantic shift, the aim is to emphasise the need to design these instruments not as emergency responses, but as **supply management measures capable of contributing to the structural stabilisation of agricultural prices**. To improve crisis anticipation and prevention capabilities, regulatory instruments (particularly those related to quantity control) should be co-designed with producer organisations (POs), which are familiar with the reality on the ground.

### 2.1.2 Strengthening the role of producer organisations

Co-designing market regulation measures with producer organisations requires decentralised, **multi-level governance that integrates the policy directions of national and European authorities with the insights of farmers and other agricultural stakeholders on the ground**. This approach is essential for adapting market regulation to the realities of sectors, territories and production systems (Jacobs et al., 2025).

The recognition of POs by public authorities must address a dual democratic challenge. The first concerns the **effective representation of the diversity of production systems** in decision-

making processes, given the risk of disproportionate influence from organisations representing agro-industrial production models (Maass, 2025). This is why several contributors to the conference recommended strengthening the support and participation of POs rooted in local agri-food systems (ECVC 2024), as well as those engaged in the production of differentiated, high-quality products, including organic farming (Madeline 2025). The second democratic issue relates to the **internal governance of POs**: there is a very real risk that managers may dominate decision-making, undermining the control that producers themselves exercise over these processes. This problem is particularly evident in certain dairy producer cooperatives, where the prices imposed at certain times do not cover the production costs of the majority of members. In order to limit this kind of abuse, the criteria for approval and funding of POs by public authorities at EU or Member State level could be strengthened with regard to internal governance (Voss, 2025, ECVC, 2024).

They can play several key roles in regulating agricultural markets. Firstly, they can intervene in **controlling production volumes** to prevent overproduction (Courleux, 2025).

POs can also play a decisive role in developing **production cost indicators**, possibly in partnership with agricultural technical institutes or other public services (Courgeau 2025). Due to their proximity to farms, they are well positioned to collect reliable data that reflects the diversity of technical choices and economic performance of producers. Furthermore, POs are key players in organising inter-professional consultation within sectors and strengthening producers' bargaining power over the distribution of value in agri-food chains.

Finally, POs can play a central role in structuring **differentiation across value chains**, contributing both to defining quality criteria for products with protected status or certified products and to developing sustainability standards. These may relate to environmental protection, reducing the climate impact of production methods, or social requirements regarding working conditions for agricultural workers. Price consultations for agricultural products that meet sustainability standards was formally introduced into the CAP in 2021, through Article 210a of the CMO Regulation (ECVC, 2024).

### **2.1.3 Controlling production volumes to regulate markets and stabilise prices**

Guaranteed price mechanisms without restrictions on production volumes generate inequalities and risks of overproduction. In the absence of supply management, the most productive farms – those with the largest areas and the highest investment capacities – receive a disproportionate share of price support. This phenomenon accelerates land concentration and strengthens the dominant position of large-scale farms. This is why farmer organisations, such as ECVC, emphasise **the need to closely link price support instruments with volume regulation measures, in order to increase the number of farms participating in the agroecological transition** (ECVC, 2023).

It should be noted that certain POs, such as COPA-COGECA, systematically oppose any proposal to regulate volumes, even when they support the introduction of guaranteed prices, as they represent farmers who produce large volumes and are capable of producing even more. The same applies to agri-food industries: **the structural presence of surplus supply provides processors and retailers with a means to sustain downward pressure on agricultural prices**. For these stakeholders, regulating supply means challenging productivist models and access to abundant and cheap raw materials (Ody, 2025).

## 2.1.4 Developing an international trade policy that supports regulation and agroecological transition

Aligning the objectives of agricultural market regulation with international trade policy is essential to stabilise European agricultural prices above production costs and promote agroecological transition. If trade flows with third countries are not regulated, the regulation of domestic markets cannot be effective. This **alignment** must also ensure, on the one hand, that imported products meet sanitary, environmental, and social standards equivalent to those required of European producers and, on the other, that import volumes are adjusted to the actual needs of the internal market. Such an approach involves reinstating border protection mechanisms that have been gradually dismantled over recent decades. Today, tariff mechanisms offer differentiated protection depending on the sector: relatively high for dairy products and beef, but relatively low in comparison for cereals and rapeseed, and virtually non-existent for other products such as soya (Voss, 2025).

The gradual loss of control over these import flows stems from the signing of the WTO Agreement on Agriculture (see the Part 1 of this report). Since then, reducing customs duties has become a major focus of European agricultural trade policy. In light of obstacles to multilateralism and the deadlock in WTO negotiations, the European Union has increased the number of bilateral and regional free trade agreements, thereby continuing to open up its agricultural markets without really taking into account the socio-economic and environmental impacts on the sectors concerned (Courgeau, 2025). This liberal approach has considerably increased the vulnerability of European producers to international competition – particularly from large farms in certain agro-exporting countries, where production costs and health, environmental and social standards are much lower. However, recent political developments show that **WTO disciplines no longer represent as significant a barrier as in the past to reforming agricultural market regulation policies** (Jacobs et al., 2025).



Photo by Clay Bank on Unsplash

## 2.2 Overview of market regulation tools for agricultural products

This section presents the various types of instruments used to regulate agricultural product markets. However, their implementation must be considered in terms of how they can be combined. The regulation of agricultural markets must be designed as a three-pronged approach combining price support, control of supply and international trade policy. Figure 1 below provides an overview of the instruments used to regulate agricultural product markets discussed in this report. The decision was made not to treat crisis management instruments as a separate category, but to incorporate them into the broader set of market regulation instruments applicable outside crisis situations (see section 2.1.1 above). This approach highlights the crucial role of anticipation in regulatory policies, in order to prevent market instability from escalating into a crisis.

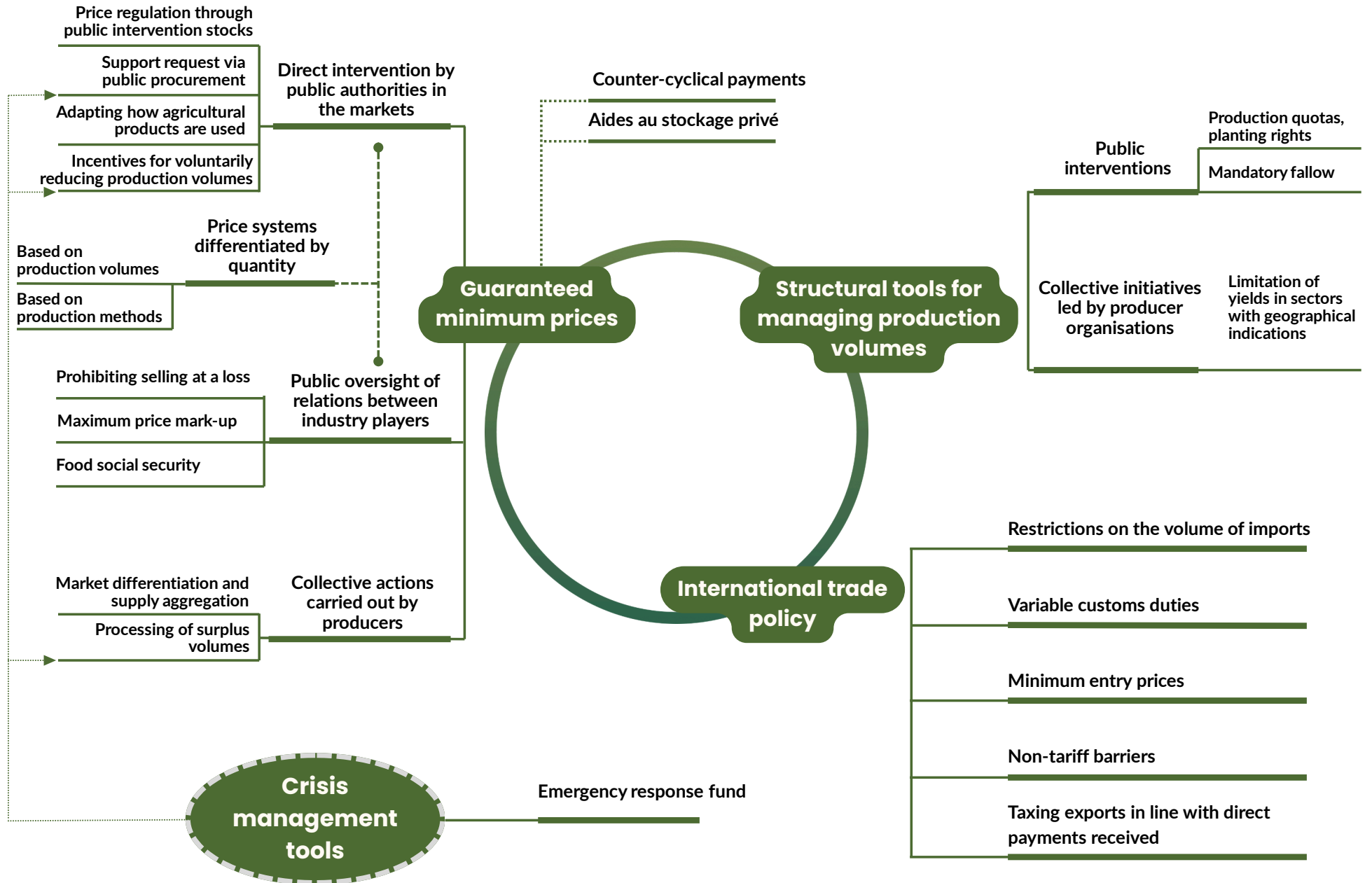
The tools associated with guaranteed minimum prices and structural control of production volumes are presented according to the different levels of action at which they operate and the main stakeholders involved. They include European, national, and regional policies, interprofessional initiatives, and collective actions led by the producers themselves. However, the instruments for regulating international trade are considered in this report only at the level of European policies, since this is currently an exclusive competence of the European Union.

In terms of supply management, regulatory tools are divided into two main categories. The first category includes instruments related to the structural management of production volumes, tools that allow quantities to be regulated based on estimated demand before the start of the production cycle. This is addressed in a dedicated section of the report (see Section 2.2.2 below). The second category includes public intervention instruments that are activated during the production season, when supply exceeds demand and prices fall below a threshold determined by production costs. These tools are discussed in the section on guaranteed minimum prices.

The analysis aims to capture the full range of existing tools in order to provide an overview that will encourage a fresh approach to market regulation. It will be up to the relevant stakeholders and policymakers to select and adapt each of these instruments according to the specific characteristics of each sector, taking into account the economic, social, and territorial contexts in which they operate.



**Figure 2: Instruments for regulating agricultural markets**



## **2.2.1 Guaranteed minimum prices**

The following analysis focuses on instruments designed to effectively guarantee minimum prices for agricultural producers, understood as thresholds below which prices cannot fall due to public intervention or measures taken by interbranch organisations. To guarantee a decent income for producers, these thresholds must fully cover all production costs (see Box 4 below).

