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EU Agricultural Support: Overview and Comparison with the United States

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Summary

The European Union (EU) is one of the United States' chief agricultural trading partners but also a major competitor in world markets. Historically, both the United States and the EU have provided significant government support for their agricultural sectors. In the United States, federal farm policy has traditionally focused on price and/or income support programs concentrated on row crops including grains, oilseeds, and cotton as well as sugar and dairy. In contrast, the EU provides more extensive support to a broader range of farm and food products—including livestock products and fresh and processed fruits and vegetables.

Significant structural differences in their respective farm sectors have helped to shape differences in farm policy. The United States has double the farmland base (over 1 billion acres versus about 457 million acres), while the EU has five times the number of farms at 10.8 million with an average size of 47 acres, compared with 2.1 million U.S. farms at an average size of 441 acres. As a result, EU outlays per acre appear much larger than in the United States, whereas U.S. outlays per farm appear much larger. In general, the small size of EU farm holdings, their substantially larger number of farms relative to the United States, and the larger share of rural population (25% versus 18%) has played a strong role in the formation of EU farm policy as compared to the United States. The EU tends to have a stronger rural development emphasis and allows frequent exemptions for identifiably small farming units from certain cross compliance restrictions and payment limitations.

Since the mid-1990s, both regions have reoriented their domestic agricultural policy toward less market-distorting policies in response to both internal budget pressures and international trade commitments. EU policymakers have faced additional pressures to reform domestic agricultural policy, due to the EU's steady growth to 28 European nations and 508 million people by 2013—including the agriculturally intensive but economically poorer countries of Eastern Europe.

Several policy trends have emerged in both the EU and United States, including the following:

- Traditionally, the United States uses less trade-distorting support than the EU, although the EU has made substantial reductions in the volume of its trade distorting support.
- When measured as a share of total gross farm receipts, support for market-distorting commodity programs has decreased for both the EU and United States, but the EU's share remains about double the U.S. share.
- In both the EU and United States, support for less distorting non-commodity-type programs (e.g., conservation, rural development, agro-forestry, and nutrition) has increased substantially and now accounts for a majority of total farm support.
- U.S. consumers have received net benefits from agriculture-based support programs, whereas EU consumers have generally transferred more support to agricultural producers than they have received in off-setting benefits (i.e., the EU's consumer subsidy estimate is negative), although the net transfer has been declining over time as a share of gross farm receipts.

Because the United States and the EU figure prominently in the development and use of global agricultural policy, information comparing their farm support programs will likely be of interest to Congress as the United States prepares for another round of domestic farm bill negotiations and engages in international trade negotiations on several fronts, including the Transatlantic Trade and Investment Partnership (T-TIP) with the EU, the Trans-Pacific Partnership (TPP) with Pacific Rim nations, and within the WTO's multilateral negotiating forum.

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Introduction

Both the United States and European Union (EU) have large, diverse, and economically important agricultural sectors. In addition, both political entities provide significant government support to their agricultural sectors. Each entity's agricultural policy regime has changed substantially over the years, although the nature and extent of their policy interventions differ markedly.

Since the mid-1990s, both regions have reoriented their domestic agricultural policy in response to internal budget pressures as well as commitments to international trade rules governing the use of domestic support programs—based largely on the World Trade Organization's (WTO) Agreement on Agriculture (AoA), which encourages greater use of less market-distorting policies.[1] But EU policymakers have faced additional pressures to reform domestic agricultural policy, in particular due to the EU's steady growth to 28 European nations and 508 million people as of 2013—including most of the agriculturally intensive but economically poorer countries of Eastern Europe (**Table 3**).

This report provides a brief comparison of the agricultural sectors and policy frameworks of the United States and EU. First, it notes the importance of trade between the two entities. Then it describes some of the major differences in agricultural and geopolitical settings that underlie and drive the policy frameworks for supporting their agricultural sectors. Third, the report provides a short recounting of the historical context that produced the current policy regimes in each entity. This is followed by an overview of the current agricultural policy structure in both the EU and United States. The final section compares each entity's agricultural support programs and outlays based on two international data sources: (1) annual domestic support notifications to the WTO; and (2) a set of comparative policy measures published annually by the Organization for Economic Cooperation and Development (OECD).[2]

The EU and United States Are Important Trading Partners

The EU is one of the United States' chief trading partners and also a major competitor in world markets for goods and services, including farm products (**Table 1**).

As a destination, the EU accounted for 17% of total U.S. merchandise exports and 9% of U.S. agricultural exports during 2013-2015. The EU ranked as the fifth most important destination for U.S. agricultural products behind China (19%), Canada (15%), Mexico (13%), and Japan (9%) during that same period.

On the other side of the trade ledger, the United States accounted for 19% of total EU merchandise exports and 14% of EU agricultural exports. As a source for U.S. agricultural-product imports, the EU's 17% ranked third, just behind Canada (20%) and Mexico (18%) but ahead of fourth place China (4%).

[1] The AoA was entered into force on January 1, 1995, as part of the establishment of the WTO. Its guidelines and restrictions on domestic support are described later in this report.

[2] Both of these data sources are publicly available and are described in detail later in this report.

Table 1. Comparison of U.S. and EU Average Trade Values for 2013-2015

(billion U.S. dollars)

	U.S. Trade with:			EU Trade with:[a]		
	World	**EU**	**EU Share**	**World**	**U.S.**	**U.S. Share**
Exports:						
Total Merchandise[b]	$1,568	$270	17%	$2,207	$411	19%
Subtotal: Agriculture[c]	$147	$14	9%	$152	$22	14%
Imports:						
Total Merchandise[b]	$2,286	$411	18%	$2,134	$270	13%
Subtotal: Agriculture[c]	$131	$22	17%	$154	$14	9%

Source: Assembled by CRS from *Global Trade Atlas* database on May 6, 2016.

Notes:

a. EU trade data have been adjusted slightly to agree with U.S. trade data.

b. All commodities of all chapters of the Harmonized System (HS) code.

c. All agricultural products for chapters 1-24 of the HS code.

Key Policy Difference: EU Has More—but Smaller—Farms

Identifying the structural differences in the respective farm sectors of the United States and EU is an important first step in understanding the differences in their agricultural policies. Perhaps the most important difference is the contrast between land area and farm numbers. The United States has more than double the farmland base (over 1 billion acres versus about 457 million acres in the EU), while the EU has more than five times the number of farms (10.8 million versus 2.1 million) spread across its 28 member countries (**Table 2**). As a result of its smaller area but comparable support outlays, EU domestic support outlays per acre are nearly double the United States ($237 versus $139), whereas U.S. outlays per farm are over six times larger than in the EU ($66,385 versus $10,106).

Despite its apparent large farm population, the number of farm holdings in the EU has been declining recently. In 2005, following the 2004 accession of 10 new EU member states, the EU had an estimated 14.5 million farms.[3] By 2013, the number of EU farm holdings had declined to an estimated 10.8 million (the most recent data point) with an average size of 43 acres. This contrasts with the United States, where 2.1 million farms with an average size of 477 acres per farm were in operation in 2015.[4]

The technological scale of agricultural production varies dramatically across the EU's 28 member states. Many of the EU's Eastern European member states have been slow to adopt newer technology, in large part due to the extremely small size of their agricultural holdings. For example, Romania had an estimated 3.6 million farm holdings in 2013, with an average size of about 11 acres. Poland has another 1.4 million holdings averaging about 28 acres each, and Italy has over 1 million farms and an average holding of about 37 acres. This small farm size limits the benefits from the economies of scale inherent in the advanced-technology agricultural production used in the United States.

[3] European Commission, *Eurostat*, downloaded on May 11, 2016, from http://ec.europa.eu/eurostat.

[4] Average farm sizes are calculated by CRS based on data defined in **Table 2**.

Table 2. Comparison of U.S. and EU General Economic Indicators

Indicator	EU-28	United States
Population (million, July 2015)	**513.9**	**321.4**
Rural Share (%)	25.3%	18.4%
Population Density (capita/km²)	**119**	**35**
Labor Force (million, 2015)	**231.9**	**156.4**
Agricultural labor force (million, %)	11.6 (5.0%)	1.1 (0.7%)
GDP-PPP[a] (billion U.S. $, 2015)	**$16,270**	**$17,970**
Agriculture Share of GDP-PPP (%)	1.6%	1.6%
GDP-PPP per capita (2015 U.S. $)	**$37,800**	**$56,300**
Total Land Area (million acres, 2013)	**1,041.6**	**2,260.4**
Agricultural Land, million acres (%)	**457.2 (100%)**	**1,001.9 (100%)**
Pasture, million acres (%)	160.1 (35%)	620.0 (62%)
Seasonal Crops, million acres (%)	267.7 (59%)	375.2 (37%)
Tree / Permanent Crops, million acres (%)	29.4 (6%)	6.4 (1%)
Number of Farms[b] (million, 2013)	**10.8**	**2.1**
Average Farm Size (acres, 2013)	**42.6**	**476.6**
Major Livestock Population (million head, 2014)	**359.0 (100%)**	**170.7 (100%)**
Cattle (million head)	89.4 (25%)	88.5 (52%)
Dairy Cattle (million head)	23.6 (7%)	9.2 (5%)
Hogs (million head)	148.3 (41%)	67.7 (40%)
Sheep (million head)	97.7 (27%)	5.2 (3%)
Poultry Production (million tons, 2013)	**10.9**	**17.5**
OTDS Outlays (billion U.S. $, 2011-2012 average)[c]	**$14.2**	**$13.3**
Green Box Outlays[c]	**$95.0**	**$126.3**
OTDS + Green Box Outlays[c]	**$109.3**	**$139.5**
Per acre (U.S. $)	$237	$139
Per farm (U.S. $)	$10,106	$66,385

Source: Assembled by CRS from various sources, including Central Intelligence Agency, *CIA Fact Book*; World Bank, *World Development Indicators*; United Nations, *FAOSTATS*; European Commission, *Eurostat*; and U.S. Department of Agriculture, *Farm and Land in Farms: 2015 Summary*, February 2016.