### **Box 4: Developing reliable production cost indicators to ensure remunerative prices**

Guaranteeing agricultural prices that cover all production costs, including fair remuneration for agricultural labour, is an essential condition for securing decent incomes for farmers and maintaining the economic viability of farms. Recognising 'fair prices' is at the heart of this approach. To achieve this, several key elements must be taken into account:

- The **determination of production costs** should account for variable expenses (inputs, certain equipment), fixed costs (depreciation of machinery, land rent/compensation for labour, whether performed, loans), as well as by hired workers or family members (*Belmonte et al., 2025*);
- Production cost benchmarks must be **developed in partnership with POs**, which have knowledge of the economic realities of their members (ECVC, 2023). Utilising the **expertise of agricultural technical institutes** can also strengthen the knowledge required for developing indicators (*Courgeau, 2025*);
- Cost indicators must be based on **actual field data**. When such data are not available, relevant equivalents from comparable farms must be used (*Voss, 2025*);
- **Agricultural prices must cover the costs of sustainable production**: market prices must reflect the costs associated with complying with high social (working conditions, remuneration) and environmental standards, consistent with agroecological transition (ECVC, 2023);
- The indicators must be **updated regularly** to account for changes in input prices and inflation;
- Indicators should **reflect the diversity of production systems** (*Belmonte et al., 2025, ECVC, 2023*);
- Cost indicators should account for **additional expenses related to natural or structural constraints** (mountain areas, areas of agricultural abandonment, logistical remoteness) (ECVC, 2023);
- **Recognition of cost benchmarks by public authorities** should strengthen producers' bargaining power in contract negotiations and support their collective demands regarding agricultural prices (*Belmonte et al., 2025*).

This report presents the **guaranteed price mechanisms according to the actors implementing them and their scope of application**:

the State or the EU, at national or European level;

the various professionals within a sector, who set up a legally regulated contractual agreement governing price formation at different stages of the sector;

farmers involved in a collective initiative aimed at strengthening their negotiating power with buyers or differentiating their products.

It should be noted that the public intervention price is a more robust tool than the legal framework governing contractual relationships, which nonetheless remains dependent on the negotiation context and the balance of power between stakeholders. State intervention instruments on prices also make it possible to regulate agricultural product markets on a much larger scale (for example, at the level of the European Union) than can be achieved through the collective actions of POs.

## **National and European public intervention instruments**

State and supra-state intervention instruments, activated when prices fall below the guaranteed threshold, have long played a strategic role in agricultural policy. The first CAP was based, in large part, on removing surplus supply from certain markets through public purchase and storage of agricultural products. This principle remains relevant in other parts of the world, as evidenced by the situation in India, where peasant mobilisations in 2020 and 2021 helped highlight the importance of guaranteed minimum prices and public stocks in supporting agricultural incomes (Ody, 2025).

**In the EU, intervention prices remain in place for several products, but they are set at levels that have not been revised since the early 2000s**, even to account for inflation. Their activation is the responsibility of the European Commission, which assesses the appropriateness of doing so.

However, this decision-making process is subject to strong influences – particularly from agro-industry – and hindered by a lack of up-to-date data on market conditions, as well as by the absence of clear rapid intervention procedures, which limits the ability to respond in the event of a sharp fall in prices (Courleux, 2025).

Beyond public purchasing for temporary storage purposes, this section looks at other forms of state intervention in markets to support agricultural prices: support for demand through public procurement tenders, measures to adapt the use of agricultural products, and support for voluntarily reducing production. This section will also present **price systems differentiated by quantity**, which fall under both state intervention and sector-wide collective agreements.

### **Box 5: Considerations for public intervention in agricultural price formation**

To ensure the effectiveness and legitimacy of public intervention mechanisms on agricultural prices, several design and implementation modalities must be taken into account:

- **Involve POs** in the management of the schemes to ensure joint responsibility for decisions;
- **Limit the influence of downstream actors** (in sectors such as processing and distribution) within decision-making bodies;
- Make the **price evaluation parameters clear and transparent**, including the criteria that trigger intervention;
- Define **pre-established activation procedures** to avoid long delays in responding to sudden price declines;
- Develop reliable **indicators of production costs** (see Box 4) in order to base intervention prices on up-to-date data that is representative of agricultural realities.



Photo by Kristina Paukshtite on Pexels

## Price regulation through public intervention stocks

SUMMARY <sup>19</sup>	
Definition	A system designed to stabilise prices through the creation and management of public stocks. Intervention takes place through the purchase of agricultural products on the market when prices fall below a predefined threshold (intervention price), and their resale when prices exceed a ceiling (market release).
Examples	<ul style="list-style-type: none"> <li>-Since ancient times, states have built up food reserves such as granaries and have intervened in the agricultural economy to a greater or lesser extent (Roudart, 2003);</li> <li>-Until the 1990s, the CAP supported farmers' incomes by updating intervention prices annually for a range of agricultural products;</li> <li>-In India, a system of guaranteed minimum prices supported by public market interventions and public storage infrastructure has been in place since the 1960s for rice and wheat, to support the production of these essential commodities. The system also organises the distribution of these commodities to vulnerable populations (Jacobs et al., 2025).</li> </ul>
Key considerations	<ul style="list-style-type: none"> <li>-Avoid destabilising effects when products are resold on domestic markets; see, in particular, the poor management of the 2016 milk crisis in the EU (Courleux, 2025)</li> <li>-Avoiding destabilising effects on third-country agricultural markets in the event of exports (Jacobs et al., 2025)</li> <li>-Importance of regulating private storage operations to ensure profitability (Jacobs et al., 2025, Ody, 2025).</li> </ul>

Public food storage has long been and continues to be a widely used tool by governments to ensure the availability of food products and stabilise prices worldwide. It is based on a key premise: as essential goods, basic commodities must be accessible to populations in all situations in order to prevent systemic crises (Jacobs et al., 2025, Weber and Schulken, 2025).

### Box 6: Three categories of public food stocks

Public food storage programmes can be classified into three main categories according to their primary objectives (Jacobs et al., 2025):

1. **Emergency stocks** act as a safety net for consumers against price shocks caused by crises such as extreme weather events or geopolitical conflicts. They enable a rapid response to temporary shortages and mitigate impacts on food access;
2. **Food security stocks** target chronic food insecurity by ensuring access to staple foods for vulnerable populations. They are implemented as part of social programmes such as the Food Corporation of India which operates the world's largest public food distribution system;
3. **Buffer stocks** are intended to stabilise prices on the domestic market and protect both producers and consumers from excessive volatility. They are primarily sourced from domestic markets and rely on a central mechanism: the setting of a floor price (or intervention price) – below which the authorities commit to purchasing the relevant agricultural products – and a ceiling price, above which the products are resold.

<sup>19</sup> For each instrument analysed, a summary table is presented at the beginning of the section, summarising the main information (definition of the instrument, examples and key considerations for its implementation).

To guarantee minimum prices, public price-regulation stocks rely on a mechanism that removes excess supply from the market. When prices fall below the intervention price threshold, **public purchases generate additional demand to uphold price levels and prevent excessive declines in producers' incomes**. Products purchased in this way are temporarily withdrawn from the market and stored by the public authorities. The mechanism typically has a second component: the release of these products back to the market when prices exceed a certain threshold or when circumstances require it (in some cases, products may be repurposed or destroyed).

The **type of products covered by public storage schemes directly affects the technical conditions for their storage and their costs**. Non-perishable goods, such as cereals, are more suitable for long-term storage, while perishable goods require prior processing (for example, turning milk in to powder) to be preserved.

Such a system also requires appropriate logistical capabilities, sufficient financial resources for the system to function and, preferably, a balanced spatial distribution of infrastructure (*Jacobs et al., 2025*).

Public food storage policies can be implemented at various levels of organisation: local, national, regional (covering several countries) and international. These levels can be combined. *Weber and Schulken (2025)* thus show that the establishment of buffer stocks across multiple levels of governance represents a middle path between full free trade and strict protectionism<sup>20</sup>. By combining global reserves for a small number of strategic commodities with regional and national stocks, a multi-level system of this kind would stabilise international trade while supporting the diversification of local food systems. Such a system requires internationally coordinated agricultural protectionism including 'provisions to curb the use of national buffer stocks to promote agricultural exports to the detriment of other countries, for example by implementing rules against dumping' (*Weber and Schulken, 2025, p. 28*).

However, the current situation is moving in a completely different direction, with harmful effects for a large part of the world's population, affecting both consumers and producers. Two trends in particular are characteristic of this shift. On one hand, **unilateral export restrictions adopted to (re)build emergency stocks at the national level when looming shortages continue to exacerbate food crises** (*Jacobs et al., 2025*). They exacerbate price spikes on international markets, to the detriment of importing countries and the most vulnerable populations, as was the case during the 2007/08 crisis.

On the other hand, there is an increase in **food stocks held by private stakeholders**, sometimes financially supported by public authorities. However, the global situation following the Covid-19 pandemic and the war in Ukraine has shown that a 'speculative surge [had] caused food prices to skyrocket, without any increase in the prices paid to farmers, demonstrating how privatising stocks can have a detrimental effect on both farmers and consumers (*Ody, 2025, p. 4, translation*).

<sup>20</sup> In the 1970s, several attempts were made to establish internationally coordinated food stocks, particularly following the 1974 World Food Conference. These initiatives, particularly supported by countries in the Global South, proposed the creation of reserves held at the national level but managed in a coordinated manner at the international level. However, these attempts were unsuccessful, mainly due to disagreements over stabilisation prices and the absence of multilateral financing mechanisms (*Weber and Schulken, 2025*).

## Supporting demand through public procurement tenders

SUMMARY	
Definition	A measure consisting of using public procurement tenders to support demand for certain agricultural products, without resorting to storage. This mechanism also makes it possible to address cyclical or structural surpluses by directing them towards public outlets (canteens, food assistance programmes, etc.), while guaranteeing a purchase price that covers production costs.
Examples	Sustainable food programmes in public-sector canteens ( <i>Courleux, 2025, Madeline, 2025, ECVC, 2023</i> ).
Key considerations	-The importance of revising public procurement rules to promote territorialised food systems ( <i>ECVC 2023</i> ); -Food aid provided to third countries must not compete with their local food production.

While public stocks aim to create demand to support price levels, some governments have developed public programmes to stimulate food demand. As part of this approach, certain schemes promote the sourcing of differentiated quality products for institutional canteens with a focus on school catering services. For example, the 2018 EGAlim law set a target of 20% organic products in public collective catering, aiming to support the development of this sector while meeting a growing societal demand for more sustainable food<sup>21</sup>.

## Adapting how agricultural products are used

SUMMARY	
Definition	A measure that adjusts the use of agricultural products according to available supply, preventing sharp price rises in the event of production shortfall and supporting demand during times of overproduction.
Examples	Make the blending mandates for ethanol or biodiesel in biofuels flexible based on the supply and demand of agricultural products ( <i>Courleux, 2025</i> ).
Key considerations	Establish a hierarchy of uses to guarantee that food demand takes priority ( <i>Courleux, 2025</i> ).

Mechanisms for adjusting the use of agricultural products represent another public policy tool to support prices. This measure involves redirecting the use of agricultural products according to available supply, in order to stabilise prices by adjusting demand between food and non-food uses. This lever is **particularly relevant for crop production, where yield variability is exacerbated by climate change** (especially for cereals, for which weather conditions in the final months of growth are critical). In this case, regulating supply before the production season is fraught with uncertainty, which supports the rationale for managing demand by redirecting surpluses to non-food uses (*Courleux, 2025*).

In Europe, this principle of reallocating product use was already implemented in the early 2010s for sugar beet production, where **former 'ethanol' quotas could be redirected to sugar production in the event of a climate or health-related incident** affecting the harvest (*Courleux, 2025*). Today, blending mandates requiring fuel distributors to use a minimum percentage of ethanol could be made flexible in order to quickly adjust demand, as is the case in Brazil and the United States, in a manner **analogous to the electricity demand response mechanisms applied to certain industries during peak usage periods** (*Courleux, 2025*). For essential commodities, such an approach must be based on a clear hierarchy of uses, with food taking priority over non-food outlets.

<sup>21</sup> The lack of effective measures to ensure the implementation of this target established under the EGAlim law in local authority canteens has greatly limited its impact in supporting the organic agriculture sector. (*Madeline, 2025, Hadj-Aissa, 2025*).

## Incentives for voluntary reducing production volumes

SUMMARY	
Definition	A measure consisting of paying financial compensation to producers who agree to temporarily reduce their production over a given period, in relation to a benchmark volume.
Examples	-Implemented in the EU during the 2016 milk crisis; -Financial compensation for voluntary set-aside of agricultural land.
Key considerations	-Establish a price observatory to detect imbalances between supply and demand; -Establish activation mechanisms in advance to enable quick action ( <i>Courleux, 2025</i> ); -Work with POs to determine the volumes of products that need to be reduced at the EU level to allow prices to rise ( <i>Poulsen, 2025</i> ); -Work with POs to determine the amounts to be paid to producers for reducing production, and identify corresponding funding sources ( <i>Poulsen, 2025</i> ); -Combine the measure with a production cap for producers who do not participate in the voluntary reduction program during its duration ( <i>Poulsen, 2025</i> ).

The 2016 milk crisis serves as the historical benchmark for voluntary production reduction support in the EU. Following the abolition of quotas in 2015 and the gradual increase in quota levels in previous years, milk prices collapsed on the European market, falling as low as the public intervention price, which has remained unchanged since the early 2000s. The Commission subsequently implemented a program under Article 219 of the CMO Regulation, which provides for exceptional measures in the event of market disruption. Producers could receive a minimum of 140 euros for every 1000 litres not produced over a three-month period, using the production of the previous year as a reference. The programme was an immediate success: it helped prices recover from the moment it was announced, and nearly all of the budget was used during the first call for applications. This situation demonstrated the effectiveness of this type of mechanism, as market expectations enabled a rapid recovery of prices (*Courleux, 2025*). Voluntary production reduction support is thus a particularly relevant emergency intervention tool, particularly since the EU has not relied on export subsidies since 2021, which were previously used to manage surpluses but created unfair competition for producers in importing countries.

On this basis, *Voss (2025)* proposes extending this type of instrument to the arable farming sector. In his opinion, it would be appropriate to establish a mechanism allowing for a temporary reduction of production volumes in cases of overproduction leading to multi-year price declines, accompanied by financial compensation. Such a measure must, however, take into account the uncertain nature of cereal supply, which is subject to significant risks, particularly climate-related ones.

To enhance the effectiveness of voluntary production reduction measures, the European Milk Board proposes **combining them with a production cap for producers not participating in the programme** (*Poulsen, 2025*). In practical terms, any producer delivering above the reference volume should pay a 'market responsibility penalty', proportional to the excess. This system aims to prevent the reduction efforts made by some from being offset by increased production by others, thereby ensuring a genuine collective impact on market stability.

### Box 7: A different approach from market regulation: counter-cyclical payments

Several recent publications have highlighted the benefits of counter-cyclical payments introduced in the United States to support agricultural incomes in the face of market price volatility (Guyomard et al., 2024, Kirsch, 2025). This type of support functions as a variable production subsidy that compensates for the difference between the market price and a predetermined threshold. When the market price falls below this threshold, the government pays a subsidy per unit produced, as if the price actually received by farmers were at that level. Counter-cyclical payments can help ensure long-term income security for farms. However, they do not constitute a market regulation instrument insofar as they are limited to compensating retrospectively for the effects of structural price instability. They are **therefore part of a risk and crisis management approach**<sup>22</sup>. The cost of variable production subsidies can be high and is borne entirely by taxpayers, whereas market regulation instruments make it possible to adjust how value is distributed among actors in agri-food chains.

## Quantity-based guaranteed prices

SUMMARY	
Definition	A degressive tiered guaranteed pricing system based on production volumes. Each producer benefits from a preferential rate up to a specific production threshold (the first tier). Beyond this threshold, a less favourable price applies to subsequent tiers, with above-tier production potentially sold at the market price. The objective is to prioritise support for small and medium-sized producers, limit the effects of concentration and discourage overproduction, without prohibiting it.
Examples	-Production thresholds applied in France for cereals between 1939 and 1962 (Ody, 2025); -The European system of differentiated prices between in-quota and out-of-quota volumes in the sugar sector between 1968 and 2017 (Courleux, 2025); -Differentiated public support depending on the size of renewable energy production units in Germany (Voss, 2025).
Key considerations	Adjusting threshold levels to maintain a redistributive effect, without disincentivising medium-sized farms (Ody, 2025).

In a tiered pricing system, a relatively high minimum price is guaranteed for a certain volume of production per farm (the first tier), after which progressively lower prices are guaranteed for subsequent tiers until the market price is applied to production beyond the allocated tiers. There may be only a single tier, where any production above this threshold is sold at the market price.

Such a system can help to **avoid two major disadvantages of guaranteed prices for unlimited volumes**, disadvantages that were notably evident with the first CAP:

- 1. significant overproduction.** It should be noted, however, that overproduction can still occur even with production thresholds: farmers producing beyond the thresholds take the risk of being paid low prices on unregulated markets;
- 2. the more farmers produce, the more they benefit from guaranteed prices. This reinforces income inequalities between farms and encourages the concentration of land and other resources** in ever-larger farms.

A tiered pricing system can help keep small and medium-sized farms in operation. In addition, guaranteed prices can be made conditional on adherence to good environmental and social practices. In this way, tiered guaranteed pricing systems can **integrate income support for farms, supply management, the preservation of small and medium farms, environmental protections, and decent working conditions.**

<sup>22</sup> As such, counter-cyclical payments are generally considered to be complementary to crop insurance taken out by farmers to cover risks related to prices or yields, which occur after sowing (Kirsch and Olsommer, 2022). Unlike counter-cyclical payments, which aims to stabilise farmers' incomes over the long term, these insurance schemes aim to partially cover the effects of market volatility based on prices observed at the start of the season, using market instruments that are often subsidised but nevertheless costly for farmers.

Tiered production volumes were used for cereals in France between 1939 and 1962. They were removed following the introduction of the CAP. The quota system applied in the European Union's sugar sector from 1968 to 2017<sup>23</sup> is another example: fixed and differentiated prices were set for in-quota volumes, which represented a significant share of production, while out-of-quota production was allowed and sold at the international price (Courleux, 2025).

Germany's renewable energy sector offers an instructive example for designing regulatory instruments based on support through differentiated pricing. In this country, the Renewable Energy Act, adopted in 2000, was based on a system of prices differentiated by volumes and production methods. Kilowatt hours produced from renewable sources (wind, solar, biogas, etc.) were purchased at a fixed rate calibrated to production costs and the size of the facilities. This price differentiation played a key role in supporting small production units, which are more costly in the short term, by ensuring sufficient profitability. It thus promoted decentralised production spread widely across the country, strengthening the resilience and diversity of the energy system. This mechanism, known as the graduated price, was specifically designed to support small-scale structures, considered strategic for the energy transition (Voss, 2025).

In the agricultural sector, differentiated prices may also incorporate criteria related to production methods, distinguishing, for example, between organic and conventional production, or between grass-fed and corn- and soy-fed livestock (ECVC, 2023).

Courleux (2025, p. 5) emphasises that 'fixed, high prices guaranteed over a sufficiently long period to encourage investment are among the most widely used energy planning tools for developing renewable energy production' (translation). He calls for a similar system for organic farming and agroecological transition, in order to mitigate price risks and stimulate investment.

**Possible implementation methods** (based on Ody, 2025 and ECVC, 2023)<sup>24</sup> :

- Give priority to an EU-level framework to avoid intra-European competition and align the differentiated pricing system to international trade policy;
- Combination of prices, volumes, and practices:
  - o A high Tariff A applied up to the first production threshold (subject to compliance with good practices);
  - o A less advantageous Tariff B for higher volumes;
  - o A very low Tariff C designed to deter large-scale production with significant environmental impacts.

**Application scenarios:**

- o Require agri-food companies and retailers to purchase a specified percentage (e.g. 70–80%) of their supplies at tiered prices;
- o Combine a legal ban on purchasing below tiered prices for all relevant products with a tax on producers for volumes produced outside the tiers;
- o Subsidise producers for volumes produced within the tiers when the prices obtained fall below the guaranteed price thresholds.
- Additional proposal put forward by the Confédération Paysanne (France): a guaranteed minimum price that covers production costs and provides remuneration for one full-time agricultural worker, linked to a **volume threshold per labour unit**. Additional volumes are paid at the market price. The minimum price is indexed to cost developments based on objective data (Courgeau, 2025).

<sup>23</sup> The sugar quota system was partially reformed in 2006, following a dispute lost by the EU against Brazil before the WTO, which considered the double quota system to be a form of subsidy linked to production. The EU then committed to limiting its exports, even though it was a net importer. The subsequent reform reduced the volume of in-quota production and prohibited out-of-quota production. In the context of biofuel development, a specific ethanol quota was established to allow the production of sugar beets for this sector (Courleux, 2025). Although its implementation was short-lived due to the EU's decision to abolish sugar quotas in 2017, this ethanol quota was notable for being linked to a mechanism that adapted the use of agricultural products according to available quantities (see above for a more detailed description of this type of instrument).

<sup>24</sup> Ody (2025) nevertheless calls for further research to analyse how best to adapt the practical implementation of this agricultural policy tool to current conditions.

## Prohibiting selling at a loss

SUMMARY	
Definition	The ban on selling at a loss is a measure designed to regulate commercial relations between stakeholders in the sector, preventing the sale of agricultural products at a price below their production cost. To enforce this ban, public authorities, together with POs, must establish production cost indicators and put in place a system capable of penalising actors who fail to comply with the ban.
Examples	-The Food Supply Chain Law in Spain ( <i>Belmonte et al., 2025</i> ); -The EGAlim laws in France ( <i>Courgeau, 2025, Hadj-Aïssa, 2025</i> ); -EU Directive on Unfair Trading Practices (though this contains no provisions regarding price setting).
Key considerations	-Develop production cost benchmarks that take into account the diversity of production systems ( <i>Belmonte et al., 2025</i> ); -Support the ban on selling at a loss with a system for reporting and penalising non-compliance ( <i>Ody, 2025</i> ). -Strengthen the regulation of supply contracts between producers and the agri-food industry to ensure transparent data on prices, margins, and costs, for example through an observatory for prices and margins ( <i>ECVC, 2024</i> ) -Enforce the ban on selling at a loss in the context of interactions between member producers and their cooperatives ( <i>Hadj-Aïssa, 2025, Maass, 2025</i> )

According to the German network AgrarBündnis, two prerequisites are necessary to strengthen the position of farmers within value chains. The first approach consists of establishing **rules to regulate the design of contracts**, covering aspects such as volumes, delivery terms, contract duration, and price-setting mechanisms. The second involves establishing mechanisms to ensure a **fairer distribution of value added across the different links of the chain**, by allocating a larger share to agricultural producers. This requires adopting rules ensuring that prices paid to producers are not indexed to market prices, but are based on actual production costs (*Voss, 2025*). Strengthening the position of farmers within value chains thus relies both on regulating and formally documenting supply contracts and on ensuring transparent reporting of prices, margins, and production costs.