Notes:

a. GDP-PPP = Gross Domestic Product in Purchasing Power Parity as calculated by the World Bank.

b. According to the U.S. Agricultural Census, a U.S. farm is defined as any place from which $1,000 or more of agricultural products were, or normally would be, produced and sold during the Census year. According to *Eurostat*, a European agricultural holding is a single unit both technically and economically that has single management and produces agricultural products. Other supplementary (non-agricultural) products and services may also be provided by the holding.

c. Overall Trade-Distorting Domestic Support (OTDS) and Green Box outlays are described later under WTO notifications. Data are averaged for 2010 to 2012, the most recent comparable years. EU euros per dollar are converted to U.S. dollars using exchange rates of 0.755 (2010), 0.719 (2011), and 0.778 (2012).

The EU also has a much larger commercial animal population—more than double that of the United States (359 million head of cattle, dairy cows, hogs, and sheep in 2014 compared with 171 million in the United States) but with smaller average animal numbers per farm with animals.

In general, the small size of EU farm holdings, their substantially larger number relative to the United States, and the generally larger share of rural population in the EU (25% versus 18%) have played a strong role in the formation of EU farm policy as compared to the United States. The EU tends to have a stronger rural development emphasis and allows frequent exemptions for identifiably small farming units from certain cross compliance restrictions and payment limitations.

What Is the European Union (EU)?

The EU is a political and economic partnership of 28 European countries.[5] It has been built up over time through a series of binding treaties.[6] The EU's origins date from 1951-1952, when six Western European countries, in the aftermath of World War II, embarked on the European integration project to promote peace, stability, and economic recovery. In order to join the EU, countries must first meet a set of established criteria, including having a functioning democracy and market economy.

Although each member of the EU remains a sovereign country, member states have agreed to share sovereignty in specified areas. On many economic and social issues, EU member states have largely pooled sovereignty, and EU decisionmaking has a supranational quality. On issues such as foreign policy and defense, however, EU member states seek to cooperate where possible, but decisions require unanimous agreement among all 28 countries, and national governments thus retain greater control.

Over the years, the EU has sought to harmonize laws and adopt common policies in an increasing number of areas. EU member states share a customs union; a single market in which goods, people, and capital move freely; a common trade policy; and a Common Agricultural Policy (CAP). Nineteen EU member states use a common currency (the euro) and share a common central bank—the European Central Bank—and a common monetary policy. These 19 member states are referred to collectively as the "**eurozone**." However, they do not have a common fiscal policy, and member states retain control over decisions about national spending and taxation—subject to certain conditions designed to maintain budgetary discipline.

Twenty-two EU member states (and four other European countries) participate in the **Schengen area** of free movement in which internal border controls have been eliminated.

Key EU institutions include the following:

- The **European Council** is composed of EU heads of state or government, which acts as the strategic guide and driving force for EU policy.
- The **European Commission** functions as the EU's executive. As such, it is responsible for proposing legislation, implementing decisions, upholding the EU's treaties, representing the EU internationally on many issues, and much of the day-to-day running of the EU. The **Directorates-General** (DG) and services under the EC are responsible for policy areas and are each headed by a director-general—for example, the Directorate-General for Agriculture and Rural Development.
- The **Council of the European Union** (also known as the **Council of Ministers**) represents the national governments of member states.
- The directly elected **European Parliament** represents the citizens of the EU.
- For more information, see CRS Report RS21372, *The European Union: Questions and Answers*; and CRS Report R44249, *The European Union: Current Challenges and Future Prospects*.

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[5] The EU currently recognizes six countries as official candidates for membership—Albania, Macedonia, Montenegro, Serbia, Turkey, and Iceland—and two countries as potential future EU candidates: Bosnia-Herzegovina and Kosovo.

[6] **Table 3** provides a chronological list of EU enlargement and agricultural policy developments.

Historical Development of EU-U.S. Farm Programs

Comparisons of agricultural support outlays between the U.S. and EU are complicated by the difficulties inherent in defining what constitutes support—or even what constitutes agriculture.[7] U.S. and EU farm program support differs in both size and scope, as well as in the manner in which the support is provided. For example:

- In the United States, Congress develops and authorizes federal farm policy. In contrast, the EU agricultural policy has traditionally been developed by the European Commission, largely outside of the legislative arena.
- The United States has traditionally focused its producer support programs on dairy and row crops including grains, oilseeds, and cotton. In addition, the United States has provided substantial support to the sugar sector via supply management and import quotas. EU agricultural policy provides support to a broader range of farm and food products—traditional row crops, sugar, and dairy as well as livestock products and fresh and processed fruits and vegetables—with more extensive cross compliance provisions.

Both the United States and the EU have relied on similar policy instruments to support their respective agricultural sectors—commodity-specific price-triggered supports, direct payments to producers, supply controls, and border measures—although their implementation and the range of affected commodities have been fairly different over the years. To fully appreciate the current status of U.S. and EU farm policy, this section briefly reviews the origins and evolution of their respective policies.[8]

Agricultural Policy Origins

Current U.S. farm policy has its origins in the Great Depression, when nearly 20% of Americans lived in rural areas and derived their livelihood either directly or indirectly from agriculture. As a result, the initial focus of U.S. farm policy was supporting commodity prices and rural incomes.

EU farm policy began later, following the devastation of World War II and the creation of the precursor European Economic Community (EEC) on January 1, 1958, based on the 1957 Treaty of Rome.[9] During the late 1940s and early 1950s, Europe confronted serious food shortages. Although the shortages subsided by the mid-1950s, Europe remained a major importer of foodstuffs well into the 1970s. Thus, the EEC's initial policy focus was on ensuring adequate internal food supplies and supporting the rural economy.

The EEC established the CAP in 1962 based on three major principles:

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[7] For example, the single largest outlay under U.S. agricultural support notifications to the WTO is payments made under the Supplemental Nutrition Assistance Program (SNAP), formerly known as food stamps. The OECD considers SNAP payments to be consumer subsidies, not producer subsidies. Meanwhile, billions of dollars of tax credits to U.S. biodiesel blenders coupled with mandated biofuels usage under the Renewable Fuels Standard have provided substantial support for the U.S. grain and oilseed sectors but are excluded from U.S. agricultural support totals.

[8] **Table 3** provides a chronological list of EU enlargement and agricultural policy developments. U.S. farm policy is described in more detail in other CRS reports and is mentioned briefly here to provide context for understanding the EU's farm policy evolution. For example, see CRS Report RS22131, *What Is the Farm Bill?*; CRS Report R43076, *The 2014 Farm Bill (P.L. 113-79): Summary and Side-by-Side*; and CRS Report R43758, *Farm Safety Net Programs: Background and Issues*.

[9] In 1993, the Masstricht Treaty established the EU in place of the EEC.

1. A *unified market* in which there is a free flow of agricultural commodities with common prices within the EU,
2. *Product preference* for domestic production in the internal market over foreign imports through common customs tariffs, and
3. Financial solidarity through *common financing* of agricultural programs.

The CAP's original objectives were to increase agricultural productivity, ensure fair living standards for farmers, stabilize markets, ensure the availability of food, and provide food at reasonable prices.[10] These aims were achieved primarily by the EEC intervening in commodity markets to buy farm output when market prices fell below agreed target prices. To prevent imports from undercutting the high internal prices that resulted from the operation of the intervention buying system, the EEC levied variable tariffs on imported agricultural products. The surpluses of agricultural products that resulted from the high internal prices of the intervention buying system were reduced by export subsidies. The system of intervention buying, import levies, and export subsidies was carried out in various common market organizations (CMOs) for bananas, cereals, floriculture, dried fodder, fruits and vegetables, hops, olive oil and table olives, flax and hemp, eggs, pork, milk products, rice, seeds, sugar, tobacco, beef and veal, sheep meat and goat meat, wine, poultry meat, and other agricultural products.

Encouraging Surplus Production

The United States was a major beneficiary of Europe's large agricultural import needs during the 1940s and 1950s. Despite strong U.S. exports to Europe, by the late 1950s, technological advances combined with relatively strong government price supports had led to the accumulation of large U.S. stocks of grains and cotton. In response, U.S. farm policy instituted supply management provisions in the 1960s including acreage planting restrictions and large global food aid donations for surplus removal.

In the early 1970s, a global economic and commodity market crisis helped to draw down world grain and oilseed reserves, sharply raised global commodity prices, and induced both the United States and the EEC to increase support for their respective agricultural sectors.[11] For example, the United States instituted commodity-price targets linked to the cost of production, thus building in a self-inflating aspect that encouraged increasing support outlays and concomitant agricultural output independent of market conditions. Similarly, the EEC maintained internal support prices at levels well above world market conditions, thus isolating domestic producers from international market signals.

Among the unintended consequences of the CAP were high prices for consumers and high budget expenditures. During the 1970s and 1980s, the CAP accounted for as much as 70% of the total EEC budget. EEC trading partners criticized the CAP for distorting world markets and interfering with global agricultural trade. As the EEC expanded to 12 members by 1986, the generous support programs of the CAP resulted in increasing budget outlays.

By the mid-1980s, generous price and income supports in both the United States and the EEC had resulted in overproduction and large stock accumulations (a substantial portion government-owned). Burgeoning EEC and U.S. supplies in the world's two dominant grain stock holders

[10] These were the objectives for a common agricultural policy, enumerated in Article 39 of the 1958 Treaty of Rome, establishing the original six-country European Economic Community.

[11] For more information, see Pete Riley, "Global Grain Markets in 1996: Shades of 1972-74?," U.S. Department of Agriculture, Economic Research Service (ERS), *Agricultural Outlook*, AO-233, September 1996, pp. 2-6.

swelled global stocks to record levels, dampened global commodity prices, and created intense budgetary pressures for reform. By 1982, the CAP had successfully shifted the EEC from food deficit to food surplus, and extensive use of export subsidies had increased the EEC's share of world food exports, often at the expense of U.S. exporters. In 1985, the United States responded with its own export subsidy program—the Export Enhancement Program—to help protect U.S. market share in international markets.[12] The United States and the EU recognized their dilemma in precipitating an agricultural trade war but were hesitant to unilaterally undertake reforms for fear of losing market share in the very competitive international marketplace.

Mid-1980s Ushers in Period of Market-Oriented Reforms

The United States began to slowly rein in direct farm support levels, starting with the 1985 farm bill (P.L. 99-198), which lowered Commodity Credit Corporation price-support loan rates, froze income support target prices and program yields used to calculate per-acre payments, and introduced special marketing loan provisions for rice and cotton to avoid government stock ownership. In the 1990 farm bill (P.L. 101-624), acreage eligible for income support payments was reduced and acreage set-asides were tied to end-of-season stocks, making them mandatory when stocks were too high relative to usage.

By the early 1990s, with further enlargement looming, the EEC felt compelled to reduce its budgetary liability (**Table 3**). The prospect of enlarging eastward toward larger countries with smaller and poorer farm households heightened the urgency of reform. The EEC followed the United States by initiating the MacSharry Reforms of 1992, which reduced internal support prices and compensated for lower prices by making production-based (i.e., coupled) payments. In 1993, the Masstricht Treaty established the EU in place of the EEC.

The WTO, Established in 1995, Encourages More Policy Reform

The drive to reform farm policy by moving away from government supply management and toward a more liberalized market and trade environment was further crystallized in the legal texts of the World Trade Organization (WTO).[13] The creation of the WTO marked a turning point in the history of the multilateral trading system by subjecting agricultural trade to essentially the same rules that discipline trade in industrial goods: WTO members committed to reduce the use of export subsidies and domestic support to agriculture and improve access to their markets.

The 1996 U.S. farm bill (P.L. 104-127) made substantial changes toward greater market orientation in U.S. agricultural policy. In addition to eliminating most planting restrictions, as well as farmer-owned (but government-financed) grain reserves, the bill replaced target-price deficiency payments (i.e., a counter-cyclical income support program) with direct payments (i.e., a lump sum decoupled payment) and extended the use of special marketing loan repayment provisions (first begun for rice and cotton in the 1985 farm bill) to other major program crops. This effectively curtailed the U.S Department of Agriculture's role in commodity storage and management.

The EU also continued to increase the market-orientation of its own farm policy. The Agenda 2000 reforms further lowered support prices, replaced them with even larger production-based

[12] K. Ackerman and M. Smith, *Agricultural Export Programs: Background for 1990 Farm Legislation*, ERS, AEGS 9033, 1990.

[13] The WTO was established on January 1, 1995, following the completion of the Uruguay Round of multilateral trade negotiations in 1994.

direct payments, and required that some farmland be taken out of production. Budget disciplines designed to reduce the growth in community spending on the CAP were established in 2002.

Two Pillars of the Reformed CAP

In 2003, another round of CAP reforms continued the pattern of replacing government controls with greater market orientation and established the two pillars of agricultural policy that represent the core of today's CAP: *Pillar I* for direct payments and market and price support policies (financed entirely from the EU budget) and *Pillar II* for rural development policies (co-financed with EU member states).

The major component of Pillar I is the decoupled direct payment (DP), which replaced the coupled, production-based payments made under various commodity-specific CMOs.[14] As a result, support became largely decoupled from current prices or production. EU member countries could temporarily maintain a limited link between payments and production (partial decoupling) but had to move toward full decoupling. The 2003 reforms also imposed a ceiling on Pillar I spending: Increases were limited to 1% per year in nominal terms from 2007 to 2013. In addition, the receipt of farm income support was made contingent upon the farmer meeting an extensive array of new agricultural and environmental norms introduced in 2003. The budget for Pillar II was intended to more than double by 2013, but budget restrictions substantially limited spending.

In 2004, the EU reformed the CMOs supporting hops and the Mediterranean commodities—cotton, olive oil, and tobacco. In 2006, reform of the EU sugar program was initiated. The 2008 CAP Health Check built on the 2003 reforms as it simplified the CAP's direct aid system, established a process for shifting funding from direct aid to rural development (referred to as modulation), clarified support for newly acceded countries, and increased milk quotas gradually leading up to their abolition in 2015.[15] In addition, reform of the EU wine sector was begun in 2008, including the end to the planting rights system by 2018 at the latest, and the sugar reform was to culminate with abolition of sugar quotas by 2017. Finally, the 2008 CAP Health Check eliminated partial decoupling for all but a few commodities (primarily livestock) by 2012.

The most recent CAP reform—the CAP Reform Post-2013—further simplified the CAP by reducing licensing requirements and marketing standards, removing all remaining production constraints (particularly for sugar, dairy, and wine started in 2008), expanded environmental compliance for Pillar I payments, increased flexibility for member states in shifting funding between Pillars I and II, and added convergence criteria to establish a minimum national average per hectare payment across all members by 2020, along with other changes. The 2013 CAP reform provides the structure for the EU's current CAP policy regime—as described in the following section.

[14] Initially referred to as the single farm payment (SFP) by the Agenda 2003 reforms.

[15] European Commission, "'Health Check' of the CAP," http://ec.europa.eu/agriculture/healthcheck/index_en.htm.

Table 3. Chronology of EU Enlargement and CAP Reforms

Year	Event
1951	The European Coal and Steel Community formed (treaty signed in 1951; started operations in 1952).
1957	**Treaty of Rome** establishes original six-country European Economic Community (EEC): France, West Germany, Italy, the Netherlands, Belgium, and Luxembourg (treaty signed in 1957; started operations in 1958).
1962	**Common Agricultural Policy (CAP)** first implemented based on (Pillar I) high internal support prices and effective border controls on imports. Policy objectives were to provide food security for EEC citizens and a fair living for farmers.
1973-1989	United Kingdom, Ireland, and Denmark join the EEC in 1973. Greece joins in 1981. Spain and Portugal join in 1986 to form the **EEC-12**. East Germany is unified with West Germany in 1989.
1970s-1980s	**Crisis years.**[a] Farmers respond to high internal price supports with bountiful production and large but costly domestic surpluses. Specific measures—including export subsidies to push domestic surpluses into international markets—are put in place to help align production with market needs. These programs contributed to large budgetary outlays and growing friction with international trading partners.
1992	**MacSharry Reforms** shifted CAP's policy focus from market to producer support, reduced support prices, introduced set-aside to reduce output and production-based direct payments to compensate for lower support prices, and took steps to protect traditional and regional foods.
1993	**Maastricht Treaty** established the European Union (EU) replacing the EEC.
1995	Austria, Finland, and Sweden join to form the **EU-15**. Rural development programs introduced.
2000	**Agenda 2000** reforms further reduce intervention prices (again compensated by further production-based direct payments) and made rural development a second pillar (Pillar II) of the CAP.
2001	**Everything But Arms Agreement** gives all less-developed countries full duty-free and quota-free access to the EU for all their exports with the exception of arms and armaments. By mid-2000s, the EU is the world's largest importer of agricultural products from developing countries, importing more than the United States, Japan, Australia, and Canada combined.
2002	CAP budget is fixed at 1% annual growth for the period 2007-2013.
2003	**2003 Reforms** establish the single farm payment (SFP) with cross compliance dependent on environmental, animal welfare, and food safety criteria. The decoupled SFP—based on historical 2000-2002 payments—replaced the production-based payments of the MacSharry and Agenda 2000 reforms.
2004	**Reform of hops and Mediterranean commodities** (cotton, olive oil, and tobacco). EU-15 expands to the **EU-25** with the addition of Poland, Hungary, the Czech Republic, Slovakia, Slovenia, Estonia, Latvia, Lithuania, Cyprus, and Malta.
2006	**Reform of the EU sugar program** begins in July 2006.
2007	EU-25 expands to the **EU-27** with the addition of Bulgaria and Romania. The EU farming population has doubled to nearly 14 million holdings since 2004 through new member accession.
2008	**CAP Health Check of 2008** simplify the SFP, abolish arable set-aside, and initiate dairy reform, gradually leading to abolition of milk quotas in 2015. Reform of the EU wine support programs also begin including the end to the planting rights system by 2018 at the latest. Sugar quotas to be abolished in 2017.
2009	**Lisbon Treaty** gave the European Parliament a say equal to that of the Council of Ministers over the vast majority of EU legislation, including agricultural policy.
2013	Croatia joins to form the **EU-28**. **CAP Reform Post-2013** further simplifies the CAP by reducing licensing requirements and marketing standards, removing production constraints (particularly for sugar, dairy, and wine started in 2008), expanding environmental compliance for Pillar I payments, increasing flexibility for member states in shifting funding between Pillars I and II, and adding convergence criteria to establish minimum national average per hectare payments across all Members by 2020, along with other changes.

Source: Compiled by CRS from various sources.

Note:

a. European Commission, Agriculture and Rural Development, "The History of the CAP," downloaded on May 9, 2016, http://ec.europa.eu/agriculture/cap-history/index_en.htm.

The EU's Common Agricultural Policy (CAP)

Agriculture is one of the principal policy areas where all EU member states sacrifice national sovereignty in favor of a common policy—the CAP. The nature and objectives of the CAP have evolved significantly since the 1990s, shifting from support that intervened heavily in the marketplace to more decoupled, better targeted, and more environmentally friendly support. For example, in 1992, market-related support measures represented over 90% of total CAP expenditures, driven by domestic purchases (referred to as intervention purchases) at high internal support prices and export subsidies (referred to as refunds) to push domestic surpluses into international markets. In the CAP 2014-2020 budget, market support has dropped to about 4%, while decoupled direct payments now account for 71% of the budget. Rural development comprises the remaining 24% (**Table 5**).

How Is the CAP Administered, Legislated, and Funded?

Administering the CAP

The European Commission administers the CAP through its DG for Agriculture and Rural Development.[16] The current commissioner is Phil Hogan (2014-2019). The DG for Agriculture and Rural Development is based in Brussels with a staff of about 1,000 and led by Director-General Jerzy Bogdan Plewa. It is responsible for the implementation of agriculture and rural development policy, the latter being managed in conjunction with the other DGs that deal with structural policies.