However, the current situation in most European Union countries is characterised by profound power imbalances between the different links in the agri-food chains, to the detriment of producers. In many sectors, buyers operate in a monopsony, meaning that a small number of companies concentrate purchases from a large number of farmers. This phenomenon is particularly noticeable in sectors with highly perishable products, such as milk, meat, or fruits and vegetables (*Avignon and Guigue, 2024*). This dynamic is reinforced by the dominant economic model based on 'undifferentiated' agricultural raw materials that meet homogeneity criteria (*Alliot and Dissaux, 2025*). The **concentration of downstream actors allows them not only to negotiate purchase prices that are structurally below production costs, but also to impose contract terms that are unfavourable to producers.**

In this context, several policy initiatives have been introduced to address imbalances in value distribution and to regulate commercial relations between supply chain actors. However, **these public interventions have generally failed to effectively regulate price formation conditions** in order to ensure better remuneration for agricultural labour. The **2019 EU Directive on Unfair Trading Practices**, which requires Member States to incorporate a set of prohibitions into their national legislation, contains no provisions relating to price setting. However, including the ban on selling at a loss in the EU blacklist of practices prohibited under all circumstances is a key demand of many POs, and was strongly reaffirmed during the agricultural mobilisations of 2024

(ECVC, 2023).

The ban on selling at a loss aims to provide a legal framework for commercial relations by preventing the purchase of agricultural products at a price lower than their cost of production. To be effective, such a measure must necessarily be accompanied by dissuasive penalty mechanisms in the event of non-compliance. A comparison between two examples of implementation – the 2021 reform of Spanish legislation on agri-food supply chains and the EGAlim laws in France – offers a clear illustration of this.

In Spain, the **2021 reform of the *Ley de la Cadena Alimentaria*** stemmed in part from the mobilisation of COAG, one of the country's main farmers' organisations, which worked with consumer organisations to make the margins of the agri-food industry and large-scale retailers more transparent. This substantive work highlighted systematic abuses and made it possible to enter into negotiations with the government, leading to a strengthening of the legislative framework (Ody, 2025). The laws on agri-food supply chains (2013, revised in 2021) are characterised by a legally binding framework to rebalance commercial relations within the sector: mandatory registration of contracts on a public platform, an observatory for prices, costs and margins, and an explicit ban on any purchase below actual production costs, including at the processing and retail stages (Belmonte et al., 2025). These costs must be established using actual, estimated or comparable data provided by industry actors. Each link in the chain is required to cover its production costs, starting with producers, who have the right to anonymously report a purchase made at a loss. **Failure to comply with the law results in penalties** ranging from €3,000 to €100,000, and up to €1 million in the event of a repeat offence; 55 companies had already been penalised in the first quarter of 2023 (ECVC 2023, p. 21).

In France, the 2017 National Food Conference led to the 'EGAlim' laws (2018, 2021, 2023), which aimed to 'rebalance commercial relations and mandate a 'trickle-up' of economic value from the downstream segment (retail) to the intermediate (processing) and upstream (production) segments' (Hadj-Aïssa, 2025, p. 1, translation). **However, these EGAlim laws did not significantly alter price structures in favour of producers**, as the main decisions favoured industry and large retailers, who were consulted more extensively during the drafting of the legislation (Hadj-Aïssa, 2025). These laws have several notable limitations, in particular:

- the absence of mandatory contract requirements in several sectors, particularly in the fruit and vegetable sector (Courgeau, 2025);
- the ability for downstream actors to negotiate the weighting of the various indicators used in price setting, allowing them to reduce the weighting of production costs in favour of market price or delivery volume indicators (Courgeau, 2025);
- the lack of political will to establish a public oversight body with the capacity to impose effective penalties in the event of non-compliance (Courgeau, 2025, Ody, 2025);
- the absence of a legal mechanism requiring the upstream contract to be concluded before the downstream contract, a necessary condition for the effective implementation of the announced 'forward-looking' approach to price setting. In practice, prices can continue to be set 'backwards'; buyers first base them on downstream demand and then impose these conditions on producers (Hadj-Aïssa, 2025).

This system of sequential bilateral agreements maintains a structural lack of transparency in price setting, favouring the middle links in the supply chain. As Ody (2025) highlights, it illustrates the French state's refusal to assume the role of final authority in trade negotiations, allowing a situation unfavourable to farmers to persist. In contrast, a **tripartite contractual arrangement** involving producers, processors, and distributors would make it possible to base prices on actual production costs and ensure a more balanced distribution of value. However, this option is still seen as a breach of competition rules (Hadj-Aïssa, 2025).

## Maximum price mark-up

SUMMARY	
Definition	Measure aimed at regulating the margins of actors downstream in the agri-food chain by limiting the ratio between the purchase price paid to producers and the sale price charged to consumers, in order to protect farmers and consumers from excessive margins charged by intermediaries. 'If intermediaries seek to raise the price for consumers, part of this increase must be reflected in the price paid to producers. Conversely, if the producer price is reduced, the resale price to consumers is decreased accordingly' (Levard and Loyat 2021, p. 11, translation).
Examples	Introduced in France in 1945 for the fruit and vegetable sector and removed following the adoption of the Single European Act in 1986 (Levard and Loyat 2021).
Key considerations	The measure involves making supply contracts mandatory and ensuring transparent reporting of data on prices, margins and costs, for example through an observatory for prices and margins.

## Food social security

SUMMARY	
Definition	A scheme designed to guarantee universal access to high-quality food through the monthly allocation of a budget that allows people to buy from a network of approved producers and retailers, according to democratically defined criteria. Funded through income-based contributions, it also supports demand for agricultural products under the contract-based system.
Examples	Local pilot programmes. In France, approximately thirty local funds have been identified across the country (Müller and Bonzi, 2025).
Key considerations	<ul style="list-style-type: none"> <li>-A nationwide rollout is necessary to uphold the principles of universality (universal redistribution without discrimination) and solidarity (income-based contributions);</li> <li>-To implement the mechanism in a decentralised way, the food social security programme relies on establishing regional food policy councils;</li> <li>-To support the approach of adapting supply to democratically determined demand through contracts, changes in production and distribution models must be accompanied by support measures for sector professionals, particularly producers.</li> </ul>



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Proposals for a system of food social security (FSS) are directly inspired by the social security model, particularly the 'health' and 'child benefit' sections (FIAN, 2025). It aims to recognise every individual's right to high-quality food by granting them a personal budget (around €150 per month) to purchase from a local network of producers and distributors committed to complying with collectively established criteria. In international legal terms, the right to food stipulates that every person must have access not only to food that is sufficient in quantity but also adequate in quality, food that meets nutritional and health requirements and also respects the cultural preferences of individuals and communities. **By affirming a universal right to quality food, the idea of FSS differs fundamentally from food assistance programmes**, which focus mainly on addressing food poverty without a clear ambition to change the agri-food system. **In contrast, FSS seeks to transform the system by promoting democratic governance of food and supporting the agroecological transition of food systems.**

It functions by adjusting supply to match demand via deliberations involving all relevant stakeholders. Rather than choosing from existing options, the project focuses on specifying the desired supply and developing it in partnership with sector professionals. The agroecological transition is thus conceived as a '**from fork to farm**' model and implemented via democratic governance bodies set up at the local level. These bodies are tasked with collectively establishing the quality and production standards for food products, for which effective demand is ensured through mandatory contributions to the food social security fund. FSS is built on three core principles: universality; solidarity (through compulsory income-based contributions); and democratic contracting, which collectively defines the criteria that actors in the supply chains must meet to participate in the system and sell their products using the budget provided by the FSS fund.

Funding an FSS system would not represent an additional cost to society if the **hidden costs of the current agri-food system**, such as spending on public health and other expenses to mitigate its social and environmental impacts, are taken into account (*Hadj-Aïssa, 2025, Alliot and Dissaux, 2025*). Similarly, food assistance programmes, which helps sustain a model based on structural overproduction, also generate significant costs for public authorities, which could be redirected to FFS (*Müller and Bonzi, 2025*).

Experiments conducted at the local level cannot fully realise the FSS' principles of universality and solidarity, which on a larger scale (e.g. nationally) require non-discriminatory allocations and mandatory income-based contributions. Furthermore, in pilot schemes with limited human and technical resources, agreements are organised around stakeholders rather than products, which limits their scope by targeting, for example, entire shops that meet the defined criteria rather than the types of products that meet the desired quality standards (*Müller and Bonzi, 2025*).

By analysing how different stakeholders view price determination for consumers and producers in these local experiments, *Müller and Bonzi (2025)* identify four main findings. First, the shared foundation of the movement for **FSS does not prescribe a single method for setting prices for contracted products, thus leaving significant room for deliberation** within citizen committees. Secondly, field studies show that participants generally avoid direct price negotiations with producers, believing that they lack the necessary tools to collectively define the parameters of a 'fair price'. Thirdly, it appears that collective price setting is easier for mass-produced products (such as milk, cereals and meat) than for goods produced on a smaller scale that are highly seasonal or require specific processing methods (such as fruits, vegetables and artisanal products). Fourthly, deliberations within local committees highlight that **pricing is a truly political construct, reconciling the social and economic realities of producers with those of consumers**. Setting a price does not mean endorsing a market signal, but involves understanding production conditions, examining the distribution of added value along food chains, and debating the societal choices to be encouraged through contractual criteria.