Legislating the CAP

Prior to the Lisbon Treaty (2009), changes to the CAP were proposed by the commission, after a public consultation, which then sent its proposals to the Council of Ministers (meeting in its agricultural ministers formation) for approval. Thus, EU agricultural policy was somewhat technocratic in nature, as economists and agricultural specialists of the commission determined policy design and intent free of most direct political pressures. This changed with the Lisbon Treaty, which gave the European Parliament a say equal to that of the Council of Ministers over the vast majority of EU legislation, including agricultural policy. Now the commission sends proposed policy changes to both the council and the European Parliament. Both the council and the European Parliament have to agree to any changes. The European Parliament was involved in the process of agricultural policy reform for the first time in the June 2013 reform.

Funding the CAP

CAP funding is part of the EU's multiannual financial framework (MFF) which sets a budget framework (inclusive of budget disciplines and national co-financing requirements) for a seven-year period for all EU supranational functions.[17] The current MFF is for 2014 to 2020. Since the Lisbon Treaty, both the Council of Ministers and the Parliament take joint decisions on all agricultural expenditures. Two separate funds finance CAP activities: the European Agricultural Guarantee Fund, which provides "compulsory expenditures" for Pillar I activities; and the European Agricultural Fund for Rural Development (EAFRD), which finances or co-finances Pillar II support.

The share of the EU budget accounted for by agricultural spending has been steadily declining. The CAP represented 66% of the EU budget in the early 1980s, but it accounts for 38% of spending in the current MFF period of 2014-2020. During the recent 2013 to 2015 period, the CAP's annual budget averaged about €56 billion ($63 billion) or 40% of the EU's annual budget.

[16] For more information see http://ec.europa.eu/dgs/agriculture/index_en.htm. For an organigram of the DG for Agriculture and Rural Development, see http://ec.europa.eu/dgs/agriculture/who-is-who/org_en.pdf.

[17] European Parliament Research Service (EPRS), "Financing the CAP," by Albert Massot, *Fact Sheets on the European Union - 2016*, January 2016; http://www.europarl.europa.eu/ftu/pdf/en/FTU_5.2.2.pdf.

This section briefly describes the current CAP.[18] The CAP governs agricultural policies and programs for the EU's 28 member countries. Following the most recent reform completed in June 2013, the overall CAP budget has been set for the seven-year period 2014-2020 at €408.3 billion in 2015 prices (or approximately $452.8 billion).

The CAP is now focused on three long-term priorities:

1. Promoting viable food production with a focus on agricultural income, agricultural productivity, and price stability;
2. Promoting sustainable management of natural resources and climate action, with a focus on greenhouse gas emissions, biodiversity, soil, and water; and
3. Promoting balanced territorial development, with a focus on rural employment, growth, and poverty in rural areas.

The 2013 reform maintained the concept of two separate pillars for the CAP but tightened the link between them by expanding direct payments to have seven potential components (as described below). In addition, payments made under both pillars are subject to a common set of cross compliance requirements (also described below). Furthermore, the CAP sets rules and regulations for how funds may be used between and within these two pillars. In addition to the CAP framework, member states also generally implement supplementary measures funded at the national level that may target specific local or national objectives.

Pillar I: Market-Related Support and Direct Payments

Pillar I defines and funds market measures under a single common market organization. It also includes what has been the center piece of the CAP since 2003—a largely decoupled direct payment per hectare.

Market Support Measures

The CMO historically provided the framework for the various commodity-specific market support schemes, which took different forms depending on the agricultural sector to which they applied.[19] Following a series of reforms, by 2007, 21 separate CMOs had been codified into a single CMO covering all agricultural products. The CMO has an internal aspect (covering market intervention and rules on marketing and producer organizations) and an external one (covering trade with third countries—import and export certificates, import duties, administration of tariff quotas and export refunds, etc.). The CMO also addresses the competition rules applicable to enterprises and the rules on state aid. It also contains general provisions concerning exceptional measures (including measures to guard against market disruption caused by price fluctuations or other events, market support measures in the event of outbreaks of animal diseases or a loss of consumer confidence owing to public health, animal or plant health risks, and measures relating to concerted practices adopted in periods of serious imbalances on the markets).

Reforms to the CAP have also made the CMO policy progressively more market-oriented and diminished the role played by intervention tools, which experts regard as safety nets for use only

[18] This section draws heavily from the OECD, *Agricultural Policy Monitoring and Evaluation 2015*, Chapter 9: European Union, OECD Publishing, Paris, p. 133-147; hereinafter referred to as OECD, *Policy Monitor 2015*, in addition to various informational reports published by EPRS.

[19] Prior to 2007, the EU had 21 different commodity CMOs.

in the event of a crisis.[20] The 2013 CAP reform further enhanced the competitive posture of EU agriculture by removing all remaining restrictions on production volumes for sugar, dairy, and the wine sector, thus allowing farmers to respond to world market signals.

In support of internal commodity markets, the 2013 reforms established a new reserve fund for addressing crises in the agriculture sector—referred to as the Crises Reserve—comprised of seven equal annual tranches of €400 million each (at 2011 prices). The Crises Reserve is available to finance exceptional measures to address market disruption. Funds for the Crises Reserve are to be withdrawn from the direct payments budget under Pillar I. Crisis funds not used in a given year revert to Pillar I direct payments for use in the next year.

Direct Payments

The 2013 CAP reform created the Basic Payment Scheme (BPS) to replace the Single Area Payment Scheme (SAPS).[21] However, some members will temporarily continue to use the SAPS until 2020 at the latest.[22]

WTO provisions classify these direct payments—because they are decoupled from producer production decisions—as non-market distorting, green-box payments. The CAP reform of 2013 further shifted direct payments from an emphasis on "decoupling" to non-commodity "targeting" while preserving their "green-box" status. This expanded targeting of payments can occur under seven potential components—whose use may vary at the discretion of individual member states:[23]

1. The **BPS** is the primary component of the CAP's Pillar I. It involves a basic payment per hectare, the level of which is to be harmonized according to both an external payment convergence[24] to reduce disparities in the level of direct payments between member states (and sets a minimum national average direct payment per hectare across all members by 2020) and an internal payment convergence[25] requirement to reduce disparities within countries and regions. The BPS is also subject to **degressivity**: A mandatory minimum 5% reduction applies to total BPS support above €150,000 per recipient.[26]
2. A **green payment** provides additional support to offset the cost of providing environmental public goods not remunerated by the market. The CAP requires that 30% of Pillar I funds be used for per-hectare payments conditional on three farming practices (referred to as "greening"): (i) a minimum of 5% of a farm's

[20] Guillaume Ragonnaud, "First Pillar of the CAP: I—Common Organization of the Markets (CMO) in Agricultural Products," in EPRS, *Fact Sheets on the European Union—2016,* January 2016, http://www.europarl.europa.eu/ftu/pdf/en/FTU_5.2.4.pdf.

[21] EC, Agriculture and Rural Development DG, "Direct Payments," January 2015, http://ec.europa.eu/agriculture/direct-support/direct-payments/index_en.htm.

[22] The BPS applies in the original EU-15 plus Malta, Slovenia, and Croatia. The SAPS currently applies in the other member states. OECD, *Policy Monitor 2015*, p. 139.

[23] EC, Agriculture and Rural Development DG, "Direct Aid Schemes," January 2015, http://ec.europa.eu/agriculture/direct-support/direct-payments/docs/direct-payments-schemes_en.pdf.

[24] Countries receiving less than 90% of the EU average basic payment will gradually receive more from 2015 onwards, and those receiving more than the EU average will see a gradual cut in payments. By 2020, a minimum average basic payment of €196 per hectare should be reached by all member states.

[25] For details, see EC, "Direct Payments: the Basic Payment Scheme from 2015: Convergence of the value of payment entitlements ('Internal Convergence'), December 2015, http://ec.europa.eu/agriculture/direct-support/direct-payments/docs/internal-convergence_en.pdf.

[26] Member states may augment the above-threshold reductions. OECD, *Policy Monitor 2015*, p. 140.

land is converted to an Ecological Focus Areas;[27] (ii) maintenance of permanent grasslands;[28] and (iii) crop diversification on arable land with multi-crop requirements increasing with farm size.[29]

3. A **young farmer scheme** encourages generational renewal by supplementing the basic payment with an additional payment (using up to 2% of the national DP budget) for a maximum of five years for new young farmers (i.e., under 40 and beginning an agricultural activity).
4. **Payments for areas with natural constraints**[30] make additional income support available (using up to 5% of national DP budget) to overcome natural resource constraints defined on the basis of eight biophysical criteria.
5. **Small farmers**[31] are eligible for additional payments of up to €1,250 per farm (not to exceed 10% of the national DP budget); in addition, greening requirements and cross compliance restrictions are waived.
6. Voluntary coupled support in the form of **commodity-specific payments** is available for up to 18 products or product groups for certain areas or types of farming for economic, environmental, and/or social reasons (up to 13% of the national DP budget, with the possibility of providing an additional 2% of coupled support for protein crops).
7. Certain member states may grant **redistributive payments**—that is, higher payments on the first hectares of farmland to meet certain national goals. Such payments may be supportive of smaller farming operations, for example.

The first three components are compulsory for member states, while the last four are optional (**Table 4**). Member states are required to use 30% of their national direct-payment allocations to fund the greening component; the remaining 70% will be used to fund the basic payment component, subject to deductions of any amounts earmarked for the other potential components listed above (**Figure 1**).

Under the 2013 reforms, the per-farm total BPS payments are also subject to **degressivity**—that is, a mandatory minimum 5% reduction that is applied to total BPS support above €150,000 per recipient.[32] Sixteen member states apply the minimum 5% reduction. Nine member states apply the 5% reduction after the value of salaries paid is deducted from the total BPS. Nine member states apply higher percentage reductions—some reaching as high as 100%, resulting in a full capping of the BPS at levels varying from €150,000 to €600,000 per recipient.

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[27] A list of practices considered equivalent to the Ecological Focus Area exists at the EU level. OECD, *Policy Monitor 2015*, p. 139.

[28] The EC defines permanent grassland as land that has been in grass for more than five years. The ratio of permanent grassland to the total agricultural area should not decrease by more than 5% at the national level.

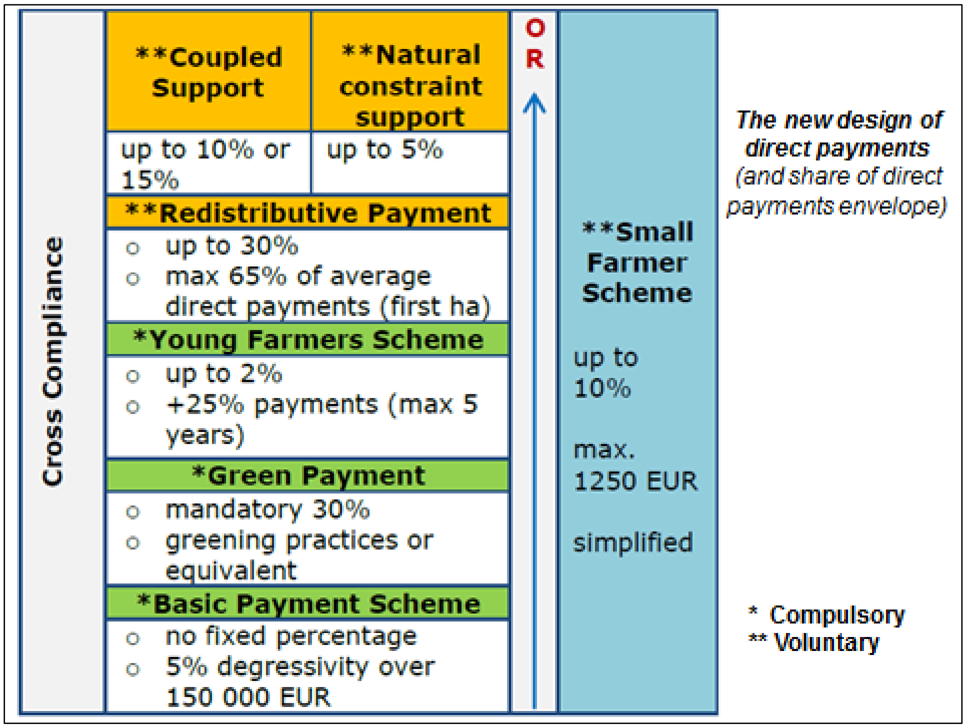
[29] This condition introduces a requirement to produce. Farms with less than 10 hectares are exempt, while larger farms between 10 and 30 hectares must grow at least two crops, and farms larger than 30 hectares must produce at least three crops.

[30] Only a single member state has opted for this additional payment using 0.2% of its national DP budget.

[31] No strict definition of "small farmer" is provided. The actual size of the holding does not matter as long as the farmer has an eligible area under BPS or SAPS. See EC, "The Small Farmers Scheme," March 2016, http://ec.europa.eu/agriculture/direct-support/direct-payments/docs/small-farmers-scheme_en.pdf.

[32] OECD, *Policy Monitor 2015*, p. 140.

Figure 1. CAP Direct Payments with Components, CAP 2014-2020



Source: EC, Agriculture and Rural Development DG, "Overview of CAP Reform 2014-2020," *Agricultural Policy Perspectives Brief*, No. 5, December 2013.

Table 4. CAP 2014-2020 Direct Payments (DP): Seven Potential Components

DP Policy Requirement	Share in National DP Budget	Member States
Mandatory Schemes[a]		
1- Basic Payment per Hectare (BPS or SAPS)	DP budget minus sum of rows below (55% of overall DP budget)	All
2- Greening	30%	All
3- Young farmers scheme	≤ 2%	All
Voluntary Schemes		
4- Areas with natural constraints	≤ 5%	1
5- Small farmer scheme	≤ 10%	15
6- Commodity specific payments[b]	0-15% and up to 57% (10% of overall DP budget)	27
7- Redistributive payments	≤ 30%	8

Source: European Commission, Agriculture and Rural Development DG, as reproduced from OECD, *Policy Monitor 2015*, "Table 9.3. Direct payments in the CAP 2014-20," p. 139.

Notes: BPS = basic payment scheme; SAPS = single area payment scheme.

a. Failure to comply with mandatory schemes will result in penalties.

b. Four member states received approval to exceed the maximum ceiling of 15% set for commodity-specific payments from budget year 2015 onward.

Pillar II: Rural Development Programs

The EU's rural development policy was introduced as the CAP's Pillar II as part of the reform known as "Agenda 2000." It involves financing or co-funding projects with economic, environmental or social objectives primarily targeting farms and small and medium-size enterprises in rural areas. According to a European perspective, Pillar II is intended to help develop an agriculture that achieves an equitable balance across regions, preserves and protects the environment, avoids damaging the climate, is resilient in a context of climate change, and is competitive and innovative.[33]

Member countries design and co-finance activities under Pillar II. Each member state drafts its own strategy for implementing rural development based on a "menu" of EU measures to meet the six priority areas of Pillar II: (1) fostering knowledge transfer and innovation; (2) enhancing competitiveness of all types of agriculture and the sustainable management of forests; (3) promoting food chain organization—including processing and marketing—and risk management; (4) restoring, preserving and enhancing ecosystems; (5) promoting resource efficiency and the transition to a low-carbon economy; and (6) promoting social inclusion, poverty reduction, and economic development in rural areas.

The EAFRD—worth €99.6 billion for 2014-2020—funds the EU's rural development policy (**Table 5**), with each EU country receiving a financial allocation for the seven-year period. This will leverage a further €61 billion of public funding in the member states.[34] Currently 118 different rural development programs operate in the 28 member states, with 20 single national programs and eight member states opting to have two or more (regional) programs.

Two conditions apply to Pillar II programs:

1. A minimum of 30% of rural development funding from the EU budget is spent on measures related to the environment and climate change adaptation, including forestry and investments in physical assets; and
2. Another 5% is spent on Liaison Entre Actions de Développement de l'Économie Rurale—that is, relying on a multi-sectoral approach and local partnerships to address specific local problems as well as technical assistance for the implementation of Pillar II measures.

Member states have until 2018 to implement the new delimitation.

Cross Compliance

In order to receive direct payments and most rural development payments, farmers must comply with certain environmental and agricultural measures. Referred to as cross-compliance, this obligation covers two elements:[35]

[33] Guillaume Ragonnaud, "Second Pillar of the CAP: Rural Development Policy, " in EPRS, *Fact Sheets on the European Union—2016*, January 2016, http://www.europarl.europa.eu/ftu/pdf/en/FTU_5.2.6.pdf.

[34] EC, Agriculture and Rural Development DG, "Rural Development 2014-2020," http://ec.europa.eu/agriculture/rural-development-2014-2020/index_en.htm.

[35] EC, Agriculture and Rural Development DG, "Cross Compliance," http://ec.europa.eu/agriculture/direct-support/cross-compliance/index_en.htm.

1. **Statutory management requirements:** These requirements refer to 13 legislative standards in the field of the environment, food safety, animal and plant health, and animal welfare.
2. **Good agricultural and environmental conditions:** The obligation of keeping land in good agricultural and environmental condition refers to a range of standards related to soil protection, maintenance of soil organic matter and structure, avoiding the deterioration of habitats for flora and fauna, and water management including ground and surface water protection from pollution of nitrates and pesticides.

The EC may reduce a farmer's direct payments if these rules are violated.

The CAP Budget for 2014-2020

In the EU's current MFF for 2014-2020, CAP spending is budgeted at €58.3 billion per year (about $64.7 billion) over the period (**Table 5**). Direct payments receive the majority (71%) of this funding, with rural development (24%) and market measures (4%) comprising the balance. Budget flexibility for member states allows the possibility of shifting up to 15% of their national funding between pillars (and programs) to achieve national goals.[36]

Total reported spending for the EU's farm programs—including direct aid and support for conservation and rural development—is reported at nearly $109.3 billion (€56.4 billion) for 2011 and accounts for nearly 45% of the EU's projected 2011 budget.[37] Reported spending for decoupled DP is estimated at about $54 billion (€40 billion) for 2012-2014.[38]

Table 5. CAP Budget for 2014-2020

(billion euros, 2015 values)

	Billion Euros, 2015 Values		$ Billion, 2015 Values		
Item	Period Total: 2014-2020	Annual Average	Period Total: 2014-2020	Annual Average	Share
Pillar I	€308.7	€44.1	$342.4	$48.9	76%
Direct Payments	€291.3	€41.6	$323.1	$46.1	71%
Market Measures (CMO)	€17.5	€2.5	$19.4	$2.8	4%
Pillar II—Rural Development	€99.6	€14.2	$110.5	$15.7	24%
Total CAP	**€408.3**[a]	**€58.3**	**$452.8**	**$64.7**	**100%**

Source: Albert Massot, "Financing the CAP," in European Parliament Research Service, by Fact Sheets on the European Union, 2016

Notes: In 2015, a euro was worth 1.109 U.S. dollars; USDA, Economic Research Service, Agricultural Exchange Rate Data Set, Nominal Annual Exchange Rates, April 18, 2016.

a. The CAP budget was initially set at €363 billion using 2011 prices but is adjusted to 2015 prices here.

[36] Member states whose funding levels average below 90% of the EU average Pillar I payment per hectare may transfer up to 25% from Pillar 2 to Pillar 1.

[37] Projected payments under EC, Financial Programming and Budget, "The EU Budget 2011—The Figures," http://ec.europa.eu/budget/budget_detail/current_year_en.htm. Converted by CRS from euro to U.S. dollars using annual average nominal exchange rate of 0.712 euro per dollar.

[38] OECD, *Policy Monitor 2015*, "Table 9.2. European Union (EU28): Estimates of Support to Agriculture," p. 137.

An Overview of Current U.S. Agricultural Policy

The 2014 farm bill (the Agricultural Act of 2014; P.L. 113-79), signed into law by President Obama on February 7, 2014, governs current U.S. farm policy. The farm bill is an omnibus, multi-year (2014-2018) piece of authorizing legislation that governs agricultural and food programs including traditional commodity programs as well as conservation, trade, rural development, nutrition, and other program areas.[39] The 2014 farm bill reshaped the farm safety net for traditional program crops, most notably by eliminating decoupled direct payments (valued at $5 billion per year for 1996-2013) and adding two new partially coupled payment programs: the Price Loss Coverage (PLC) and Agriculture Risk Coverage (ARC) programs.[40] Unlike the EU, where direct payments represent the largest share (71%) of the projected CAP budget for 2014-2020 (**Table 5**), domestic nutrition programs comprise the largest share (80%) of projected farm bill outlays over the five-year farm bill period 2014-2018 (**Table 6**).