## Collective actions carried out by producer organisations

### Market differentiation and supply aggregation<sup>25</sup>

SUMMARY	
Definition	<p><b>Differentiation:</b> a measure aimed at structuring marketing channels distinctly for products that meet specific quality standards, as opposed to conventional products, to ensure their value aligns with their production methods. It relies on a collective organisation of producers and supply chains to avoid direct competition between these two categories of products, support their prices, and improve transparency for consumers.</p> <p><b>Aggregation:</b> a strategy coordinated by one or more POs that involves pooling individual farmers' outputs into a larger collective supply, with the aim of strengthening their bargaining power against highly consolidated food retailers.</p>
Examples	<ul style="list-style-type: none"> <li>-PDO;</li> <li>-Producer cooperatives that market organic agricultural products, such as BioBreizh in France (ECVC, 2024);</li> <li>-Article 210a of the CMO, which allows POs to organise price consultations for products that meet sustainability standards exceeding legal requirements (Voss, 2025, Maass 2025, ECVC, 2024).</li> </ul>
Key considerations	<ul style="list-style-type: none"> <li>-A European obligation to provide explicit labelling on the geographical origin, quality and production methods of agricultural products would increase transparency for consumers and guide markets towards higher prices for quality products (Maass, 2025, Voss 2025, ECVC 2023);</li> <li>-Limiting exemptions from competition rules on price coordination between producer organisations to products that meet additional 'sustainability' criteria (Article 210a of the CMO) may encourage downstream operators to negotiate lower prices for conventional products in order to preserve their overall margins.</li> <li>-To prevent these compensatory price reductions, and thus the risk of a progressive erosion of remuneration conditions across all supply chains, price coordination powers must be extended to all POs (Voss, 2025).</li> </ul>

Among the collective actions implemented by producer organisations (POs) to support farm incomes, two complementary approaches aim to secure higher prices for products.

The first approach is based on market differentiation between conventional products and those that meet quality criteria related to social and environmental standards, as well as to nutritional value and taste. The second, known as the **supply aggregation strategy**, involves **pooling individual outputs to increase producers' bargaining power in the face of the growing concentration of downstream actors in supply chains**.

The BioBreizh initiative in France is a good example of this approach: it enables them to obtain better contractual terms with retailers and prices that are closer to production costs (ECVC, 2024). Such collective initiatives reduce competition among producers imposed by downstream actors and limit the information imbalances that put them at a disadvantage during negotiations.

The dominant economic model relies on 'undifferentiated' raw materials to implement a strategy of maximising volumes and economies of scale, which puts downward pressure on prices. In contrast, **those involved in 'differentiated' value chains value 'the uniqueness of raw materials and the work of farmers and all those involved in the chain'** (Alliot and Dissaux, 2025, p. 12, translation). Included among these chains are much of the organic sector, PDO products, fair trade, and short food supply chains. In this context, many organisations in the sector advocate for the introduction of **mandatory labelling of the origin, quality and production methods** of agricultural products, with a view to making it a key tool for guiding the market. Such a system would make production conditions transparent and prevent the agri-food industry from

<sup>25</sup> The term 'supply aggregation' refers to concerted action by producers to increase their bargaining power, without increasing production volumes. It aims to counteract the current fragmentation among producers, which places them in a weak position of weakness relative to the concentrated actors downstream in the supply chain.

anonymously engaging in competition based on minimising the cost of raw materials, which puts significant downward pressure on the prices paid to farmers (Voss, 2025). However, the effectiveness of this tool depends on its understandability and implementation at European level. In France, for example, the High Environmental Value (HEV) certification, which is based on very limited criteria (primarily the share of turnover devoted to the purchase of plant protection products) has been criticised for creating confusion among consumers regarding organic farming and for potentially undermining the credibility of quality schemes as a whole (Madeline, 2025).

The supply aggregation strategy for differentiated quality products found legal support in the introduction of Article 210a of the CMO Regulation in 2021. This creates an exception to competition law, allowing producers to enter into coordinated agreements to set minimum prices or premiums for products that meet sustainability standards exceeding the legal requirements on environmental protection, animal welfare, or social conditions (Maass, 2025). The application of **Article 210a thus helps to strengthen the link between agricultural market regulation and sustainability criteria**, by consolidating the position of producers committed to agroecological transition within value chains. However, the AgrarBündnis network warns that limiting coordination to sustainable productions carries a risk: it may encourage downstream actors to push down the prices of conventional products in order to preserve their overall margins. According to this network, while Article 210a represents progress in recognising the added value of differentiated products, its extension to conventional production is deemed essential in order to prevent a gradual decline in remuneration conditions across all sectors. AgrarBündnis therefore calls for the removal of restrictions on anti-competitive agreements in all sectors, to allow all POs to coordinate on pricing (Voss, 2025).

### Subsidised processing of surplus volumes

SUMMARY	
Definition	A measure providing financial support to POs for the transformation of surplus agricultural products, with the goal of supporting demand and maintaining price levels.
Examples	Fruit distillation and fruit and vegetable processing (Courleux, 2025).

According to Courleux (2025, p. 10), the 1996 reform of the CMO for fruit and vegetables ‘represents a major shift in the CAP’s approach. Rather than directly managing surplus situations through market withdrawal measures, responsibility for marketing is instead entrusted to POs along with the means to manage the processing of surpluses into processed goods’ (translation). This type of mechanism highlights the need to **ground market regulation in a partnership-based approach with POs**, particularly with regard to supply management instruments.



## **2.2.2 Structural tools for managing productions volumes**

The issue of production volume quota systems – i.e. the regulation of authorised production quantities through the allocation of production rights – varies depending on the category of agricultural product. When it comes to crop production, especially cereals, this type of system must take two elements in particular into account. On one hand, yields vary greatly and depend heavily on bioclimatic hazards and weather conditions during the final months of the growing season (Courleux, 2025).

On the other hand, as these products are relatively non-perishable in the medium term, income support through prices can be more easily ensured by means of public storage for market regulation, or by adapting the uses of agricultural products (see section 2.2.1)<sup>26</sup>. However, for animal products, and particularly for milk, structural supply management is much more important in order to guarantee remunerative prices for producers.

The **dairy sector** has been chosen to illustrate the tools used to control production volumes in the rest of this section. Several factors justify focusing our analysis on this sector. Firstly, the perishable nature of milk places producers in a position of **economic dependence on downstream actors for collection, processing, and distribution**. The power of the dairy industry is further strengthened by the fact that these actors are highly concentrated and source their supply from specialised farms, whose high fixed and sunk costs greatly restrict the ability of supply to respond to price fluctuations. Secondly, supply management mechanisms are effective tools for **organising the spatial distribution of livestock, which plays a crucial role in restoring soil fertility, shaping rural landscapes, and maintaining agricultural activities in disadvantaged areas**, particularly mountainous regions.

Thirdly, as a consequence of the first two factors, supply regulation in the dairy sector has played a central role in OECD countries. Systems have been implemented that vary greatly depending on national contexts, and their partial or total dismantling has triggered multiple crises over the past two decades.

The analysis of structural supply management instruments applied to the dairy sector is organised below into two subsections, corresponding to two levels of action. The first examines public interventions, including a presentation of production quotas and a comparison of their implementation in the EEC/EU and Canada. The second focuses on PO-led collective initiatives, notably the arrangements developed in certain cheese sectors under PDO schemes<sup>27</sup>.



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<sup>26</sup> In the case of perennial crops such as vines, olive trees, and fruit trees, the delay between investment and the start of production prompted the EEC/EU to establish planting rights to prevent structural overproduction, similar to the production quotas applied in the dairy sector. In the specific case of the wine sector, this scheme was replaced by a system of planting authorisations that continues to ensure control over supply. (Courleux, 2025).

<sup>27</sup> Set-aside schemes are not analysed in this report.

## Production quotas

SUMMARY	
Definition	Regulatory production quotas through which each producer is assigned a production right corresponding to a maximum volume of output or marketable product, determined based on a historical reference or on supply management objectives for a given market. Any production exceeding this volume is either penalised (via a financial penalty or reduced subsidies) or subject to a differentiated pricing system.
Examples	-European milk quotas (1984-2015); -Supply management through marketing boards in Canada for the dairy, egg, and poultry sectors (Jacobs et al., 2025).
Key considerations	-Production quotas are much more complex to design and manage in sectors that are partly oriented towards international markets; -Regulations concerning the transfer of production rights directly influence the evolution of agricultural structures; -Exemptions or other measures tailored to small farms are necessary to ensure that supply management does not hinder the development of small-scale farms oriented towards agroecological practices and short supply chains (Mundler et al., 2020).

The implementation of production quotas requires determining the volumes needed to meet domestic demand and, where appropriate, to direct milk production towards export markets. While regulating supply in line with domestic demand is relatively easy to implement, **the focus on exports – historically considered a strategic outlet for European dairy economies – makes production quotas more complex to design and manage.** This complexity arises from the uncertainty of external markets and the desire to strengthen the sector's competitiveness in global markets. In this context, structural measures designed to limit the expansion of production capacity to guarantee prices that cover production costs have long faced staunch criticism. It originates both from stakeholders in the dairy industry and from large producers, who are able to continue investing to preserve their competitive advantage in a context of international competition.

Two examples illustrate this tension surrounding the determination of permitted production volumes and its impact on dairy sector regulation. The first is Canada, where milk marketing boards were established in the late 1960s on the basis of a social compromise guaranteeing 'farmgate prices based on production costs, in exchange for production strictly adjusted to domestic market needs' (Gouin, 2004, p. 4). The second is that of the EEC/EU, which introduced milk quotas in 1984 in order to manage public expenditure in a context of overproduction, with a policy of guaranteed minimum prices supported by public regulatory stocks and export subsidies.

From the outset, **European quotas were set at a level higher than domestic demand and gradually increased until their removal in 2015** in order to support expansion into international markets. However, this export-oriented approach limited the effects of managing supply on the prices actually received by producers (Poulsen, 2025).

Like most Commonwealth and Northern European countries, Canada has historically implemented supply management across several sectors<sup>28</sup>, with marketing boards serving as the central mechanism (Jacobs et al., 2025). **Marketing boards** are institutions with powers

<sup>28</sup> In Canada, the supply management system was introduced in the 1970s to stabilise agricultural incomes in the milk, egg and poultry sectors. A marketing board also existed for wheat: the Canadian Wheat Board (CWB) set a price based on overall domestic market conditions rather than on fluctuations in international trade. Although supported by a majority of producers, the CWB was scrapped in 2012 under pressure from trade agreements with the United States. (Jacobs et al., 2025).

delegated by the State, giving them a monopoly on the marketing of a given agricultural product. Mandatory for all producers covered by their activities, they act as intermediaries between producers and buyers in the marketing process. They operate through mandatory financial contributions from producers, proportional to the quantities delivered, with the goal of organising marketing collectively (Royer et al., 2014). With regard to milk, in addition to being responsible for collection and transport, and handling payments to producers, the main function of the marketing boards is to negotiate prices and terms of sale with buyers. **The milk regulation system in Canada is based on three fundamental principles** (Gouin, 2004; Royer et al., 2014). First, an **overall quota is set based on national demand**, then divided among the different provincial jurisdictions, which then allocate individual quotas to producers. Secondly, **dairy producers are financially responsible for managing surpluses**, as any production above the quota is not remunerated. Thirdly, **the support price for milk production is set based on production costs**, which are calculated annually from a survey of producers across all provinces. Sales agreements, negotiated in each province between the boards and buyer associations on the basis of the support price, set out the conditions for marketing and paying for milk. In particular, they stipulate that ‘processors pay for their raw materials according to their end use. Thus, they pay a higher price for milk when they manufacture products with higher added value’ (Royer et al., 2014, p. 36, translation). This system is supplemented by a price equalisation mechanism which ensures that all producers receive the same average price.