Table 6. U.S. 2014 Farm Bill Projected Outlays ($ Billions) FY2014-FY2018

Program Area	FY2014-FY2018	Annual Average	Share
Farm Safety Net	$66.5	$13.3	14%
Commodity Programs and Disaster Assistance	$25.1	$5.0	5%
Crop Insurance	$41.4	$8.3	8%
Rural Development[a]	$1.5	$0.3	0%
Conservation and Forestry	$28.2	$5.6	6%
Nutrition[b]	$390.7	$78.1	80%
Total Farm Bill	**$488.6**	**$97.7**	**100%**

Source: CRS In Focus IF10187, *The 2014 Farm Bill (Agricultural Act of 2014, P.L. 113-79)*. Outlays were projected by the Congressional Budget Office at the time of the 2014 farm bill enactment.

a. Includes credit, bioenergy, research, extension, and related matters.

b. Primarily the Supplemental Nutrition Assistance Program.

The U.S. farm commodity safety net is comprised of three components. First are the traditional **farm commodity programs** which represent the heart of U.S. farm policy by virtue of their long history (dating back to the 1930s). Support is based primarily on statutorily fixed prices, although ARC uses a moving average of market prices. For crop years 2014-2018, the marketing loan program establishes minimum prices for approximately two dozen commodities, including corn, soybeans, wheat, rice, and peanuts. In addition, producers with production histories for covered crops could choose between PLC payments and ARC payments. Second is **federal crop insurance** which makes available subsidized insurance for more than 130 commodities to help farmers manage risks associated with a loss in yield or revenue. Producers pay a portion of the premium, which increases as the level of coverage rises. USDA pays the rest of the premium—62%, on average, in 2014—and covers the cost of selling and servicing the policies. Third, **agricultural disaster assistance** is permanently authorized for livestock and orchards.

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[39] For details, see CRS In Focus IF10187, *The 2014 Farm Bill (Agricultural Act of 2014, P.L. 113-79)*; and CRS Report R43076, *The 2014 Farm Bill (P.L. 113-79): Summary and Side-by-Side*.

[40] For details, see CRS In Focus IF10191, *Overview of Farm Safety Net Programs*; and CRS Report R43448, *Farm Commodity Provisions in the 2014 Farm Bill (P.L. 113-79)*.

Comparing Farm Support: EU and United States

This final section compares EU and U.S. agricultural support programs and outlays based on two international data sources: (1) annual domestic support notifications to the WTO, and (2) a set of comparative policy measures published annually by the Organisation for Economic Co-operation and Development (OECD) as part of its country-level policy database. Each of these data sources uses a slightly different metric to evaluate and measure agricultural support—including both direct and implicit support—but arrives at very similar conclusions. The policy comparison highlights are presented first, followed by a more detailed discussion of specific policies and their support measurements.

Policy Comparison Highlights

As a general trend, since the mid-1990s total farm sector support in the United States has increased substantially, while EU total support has declined slightly (**Table 7**). However, the nature of that support differs substantially.

- Traditionally, the United States uses less trade-distorting support than the EU, although the EU has made substantial reductions in the volume of its trade distorting support—as measured in both direct and implicit outlays (**Figure 2**).
- When measured as a share of total gross farm receipts, support for market-distorting commodity programs has decreased for both the EU and United States, but the EU's share remains about double the U.S. share (**Figure 2**).
- The decline in the EU's use of trade-distorting policy support measures is clearly seen by a decline since the mid-1980s in the difference between internal EU support prices and the international market price—referred to as nominal border protection (**Figure 6**).
- In both the EU and United States, support for less distorting non-commodity-type programs—for example, conservation, rural development, agro-forestry, nutrition, and bioenergy—has increased substantially and now accounts for a majority share of total farm support (**Figure 2**).
- When consumer-targeted supports are excluded from the non-commodity support programs, both the EU and United States provide similar levels of support as a share of total gross farm receipts (**Figure 4**).
- U.S. consumers have received net benefits from agriculture-based support programs (e.g, SNAP). In contrast, EU consumers have generally transferred more support to agricultural producers than has been received in off-setting benefits (i.e., the EU's consumer subsidy estimate is negative), although the net transfer has been declining over time as a share of gross farm receipts (**Figure 5**).

WTO Notifications of Domestic Agricultural Support

WTO member countries periodically provide (or "notify") their outlays in support of domestic agriculture to the WTO as part of each country's commitments agreed to at the time of the Uruguay Round Agreement on Agriculture (AoA).[41] A primary policy goal of the WTO's AoA

[41] For more information see CRS Report RL32916, *Agriculture in the WTO: Policy Commitments Made Under the Agreement on Agriculture*.

was to encourage member countries to shift domestic agricultural policy away from programs that are market and trade distorting and towards non- or less-distorting types of programs. The primary purpose of the notification data is to monitor how a country is doing in terms of bringing domestic support for its agricultural sector into compliance with the agreed-upon WTO limits.[42]

WTO Classification of Domestic Support Programs

The WTO's AoA categorizes and restricts agricultural domestic support programs according to their potential to distort commercial markets. Whenever a program payment influences a producer's behavior, it has the potential to distort markets (i.e., alter the supply and market price of a commodity) from the equilibrium that would otherwise exist in the absence of the program's influence. Those outlays that have the greatest potential to distort agricultural markets—referred to as amber box subsidies—are subject to spending limits. In contrast, outlays that cause less market distortion are exempt from spending limits. The WTO uses a modified traffic light analogy to group programs.[43]

- **Amber box** programs, the most market-distorting programs, include payments contingent on participation in agricultural production. They are cumulatively measured by the aggregate measure of support, which includes support for all program areas and all commodities, even those supported through indirect price supports such as tariff-rate import quotas (TRQs). Examples are U.S. price supports for sugar; U.S. marketing loan, ARC, and PLC benefits for grain and oilseed producers; and EU CMO program support via TRQs and intervention purchases of farm products at administratively maintained prices above market prices. Certain amber box outlays may be excluded under the de minimis exemptions (see below). Non-excluded amber box outlays are subject to an annual aggregate spending limit.
- **Blue box** programs are described as market-distorting but production-limiting. These programs are considered less-market distorting than amber box programs because of their production limiting aspect. Payments are based on either a fixed area or yield or a fixed number of livestock and are made on 85% or less of historical (i.e., base) production. Examples are EU direct payments to producers based on fixed areas or yields or a fixed number of livestock. There are currently no U.S. blue box programs. Blue box programs are not subject to WTO disciplines or reductions.
- **Green box** programs are minimally or non-market distorting. Examples are extension and research programs, environmental program payments, disaster assistance, direct payments to farmers that are not contingent on production, and domestic food assistance programs. Green box payments do not require WTO disciplines or reductions and do not count against a country's subsidy ceiling.
- **Prohibited (i.e., red box)** programs include certain export and import subsidies and non-tariff trade barriers that are not explicitly included in a country's WTO schedule or identified in the WTO legal texts.
- **De minimis (DM) exemptions** apply to spending that is sufficiently small—relative to either the value of a specific product or total production—to be deemed not likely to distort markets and trade. They include commodity-specific support (i.e., support that applies to a specific product such as wheat or sugar) and non-product-specific support (e.g., irrigation, grazing subsidies, biomass and rural energy programs, and certain whole-farm crop insurance premium subsidies). DM exemptions are limited to less than 5% of the value of production (either total or product-specific).
- **Overall trade-distorting domestic support (OTDS)** captures the full extent of market-distorting outlays by aggregating outlays made under the amber box, the two DM exclusions, and the blue box.

Several countries have criticized the considerable exceptions (e.g, blue box and two de minimis exemptions) that have permitted many major agricultural producing countries—including both the United States and the EU—to avoid being restricted by their amber box commitments. During the now-defunct Doha Round of WTO trade negotiations, trade negotiators developed the term "OTDS" in an attempt to assess the full extent of each country's market-distorting policy intervention.

[42] The principal limitation of the WTO notification data is the substantial lag in reporting from WTO members. Comparable data on the United States and the EU are available for the 18-year period from 1995 through 2012. During this period, the EU expanded from 15 to 27 members, making the EU historical data over time representative of changing membership.

[43] See CRS Report RS20840, *Agriculture in the WTO: Rules and Limits on Domestic Support*.

EU and U.S. Trade-Distorting Support Has Declined

Both the EU and United States have significantly decreased their use of trade-distorting amber box program outlays since the mid-1990s (**Table 7**).[44] During 1995-2010, the United States averaged $12.1 billion annually in amber box support, with four commodity groups receiving the majority of support: dairy (49%); grains, pulses, and oilseeds (24%); sugar (13%), and cotton (11%). EU amber box support averaged a much larger $47.3 billion annually (2015 dollars) during this same period. However, EU commodity payments were more broadly dispersed than U.S. commodity support—spread across dairy, sugar, grains and oilseeds, fruits, vegetables, olive oil, and wine. Unlike in the United States, where fresh and processed fruits and vegetables were largely excluded from market support, these products (along with olive oil and wine) represented 35% of EU amber box outlays. Other EU product sectors receiving substantial amber box support during 1995-2010 were livestock (15%), grain products (17%), sugar (16%), and dairy (16%).

By 2011-2012, policy changes coupled with high commodity prices had lowered annual average U.S. amber box support by 50% to $6.0 billion, with the dairy, sugar, and grains and oilseed programs continuing to dominate support but with a drop-off in support to cotton and a slight increase to fruits and vegetables. Similarly in the EU, following a series of commodity-targeted reforms implemented (**Table 3**), the amber box support decreased by 81% to an annual average of $8.8 billion during the 2011-2012 period, with the dairy (61%) and grain and oilseeds (30%) sectors receiving larger shares of support while support to fruits, vegetables, olive oil, and wine declined sharply and support for sugar, cotton, and livestock fell to zero.

U.S. OTDS Steady, EU's Has Declined Sharply

The OTDS measure—designed to assess the full extent of each country's market-distorting policy intervention—includes both amber box outlays and spending excluded under the three exemption categories of blue box, product-specific de minimis, and non-product-specific de minimis. The OTDS for the EU and United States has declined, although the EU's decline is much stronger and reflects the EU's significant drop-off in use of both amber box and blue box programs (**Figure 2**). In the United States, a 22% real increase in de minimis exclusions (rising from a combined annual average of $6.4 billion in 1995-2010 to $7.8 billion by 2011-2012) partially offsets the decline in amber box spending.

For the United States, the OTDS peaked at $34.6 billion in 1999 but has declined since then and has averaged $13.8 billion in 2011-12. In contrast, as a result of its policy reforms the EU's OTDS has declined from a peak of $131.8 billion (2015 dollars) in 1995 to $13.7 billion by 2012 (and a $14.7 billion average in 2011-2012). In addition to the decreased use of amber box programs, the EU decreased its use of the blue box exemption by 83% from an annual average of $23.7 billion in 1995-2010 to $4.0 billion in 2011-2012.

Both EU and U.S. Green Box Spending Has Expanded

Both the EU and United States increasingly rely on green-box-type programs rather than market-distorting amber box programs, but their orientations are significantly different (**Table 7** and **Figure 2**). In the United States, the single largest component of green box outlays is domestic food aid, which averaged $109.5 billion (83% of green box spending in 2015 dollars) during 2011-2012. In the EU, decoupled direct payments account for 46% of green box spending, with

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[44] Both U.S. and EU data reported in **Table 7** and the text for this section have been adjusted for inflation (see table notes) to 2015 dollars.

general services (13%), environmental payments (12%), and structural adjustment investment aids (10%) also important recipients.

U.S. Exceeds EU in Combined OTDS and Green Box Outlays

Combining OTDS with green box outlays provides a very broad, inclusive definition of support for the agricultural sector—one that encompasses rural development and consumer nutrition assistance along with producer support. Using this broader measure, EU spending has decreased nearly 10% in real terms (2015 dollars) to $112.7 billion in 2011-2012 compared with 1995-2010 (**Table 7**). The decrease would likely have been much larger but for the major expansion to include 10 new member states in 2004, which resulted in greater nominal outlays.

U.S. outlays for the combined OTDS green box measure have grown faster and are larger at $145.5 billion. However, as mentioned earlier, $109.5 billion of average 2011-2012 green box support is attributable to U.S. domestic food assistance, compared with only $1.6 billion in similar EU outlays. For both the United States and the EU, the bulk of agricultural support is now green box programs (i.e., not subject to WTO disciplines). U.S. green box support has risen from an 81% share of total support (i.e., OTDS plus green box) during 1995-2010 to a 91% share in 2011-2012. Green box outlays have risen more sharply in the EU from a 42% share of total support to an 87% share over the two periods. Thus, both entities are increasingly relying on less market-distorting forms of agricultural policy intervention. It is noteworthy that the United States provides less support than the EU for both environmental programs and rural development programs under the green box but substantially more for domestic food aid.

Rural development outlays may be approximated by combining payments under the green box categories of "regional assistance programs" and "investment aids." EU average outlays of $13.8 billion and $18.8 billion for the two time periods compare with U.S. average outlays of $0.1 billion for both periods. This does not provide a comprehensive accounting of rural development outlays, but it does suggest that EU rural development spending is substantially larger than its counterpart U.S. outlays.

Recent Policy Changes Are Likely to Alter Agricultural Spending Notifications

Policy changes instituted since 2012—that is, under the 2013 CAP reform and the 2014 farm bill—are likely to significantly change spending levels and associated WTO notifications for both entities. In the United States, dairy price and income support programs were eliminated and replaced with a margin insurance program. As a result, U.S. dairy outlay notifications are expected to fall to near zero starting in 2015. Similarly, the removal of upland cotton as a covered commodity and implementation of a new cotton insurance-type program is expected to result in negligible support outlays to cotton producers starting in 2014. In addition, U.S. decoupled income payments (green box) were eliminated, and related notifications will decline to zero starting in 2015. However, outlays under both the PLC and ARC programs are expected to raise outlays for grains and oilseeds to approximately $4 billion per year starting in 2015, largely offsetting the elimination of previous dairy price supports.[45]

In the EU, the 2013 reforms could reduce total amber box outlays significantly, depending on individual member state policies (although current spending estimates are not available). Decoupled payments (green box) may increase marginally (**Table 5**).

[45] CBO, "March 2016 Baseline for Farm Programs," March 24, 2016. For more information see CRS Report R43817, *2014 Farm Bill Provisions and WTO Compliance*.

Table 7. Comparison of U.S. and EU Domestic Support for Agriculture, 2015 Dollars

(adjusted for inflation to billions of 2015 dollars)

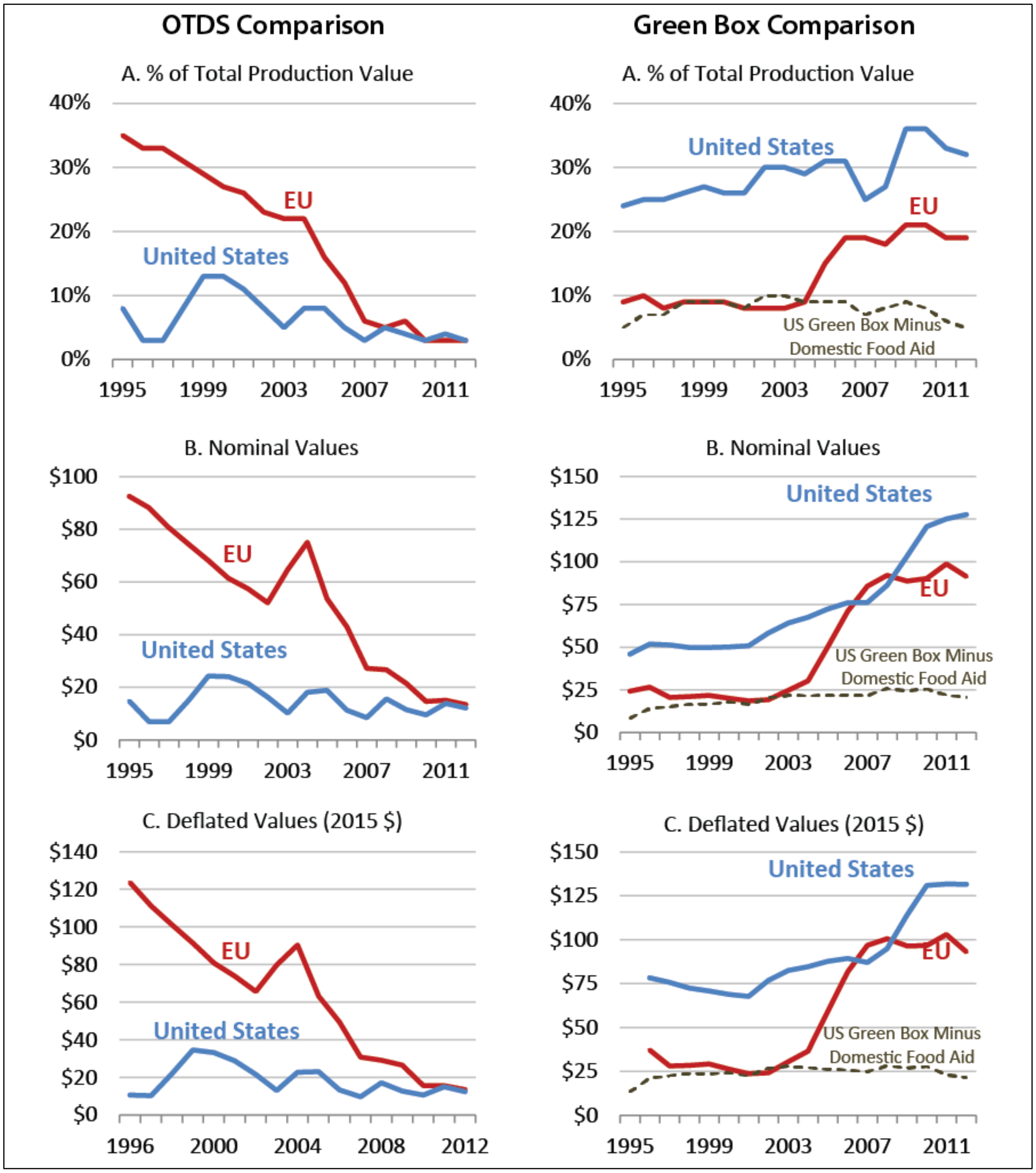
	U.S. Average		EU Average	
Domestic Agriculture Support Category	**1995-2010**	**2011-2012**	**1995-2010**	**2011-2012**
Amber box[a]	**12.1** (100%)	**6.0 (100%)**	**47.3** (100%)	**8.8** (100%)
Dairy	*6.0 (50%)*	*3.4 (57%)*	*7.3 (15%)*	*5.4 (61%)*
Sugar	*1.5 (13%)*	*1.5 (25%)*	*7.2 (15%)*	*0.0 (0%)*
Grains, pulses, oilseeds	*2.9 (24%)*	*0.2 (3%)*	*7.9 (17%)*	*2.6 (30%)*
Cotton	*1.3 (11%)*	*0.3 (6%)*	*0.7 (2%)*	*0.0 (0%)*
Fruits, vegetables, olive oil, wine	*0.4 (3%)*	*0.6 (10%)*	*16.6 (35%)*	*0.8 (9%)*
Livestock	*0.0 (0%)*	*0.0 (0%)*	*7.5 (16%)*	*0.0 (0%)*
Amber de minimis	**6.4**	**7.8**	**1.8**	**1.9**
Product-specific	*0.4*	*2.8*	*1.1*	*1.0*
Non-product-specific	*5.9*	*5.0*	*0.7*	*0.9*
Blue box	**0.7**	**0.0**	**23.7**	**4.0**
OTDS	**19.2** (18%)	**13.8 (10%)**	**72.8** (56%)	**14.7** (13%)
Green box	**84.6** (82%)	**131.7** (90%)	**51.9** (44%)	**98.0** (87%)
General services	*12.8*	*11.1*	*8.8*	*12.4*
Public stockholding for food security	*0.0*	*0.0*	*0.0*	*0.0*
Domestic food aid	*60.0*	*109.5*	*0.6*	*1.6*
Decoupled income support	*6.8*	*5.5*	*19.9*	*53.6*
Income insurance and safety-net programs	*0.0*	*0.0*	*0.0*	*0.1*
Payments for relief from natural disasters	*1.3*	*0.3*	*1.0*	*1.3*
Structural adjustment: product retirement programs	*0.0*	*0.0*	*1.1*	*1.2*
Structural adjustment: resource retirement programs	*1.0*	*0.0*	*0.5*	*0.6*
Structural adjustment: investment aids	*0.1*	*0.1*	*9.0*	*11.5*
Environment payments	*2.5*	*5.3*	*7.8*	*14.0*
Payments under regional assistance programs	*0.0*	*0.0*	*4.8*	*7.3*
Other	*0.0*	*0.0*	*2.5*	*10.3*
OTDS + Green box	**103.8** 100%	**145.5** 100%	**124.7** 100%	**112.7** 100%

Source: CRS calculations based on EU and US notifications of domestic support for agriculture: WTO, "WTO Documents Online, https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S005.aspx.