The Canadian milk supply management system, based on marketing boards and production quotas adjusted to domestic demand, has stabilised producer prices and, contrary to some theoretical assumptions, has not led to higher costs for consumers (Gouin, 2004). In contrast, **in countries that have pursued dairy sector deregulation, empirical studies indicate that processors and retailers increase their margins, to the detriment of both producers and consumers** (Avignon and Guigue, 2024; Gouin, 2004). The impact of supply management on relationships between industry stakeholders and the distribution of added value also existed with European milk quotas.

The dairy section of the CAP was originally based on a guaranteed price set at a level high enough to encourage strong growth in production. Maintaining this system has led to the accumulation of public stocks and a continuous increase in storage costs.

To remedy this, the **EEC introduced a production quota system in April 1984**. This mechanism made it possible to quickly regulate production volumes and consequently helped contain public spending on the dairy sector.

Originally intended for five years, the milk quota system ultimately lasted for three decades. Until the 2003 Luxembourg Agreement, the dairy sector remained relatively shielded from major CAP reforms (Gouin and Kroll, 2018). Subsequently, the reforms introduced a gradual reduction in intervention prices, partially offset by direct payments, while providing for a gradual increase in quotas. The aim was to reduce the gap between European and world prices, thereby limiting the cost of export subsidies. The 2008 CAP ‘health check’ confirmed the elimination of quotas, which came into effect in April 2015, after a new phase of annual increases in the overall quota starting in 2009 (Gouin and Kroll, 2018).

Analysis by *Billows* (2025) reveals that the deregulation of agricultural markets and the removal of European milk quotas have increased the dairy industry’s bargaining power over producers. His sociohistorical survey carried out in Normandy (France) highlights that, in contrast, **the introduction of quotas had strengthened farmers’ ability to collectively negotiate prices and quality standards with processors**.

By imposing limits on production, the quotas had also created competition among dairies to attract producers, particularly younger ones, in order to prevent their industrial facilities from

operating below capacity. Conversely, the removal of these measures weakened interprofessional negotiations and paved the way for a redefinition of power relations in favour of the dairies, including cooperatives, which were able to impose production methods and prices on farmers in line with their own business strategies (Billows, 2025).

The export-oriented approach of European agricultural policy in the dairy sector has led to a number of adverse effects. In some regions of the world, particularly in West Africa, imports of low-cost milk powder from the EU have, for example, created unfair competition for local producers and hindered the development of livestock farming (Levard *et al.*, 2025), despite its crucial role in maintaining soil fertility.

The public budgetary costs associated with market regulation in Canada are considered to be significantly lower than those that would be incurred in a scenario based on supporting agricultural incomes through direct payments (Gouin, 2004), as is the case in the EU to compensate for the dismantling of price supports.



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### **Box 8: The system of transferring production rights: a political choice that determines the evolution of agricultural structures**

While the primary objective of volume quotas is to support producers' incomes through prices via structural supply management, their implementation through the initial allocation of production rights immediately raises the question of their transfer. The choice of system governing these transfers between producers determines the pace and form of agricultural restructuring. In this context, the 'right to produce' becomes an asset whose value derives in particular from its relative scarcity, and this value redefines competition between producers through their ability to acquire additional rights. As Gouin (1986, p. 31) notes, **'the pace at which farms are concentrated or eliminated will essentially depend on the trade-offs resulting from these struggles [to secure production rights], as reflected in the regulations governing quota transfers'** (translation).

**The system for transferring production rights can be guided by two main approaches** (Barthélemy and David, 1999; Gouin, 1986). **The first approach prioritises economic efficiency by promoting the transferability of rights:** quotas then become tradeable among producers on a given market, allowing them to be allocated to farms that can afford them and that are expected to be the most competitive. **The second approach is based on the regulation of farm structures through the administrative oversight of transfers,** either through a public body tasked with reallocation or by linking quota transfers to the transfer of another farm asset, such as land.

However, this distinction must be qualified by a more detailed analysis of the measures actually implemented<sup>29</sup>. Therefore, administered models, such as those in France, have facilitated the expansion of dairy structures, particularly through retirement and quota buy-back programmes (Gouin, 1986), but also through rules for reallocating production rights via departmental reserves. Funded by compulsory levies on transfers, these reserves guided the redistribution of quotas to producers considered a priority, i.e. those whose economic size was deemed compatible with the objectives of modernisation and productivity growth set by agricultural policy (Boinon, 2000). In contrast, certain models that encourage the transferability of rights on a specific market have nevertheless incorporated regulatory mechanisms aimed at partially limiting the pace of dairy production concentration. For example, in Canada, some provinces established a cap on the value of quotas, as significant increases were preventing new farmers from entering the profession (Jacobs *et al.*, 2025). However, the concentration of production factors within the most productive farms has impacted the entire sector, irrespective of the system adopted for transferring production rights.

#### **Overview of the main provisions governing transfers of production rights:**

- **Link to land:** link quotas to land area to restrict the transferability of production rights and to slow the pace of farm restructuring. However, this mechanism carries the risk of embedding these rights into land value, particularly through key money;
- **Quota transfer levies:** allocate a portion of the transferred quotas to a public reserve for redistribution, in particular to new farmers. Reallocation criteria specify the characteristics of eligible farms, such as maximum or minimum land area thresholds, which in turn influence production methods and the expected levels of specialisation;
- **Geographical limits:** implement geographic restrictions on transfers to ensure a geographically balanced distribution of production and to specifically prevent the concentration of livestock in lowland areas at the expense of mountain regions;
- **Regulation of production rights markets:** limit the volumes that can be transferred per transaction or capping the value of rights to curb rent capture by transferors and/or landowners and to slow the concentration of production in progressively larger farms.

<sup>29</sup> Within the limited scope of this report, it is not possible to provide a detailed account of the diverse range of national frameworks established to organise systems for transferring production rights. For a detailed analysis of the main national interpretations of European regulations in this area, see Barthélemy and David (1999), also available in English translation from Elsevier.

While structural supply management mechanisms can stabilise farmers' incomes, as the Canadian example shows, they can also limit the range of farms eligible for production rights. Small farms focused on agroecology and direct sales face particular challenges in terms of the scarcity and cost of quotas, as well as minimum entry thresholds (Mundler et al., 2020). Through their analysis of **quota exemption policies and programmes specifically targeted at small farms**, Mundler et al. (2020) emphasise that, while historically established in a context of agricultural modernisation and market instability, supply management in Canada now faces new societal challenges. Current criticism does not challenge the legitimacy of the quota system, which is widely recognised for its stability, but reflects growing consumer demand for greater diversity in agri-food models.

To overcome certain barriers to the establishment of agroecological farms and the diversification of activities, regulations in some Canadian provinces permit quota exemptions up to production thresholds adapted to the economic realities of small farms, as well as production permits specifically aimed at farmers engaged in direct sales.

### Collective control of supply by producer organisations

SUMMARY	
Definition	Production volume quotas implemented by POs to ensure remunerative prices. The collective management of supply, through volume controls and, where applicable, oversight of product origin and quality has been applied to several products with geographical indications.
Examples	-Restriction of milk yield per hectare in certain PDO cheese sectors, such as Comté (Courgeau, 2025); -Supply management through the establishment of maximum yields in the main wine appellations (Courleux, 2025);
Key considerations	-The importance of exemptions from EU competition rules in enabling POs to regulate supply and prices (ECVC, 2024); -Control of supply organised collectively by producers at regional level should be seen as complementary to public intervention measures implemented on a larger scale (Jacobs et al., 2025); -Public financial support for POs must be conditional on the existence of effective democratic control exercised by the producers themselves in decision-making processes (ECVC, 2024).

Collective management of production volumes is a key tool for stabilising producers' incomes and guaranteeing product quality in most designations of origin.<sup>30</sup> 'In France, we see that only sectors with managed production volumes, such as major wine and cheese PDOs, generate income for farmers and quality for consumers' (Ody, 2025, p. 6, translation). In the Comté sector, for example, the collective decision to reduce volumes in response to declining sales has helped maintain dairy producers' remuneration above the national average, thanks to coordination between producers, processors and cheese ripeners within the inter-professional organisation (Courgeau, 2025).

<sup>30</sup> To initiate the agroecological transition, per-hectare restrictions on yields, stocking rates, or the use of inputs such as chemical fertilisers and pesticides (which are already in place in several PDOs) could be extended to certain sectors (Voss, 2025).

### Box 9: The Norwegian model of price negotiation and supply management

The Norwegian model for managing agricultural markets is based on an institutionalised partnership between the State and the two main POs – two cooperatives representing conventional agriculture and small farms – to define the conditions for production, prices and volume regulation. Each year, an Agricultural Agreement is negotiated between these POs and the government. It sets target prices (remunerative price targets), production quotas (since 1983) and financial support to adjust domestic market conditions in line with the objectives of food sovereignty, preserving family farms and protecting the environment.

Agricultural cooperatives are responsible for the practical implementation of these agreements.

Mandated by the State, they are required to purchase the output of their members and regulate volumes in order to avoid surpluses, using various tools such as production quotas, delivery adjustments and stockpiling.

This partnership ensures that producers play a central role in market regulation, enabling them to collectively negotiate their economic terms with processors and retailers. In return, the state guarantees favourable market conditions (tariff protection and public support) in exchange for volume control by the POs. Thanks to coordinated supply management, this model has ensured stable incomes for producers, maintained a balanced geographical distribution of livestock farms and promoted grassland systems.

Sources: Almas and Brobbakk, 2012, *Jacobs et al.*, 2025

In the wine sector, supply control remains central to the measures applied in most protected designation of origin areas, with maximum yields set for the main appellations (*Courleux*, 2025). More broadly, since the reform of the CMO in 2021, **POs and inter-branch organisations under PDOs have had the legal capacity to collectively manage production volumes across all sectors under geographical indications**, as was already the case for wine, cheese and ham (*Courleux*, 2025). This system of collective regulation, which has historically proven effective in emblematic cases such as Parmesan and Comté, has been expanded through new **exemptions from rules on competition, such as allowing interprofessional bodies to reach a better agreement on prices** (*Courleux*, 2025; ECVC, 2024). In view of these experiences, it is essential to reinforce financial support for POs and to facilitate their ability to collectively manage production at the regional level.

## 2.2.3 International trade policy instruments

Agricultural income support policies based on market regulation lose all effectiveness if they are not accompanied by protectionist measures relating to international trade, as low-priced imports otherwise exert constant downward pressure on markets.

**Two major justifications for agricultural protectionism can be put forward: firstly, ensuring the security of food supplies, and secondly, supporting farmers' incomes and employment, these two aspects being intrinsically linked<sup>31</sup>.**

Reliance on international markets for the supply of essential foodstuffs – products of critical importance – poses a risk that is difficult to accept, particularly given the high price volatility of these markets. In exceptional situations, such as the Covid-19 pandemic or the war in Ukraine, these prices can rise sharply when certain countries impose restrictions on their exports. Contemporary agricultural systems exhibit extremely uneven levels of labour productivity, production costs and, consequently, competitiveness, due to their unique contexts and differing historical trajectories<sup>32</sup>. **Protectionist measures help to compensate, at least partially, for these inequalities, which create competitive distortions<sup>33</sup> to support agricultural income and**

<sup>31</sup> For a detailed analysis of the debates on agricultural protectionism, see L. Roudart (2021).

<sup>32</sup> For a detailed presentation of these issues, see Mazoyer M., Roudart L., *Histoire des agricultures du monde. Du néolithique à la crise contemporaine*, Seuil, 2002.

<sup>33</sup> The word 'distortion' does not have the same meaning here as in the first part of the report. In the first part, it referred to the neoliberal term denoting market distortions (see sections 1.2.1 and 1.2.2). Here, it refers to the fact that producers are in very unequal competitive conditions due to their geographical, technical and institutional contexts.

**employment.** Conversely, certain international trade policies, such as the export subsidies employed by the EU until 2021, exacerbate these imbalances by encouraging the sale of products at prices below their actual production costs – a practice commonly referred to as dumping.

Despite the prevailing discourse in favour of liberalising agricultural sectors, many governments continue to protect their agriculture through international trade policy measures, such as those outlined below.<sup>34</sup> Furthermore, recent political developments indicate that WTO disciplines no longer represent as significant an obstacle as before to the overhaul of agricultural market regulation policies (Jacobs *et al.*, 2025). Against this backdrop, the establishment of a **new multilateral organisation to implement coordinated agricultural protectionism internationally** appears necessary in order to regulate agricultural trade, which will undoubtedly remain essential (Roudart, 2021). Such a multilateral approach to protectionism would aim to guarantee food security in different regions of the world by organising trade on a more equitable basis. Such an approach would require the establishment of common agricultural markets, bringing together countries with comparable levels of productivity, protected by appropriate customs duties. It should also incorporate social, health and environmental standards that promote ecological and social transition, as well as product-specific agreements between major exporters and importers to stabilise prices on international markets.

## Restrictions on the volume of imports

SUMMARY	
Definition	A measure consisting of limiting imports of certain products, either completely or beyond a certain volume set for a given period (import quota). Quotas can take two forms: (1) absolute quotas, which set a maximum import quantity beyond which market access is closed until the next defined period; (2) tariff quotas, which allow the import of a specified quantity at zero or reduced duty, while applying a higher tariff to additional volumes.
Examples	Import quotas applied by the EU on most agricultural products. Volumes and preferential customs duties are also subject to negotiations in free trade agreements (e.g. Mercosur).
Key considerations	The temporary suspension of import quotas in order to provide economic support to a third country – as implemented by the EU for cereals from Ukraine after the start of the war – can significantly destabilise local producers (Mamonova <i>et al.</i> , 2025).

## Variable customs duties

SUMMARY	
Definition	A mechanism for taxing imported goods whereby the rate is automatically adjusted in line with price fluctuations on international markets to compensate for the difference between a threshold price and the international price.
Examples	-Variable EU levies applied to certain foodstuffs until the AoA came into force in 1995; -Applied to imports into the EU of tomatoes from Morocco, based on Article 181 of the CMO Regulation (Courleux, 2025), with a different price threshold depending on the production season in Europe.

<sup>34</sup> Given the limited scope of this report, and given that the contributions to the conference focused mainly on instruments for intervention in domestic markets, international trade policy measures are presented here primarily in the form of a review.



## Minimum entry prices

SUMMARY	
Definition	A mechanism for regulating international trade that consists of setting a price threshold below which imports of an agricultural product are prohibited, in order to protect local production from competition at lower prices and encourage better remuneration for agricultural labour in the export country.
Examples	The Confédération paysanne proposes introducing a minimum entry price for intra-European trade due to the lack of harmonisation of social and environmental standards between Member States ( <i>Courageau, 2025</i> ). This proposal is supported by ECVC, which also calls for the harmonisation of fiscal, social, and environmental standards across the EU (ECVC, 2023).
Key considerations	Minimum import prices can generate a windfall for the exporting company if the measure is not accompanied by a mechanism to monitor the prices actually paid to producers (Levard and Loyat, 2018).

## Non-tariff barriers

SUMMARY	
Definition	Measures other than customs duties put in place to limit or regulate the import of agricultural products. These include health, social and environmental standards.
Examples	Application of non-tariff barriers on certain agricultural products imported into the EU.
Key considerations	Acknowledging the right of communities to set their own quality standards for food production is an essential condition for food sovereignty. When applied to imports, special care must be taken not to undermine the sovereignty of third countries, either by unilaterally imposing European standards or, conversely, by applying only the least stringent standards (ECVC, 2023).

## Taxing exports in line with direct payments received

SUMMARY	
Definition	A measure consisting of taxing agricultural products that are exported at a price below the average cost of production, when this price is made possible by direct payments to producers.
Examples	Anti-dumping proposal for agricultural products destined for third countries (ECVC, 2023).



## 2.3 Overview of instruments for regulating agricultural land markets

To promote agroecological transition and farmers' access to land, the strengthening of public instruments for regulating agricultural product markets, one of the measures that could be used to reform the CAP, must be accompanied by a reflection on the regulation of land markets<sup>35</sup>. Today, certain political objectives of the European Commission – regarding generational renewal in agriculture and environmental ambitions – cannot be achieved without changes to the ways in which land rights are acquired and transferred (Calo *et al.*, 2025). The current status quo encourages the consolidation of large, productivist farms and the continued decline of agriculture. On the other hand, the agroecological transition requires an overhaul of land policies in order to promote a larger and more diverse network of farms spread across all European agricultural areas.

The review of land market regulation measures implemented in several European countries (see Figure 2 below) highlights several key aspects to be taken into account when designing land policies committed to agroecological transition, including:

measures relating to permanent transfers of ownership and temporary transfers of cultivation rights are complementary: deregulating the market can exert pressure on the rental market and undermine contractual relationships between landlords and farmers, ultimately disadvantaging the latter;

a 'structural' policy, primarily centered on regulating farm size and legal structures, should be complemented by policy tools that can influence land use and production practices;

beyond public interventions in acquisition and rental markets, practical experiences indicate that local management of agricultural land as a commons can be reinforced through land policies developed on a broader scale.



Photo by Jacques Dillies on Unsplash

<sup>35</sup> Given the limited scope of this report, and given that the contributions to the conference focused mainly on interventions concerning agricultural product markets, measures to regulate land markets are presented here in the form of a review.

**Figure 3: Measures to regulate agricultural land markets**

# Conclusion

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EU authorities have stated their ambition for ‘open strategic autonomy’ for Europe: beyond military defence, this involves protecting citizens and responding to threats in key economic sectors, while continuing trade and cooperation relations with third countries.

The agri-food sector is of critical importance. And, in the current global environmental and geopolitical context, this sector faces a whole series of threats. The Common Agricultural Policy has a fundamental role to play in shaping the ‘Food’ pillar of open strategic autonomy. Some criticise the CAP for its cost. However, it represented only 1% of the EU's gross national product for the period 2014-2020 (Détang-Dessendre and Guyomard (Eds.) 2020). The security of food supplies for the European population is well worth this cost.

However, the CAP must be reformed. Two major objectives are imperative in this environmental and geopolitical context: food self-sufficiency and the agroecological transition toward sustainable agriculture. Consequently, the goal of maintaining price competitiveness on international markets (long emphasised but largely at odds with the two objectives mentioned above) must be reconsidered: very few European farmers would be able to export to international markets without public subsidies, as they face competition from producers in other regions of the world where production costs are much lower. Furthermore, the race for price competitiveness disregards many environmental and social costs. Within the framework of open strategic autonomy, new trade relations with third countries are to be negotiated as equals.

Regarding the general approach to CAP reform, we welcome the initiative of European Commission President Ursula von der Leyen, who launched a ‘Strategic Dialogue’ on the future of EU agriculture, which brought together a diverse range of stakeholders to discuss this issue (European Commission 2024). We also welcome the commitment of European Commissioner for Agriculture and Rural Development, Christophe Hansen, to fostering new ways of working: building trust through listening and discussion among different types of stakeholders, ensuring all voices are heard – including those of various categories of farmers, actors in the food supply chain, and civil society representatives across Europe at multiple levels (European Commission, 2025). Reaching political compromises will certainly be difficult, but the future CAP must be a collective responsibility.

During this overhaul, all agricultural policy tools must be considered, including public market intervention instruments. For over three decades, this type of intervention has been largely dismantled, driven by belief in the virtues of free-market agriculture, accompanied, however, by direct payments to support agricultural incomes.

In the introduction to this report, we outlined some widely shared observations on the agricultural sector in the EU. Moreover, the number of farmers has declined sharply; many are older and have no one to take over their farm. The first part of this report demonstrated that the preference for decoupled direct payments rather than public market interventions is poorly supported by evidence. Furthermore, it is likely that this preference encouraged the development of corporate farming, managed through delegation rather than by farmers themselves (Hervieu and Purseigle, 2013). The second part of this report reviewed a number of public intervention instruments in agricultural markets. Since the surge in international market prices in 2007/08, an increasing number of countries have been using this type of instrument and paying no heed to the WTO Agreement on Agriculture.

Neoliberalism is dead (for the foreseeable future). We are facing a severe ecological crisis. Given the new global geopolitical and environmental context, it is vital that we reform the CAP for 2027-34, reverse the decline in the number of farmers, and move towards diversified and sustainable forms of agriculture.



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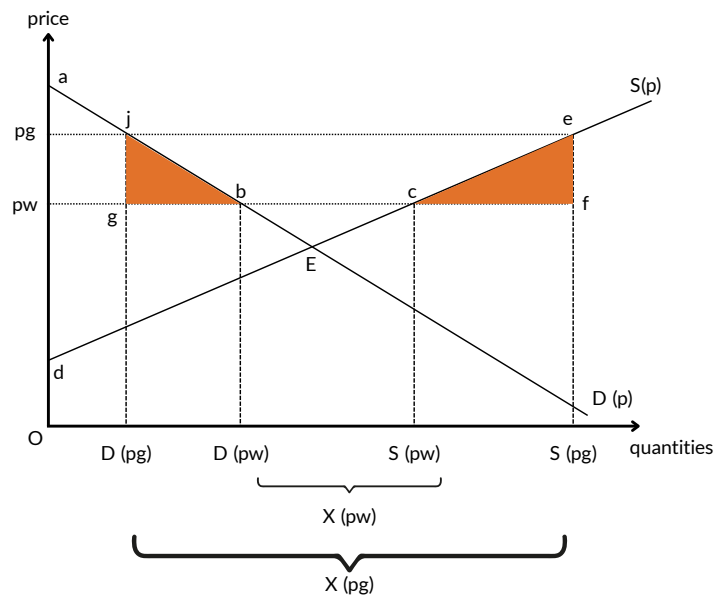
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## Appendix 1

N.B.: the three graphs below are taken from an article titled 'Interprétation économique, avantages et limites du principe de découplage des instruments de soutien des revenus agricoles [Economic interpretation, advantages and limitations of the principle of decoupling agricultural income support instruments]' (A. Gohin, O. Gorin, H. Guyomard, C. Le Mouël, 1999).

**Graph 1: Effects of a guaranteed price for producers for a homogeneous agricultural product**



$pw$  : global price

$pg$  : guaranteed price

$S(p)$ : supply curve (increasing with price)

$D(p)$ : demand curve (decreasing with price)

$D(pg)$ : quantity requested at guaranteed price

$D(pw)$ : quantity requested at world price

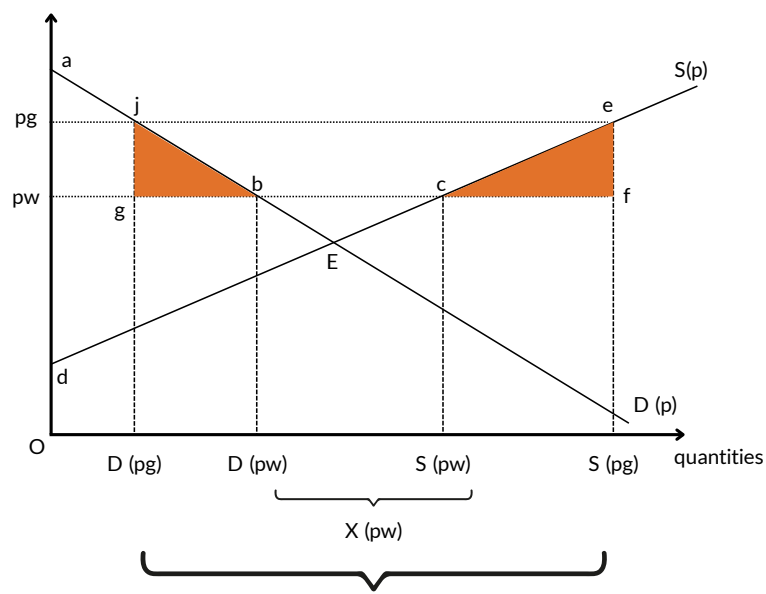
$S(pw)$ : quantity offered at world price

$S(pg)$ : quantity offered at guaranteed price

$X(pw)$ : quantity exported at world price

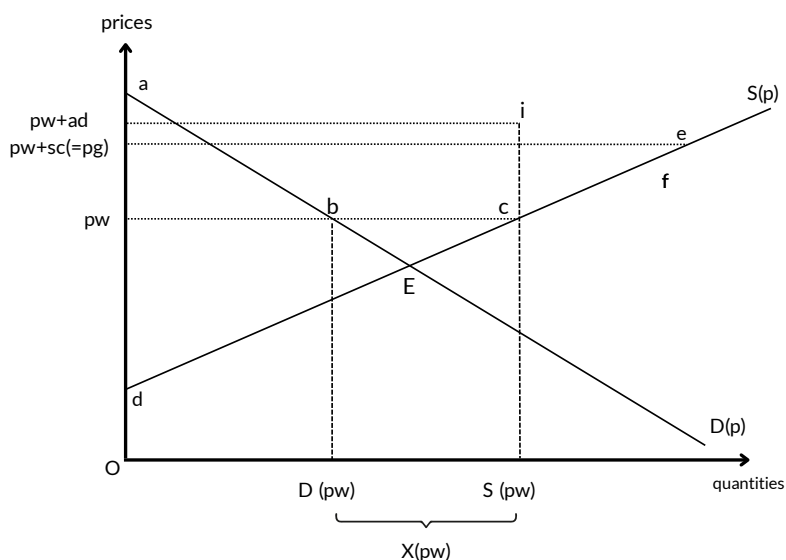
$X(pg)$ : quantity exported at guaranteed price

**Graph 2: Effects of a subsidy linked to production volumes**



$sc$ : coupled subsidy (amount equal to the difference between the guaranteed price in graph 1 and the world price)

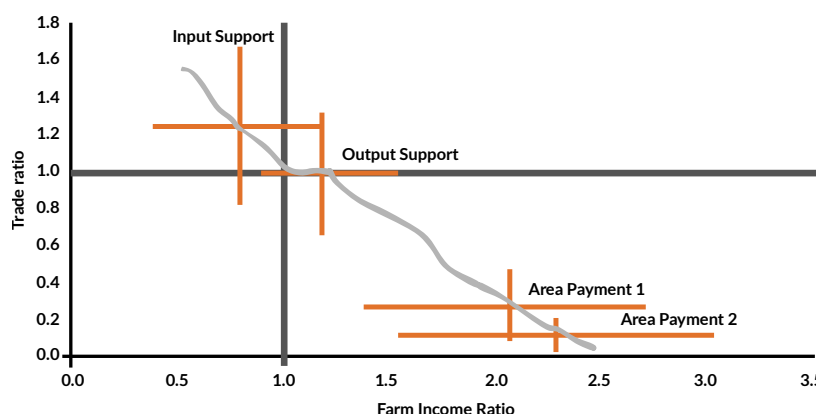
Graph 3: Non-effects of a decoupled subsidy



ad: lump-sum direct payment to producers

## Appendix 2

Graph 4: Graphical summary of the results obtained by Dewbre et al. (2001).

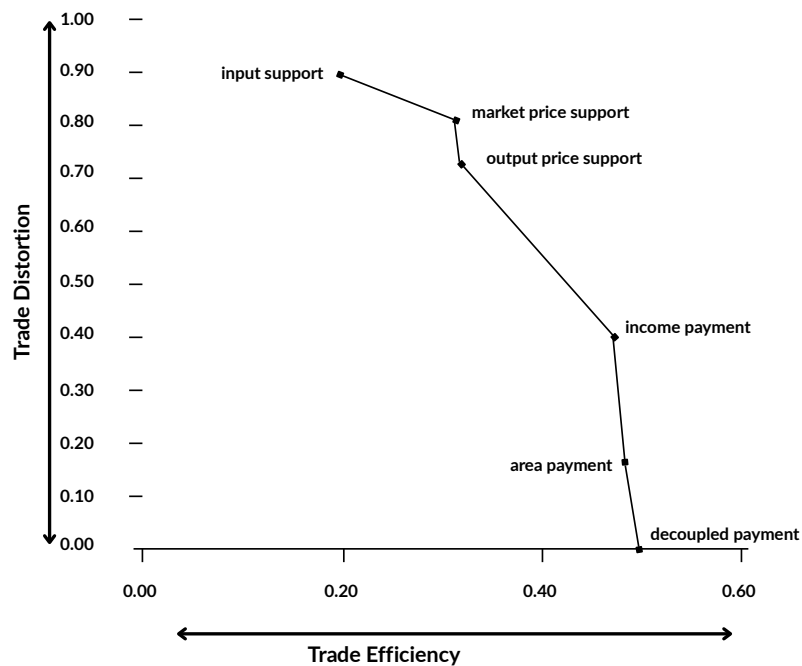


Note: for each category of support, the crosses intersect at the mean ratios of the impacts of that support relative to the market price support effects. The endpoints of the crosses are at the mean plus or minus one deviation. The distribution of impact ratios of each category of support cover 100 simulations for each of the five countries and for each of the two years (e.g., 1000 simulations)

Source: Dewbre, J., Antón, J., & Thompson, W. (2001). The Transfer Efficiency and Trade Effects of Direct Payments. *American Journal of Agricultural Economics*, 83(5), 1204-1214.

According to this graph, in terms of income transfer to farmers, area-based payments are more effective than production-coupled payments, which are more effective than market price support, which is itself more effective than input-based payments. In terms of effects on trade, input-based payments have a greater impact than market price support and production-coupled payments (the latter two having effects of a similar magnitude), which have a greater impact than area-based payments.

Graph 5: Graphical summary of the results obtained by Dewbre and Short (2002)



Source: Dewbre, J., & Short, C. (2002). Alternative Policy Instruments for Agriculture Support: Consequences for Trade, Farm Income and Competitiveness. *Canadian Journal of Agricultural Economics*, 50(4), 443-464.

The results shown in this graph are similar to those in the previous graph for the same agricultural policy instruments. The two other instruments tested here, namely income-based payments and lump-sum (decoupled) payments, perform as follows: in terms of income transfer, their effectiveness is close to that of area-based payments; regarding effects on trade, lump-sum payments are considered to have no impact, while income-based payments have effects falling between those of area-based payments and production-coupled payments.



Laurence ROUDART and Lou PLATEAU

## Rethinking the regulation of agricultural markets for agroecological transition in Europe

The Common Agricultural Policy (CAP) of the European Union (EU) is the subject of intense controversy. However, the uncertainties and risks affecting agricultural production and food supply, both within the EU and globally, pose an ever-greater threat. The security of the European population's food supply can no longer be taken for granted.

Given these challenges, on 3 and 4 March 2025 European Coordination Via Campesina, Université libre de Bruxelles and the International Institute of Social Studies of Erasmus University Rotterdam organised an international conference in Brussels. The aim was to reflect, in a transdisciplinary and interdisciplinary manner, on the lessons to be learned from the successes, failures and setbacks of agricultural market regulation policies in Europe and other parts of the world, both past and present.

The first part of this report briefly outlines how the CAP has evolved since 1992: the transition from market price support as the primary measure to direct payments and then to decoupled direct payments represented a major turning point. This section then reviews the rationale for public intervention in the agricultural sector as understood within a particular school of public economics. It then discusses decoupled direct payments in comparison to other instruments for supporting farm incomes: market price support, production-coupled payments, area-based payments, payments based on the use of variable inputs, and flat-rate payments based on historical entitlements.

The economic studies referenced in this first section do not provide any sufficiently substantiated arguments in favour of decoupled direct payments over market price support. Some of these studies conclude that production-coupled payments are more effective than decoupled direct payments when positive externalities increase with the level of production. Other studies show that, when combined with quotas, market price support and certain coupled payments can result in outcomes comparable to flat-rate payments. Furthermore, agricultural sociology research suggests that decoupled direct payments have encouraged the development of corporate-style farms managed through delegation rather than by farmers themselves.

The second part of the report provides an overview of agricultural market regulation instruments that can be used to promote agroecological transition, ensure decent incomes for farmers and recreate socio-economic conditions conducive to entering the farming profession. In this context, it is essential to reinstate a policy of supporting the prices paid to farmers for certain products. Such a policy must be linked to supply management mechanisms in order to prevent overproduction, and must be consistent with international trade policies.

The current CAP, which supports agricultural incomes through decoupled payments without explicit guidance, encourages the expansion of large, productivist farms and the continued decline of agriculture. In contrast, the agroecological transition involves developing a network of more numerous and diversified farms distributed across Europe's agricultural landscapes. To be able to engage in sustainable agricultural practices, which initially involve high risks, farmers must secure prices that cover their production costs. Otherwise, they cannot take these risks.

There are various agricultural policy measures that can be taken to anticipate market imbalances and minimise the risk of future crises arising. It is important that they are implemented in collaboration with producer organisations, at multiple levels of intervention. Such policies are currently operational in many countries, including India, Canada and Norway. Empirical analyses of guaranteed price systems covering milk production costs combined with supply management show that these policies do not necessarily lead to higher costs for consumers. In fact, market deregulation can lead downstream actors in supply chains to increase their profit margins, to the detriment of both producers and consumers.

Neoliberalism is dead. We are facing a severe ecological crisis. Given the new global geopolitical and environmental context, it is vital that we reform the CAP for 2027-34, reverse the decline in the number of farmers, and move towards diversified and sustainable forms of agriculture.

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