Notes: OTDS = Overall Trade-Distorting Domestic Support. Totals may not sum due to rounding. EU values are converted using euro exchange rates compiled by the USDA's Economic Research Service at http://ers.usda.gov/Data/ExchangeRates. U.S. dollars are deflated to 2015 dollars using the Consumer Price Index, Bureau of Labor Statistics. Euros are deflated to 2015 dollars by the Harmonized Indices of Consumer Prices, *Eurostat*, 1995-2016.

a. These figures represent both taxpayer-paid subsidies in the form of direct payments and consumer-paid subsidies such as the U.S. sugar program, which supports the domestic price of refined sugar above international market prices through import quotas.

Figure 2. OTDS and Green Box Comparisons



Source: CRS calculations based on annual WTO notifications of domestic support for agriculture, WTO Documents Online, https://www.wto.org/.

Notes: Three chart categories include (A) as a % of total production value, (B) nominal dollars as notified to the WTO for each individual year, and (C) deflated to 2015 dollars. U.S. dollars are deflated using the Consumer Price Index, Bureau of Labor Statistics. Euros are converted to dollars using exchange rates compiled by USDA's ERS then deflated by the Harmonized Indices of Consumer Prices, *Eurostat*, 1995-2016.

OECD Estimates of Agricultural Support

An inherent weakness in WTO member-notification data is that each country may identify and categorize its various support programs according to its own interpretation (rightly or wrongly) of the WTO criteria on domestic support. An alternate source of evaluating farm program support among major developed economies is the OECD's policy data base, which describes and evaluates agricultural policies in each of the OECD countries by an independent team of policy analysts using a common set of policy measures.[46]

OECD's Agricultural Policy Measures

OECD analysts have developed a methodology to evaluate and classify the various types of agricultural support programs of major developed countries in a consistent fashion both across countries and over time.[47] OECD classifies public transfers to producers and consumers of agricultural products into three separate categories—producer, general services, and consumer support—which cumulatively produce the total support estimate.

While the data are initially available as values (expressed in units of each country's domestic currency), OECD also expresses the support measures as a percentage of the value of gross farm output to avoid the issues associated with exchange rate fluctuations when making comparisons of agricultural support across countries.

1- Producer Support Estimate (PSE)

The PSE reflects the annual monetary value of all policy measures (both explicit and implicit), measured at farm gate, that support agricultural producers. The PSE includes:

- **production-based support**, such as commodity price supports, payments related to input use, and payments based on various current production measures including area planted, animal numbers, receipts, and income; and
- **payments where no production is required**, such as those based on historical criteria or on other non-commodity criteria such as long-term resource retirement.

The PSE measure includes decoupled direct payments and most conservation payments that support enhancements to farm land.

2- General Services Support Estimate (GSSE)

The GSSE measures the annual monetary value of support, measured at farm gate, that benefits the agricultural sector in general but does not include payments to individual producers. For example, the GSSE includes payments made for extension, research and development, infrastructure, marketing and promotion of agricultural products, public stockholding, training, and inspection services. GSSE outlays are similar to the WTO's green box category of spending but without domestic food assistance, which is included with consumer support.

3- Consumer Support Estimate (CSE)

The CSE measures the annual monetary value of support, measured at the farm gate, to consumers of agricultural products. If negative, the CSE measures the burden (implicit tax) on consumers through high internal producer-support prices or import barriers that more than offset any consumer subsidies. Domestic food assistance (e.g., SNAP) is categorized as CSE and is excluded from both the PSE and GSSE.

Total Support Estimate (TSE)

The TSE measures the annual monetary value of all gross transfers from taxpayers and consumers arising from policy measures that support agriculture, net of the associated budgetary receipts, regardless of their objectives and impacts on farm production and income or consumption of farm products.

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[46] A further advantage of OECD's policy data is that it extends from 1986 to 2014, thus allowing for a longer historical perspective than is available from WTO notification data (1995-2012).

[47] The OECD agricultural policy data set includes the OECD-member economies of Australia, Canada, Chile, the EU, Iceland, Israel, Japan, South Korea, Mexico, New Zealand, Norway, Switzerland, Turkey, and the United States as well as the non-OECD member economies of Brazil, China, Colombia, Indonesia, Kazakhstan, Russia, South Africa, and Ukraine. OECD data base, *Agricultural Policy*, https://data.oecd.org/agrpolicy/agricultural-support.htm.

PSE Percentage Declining for Both United States and EU

The principal OECD measure of potentially market-distorting agricultural support is the PSE—described in the box above. With respect to U.S. and EU agricultural support, general conclusions based on OECD PSE data include the following.

The PSE value expressed as a percent of the total gross agricultural output has been trending lower for both the United States and the EU (**Figure 3**). Total U.S. producer support was an estimated 22% of gross farm receipts during 1986-1988. It peaked at nearly 25% in 1999, when low market prices pushed countercyclical program payments up, and these were supplemented by large *ad hoc* emergency assistance payments. The U.S. PSE share has declined steadily since 1999 to about 8% but has experienced a slight uptick to 10% in 2014.

The EU's PSE has shown a parallel decline—from an estimated 39% of gross farm receipts during 1986-1988 to about 19% in 2014. Thus, despite the decline, the EU still supports agriculture at about double the rate of the United States when measured as a share of output. Reforms to EU agricultural policy since 1986-1988—precipitated in part by the widespread acceptance of the rules and standards for domestic support detailed in the WTO's AoA[48]—have considerably reduced the level of producer support. The EU has progressively reduced market price-triggered support and protection at the borders and increased decoupled direct payments to farmers, thus allowing producers to better respond to market signals. In 1987, EU farm prices exceeded world market prices by 79%. However, this high level of internal support has declined substantially (**Figure 6**). Average EU farm prices were only 5% higher than world market prices in 2012-2014. Now domestic prices for most commodities are closely aligned with border prices. However, prices received by sugar, beef, and poultry farmers were still higher than world prices in 2012-2014 (by 14%, 26%, and 15% respectively).[49]

The United States maintains relatively open borders for trade, with the exception of two major commodities that are protected by TRQs: sugar and dairy products. In the EU, market access for agricultural products has generally improved since the 1980s through bilateral agreements and lower applied tariffs. The end of the EU's milk production quota in 2015 and the sugar quota in 2017 are important further steps in this direction. However, TRQs and special safeguards continue to apply to a number of EU products.

GSSE Percentages Have Trended Upwards

As both the EU and United States have reduced their spending on producer subsidies, there has been a continued shift toward new, non-commodity policy measures to strengthen the viability of rural areas (i.e., general support services). This includes outlays for extension, research and development, infrastructure, marketing and promotion of agricultural products, public stockholding, training, and inspection services. When expressed as a share of gross farm receipts, GSSE spending for both the EU and United States has risen steadily, especially after completion of the 1994 Uruguay Round when GSSE share was at or below 8% (**Figure 4**). Since 2010, the EU's GSSE share has averaged 14% of gross farm receipts, while the U.S. share for GSSE has averaged 9%.

[48] See CRS Report RS20840, *Agriculture in the WTO: Rules and Limits on Domestic Support*.

[49] OECD, *Policy Monitor 2015*, p. 136.

Figure 3. Producer Subsidy Equivalent (PSE): the United States and EU

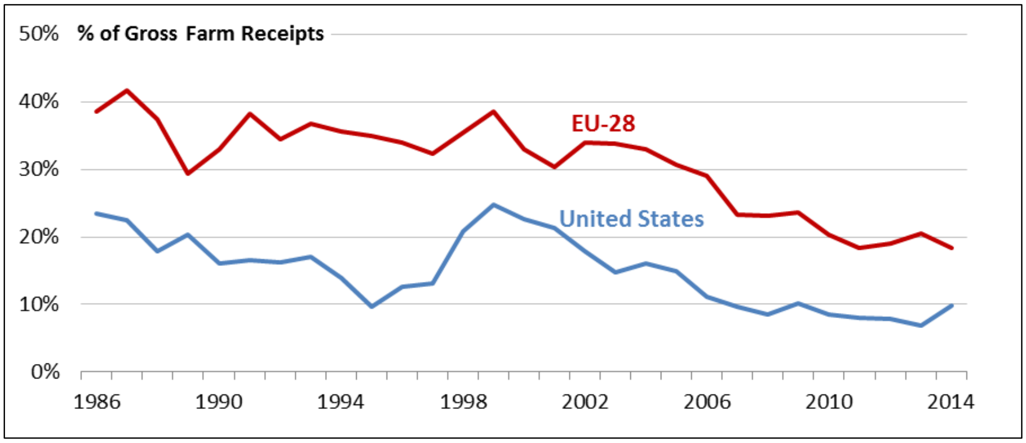


Figure 4. General Service Support Equivalent (GSSE): the United States and EU

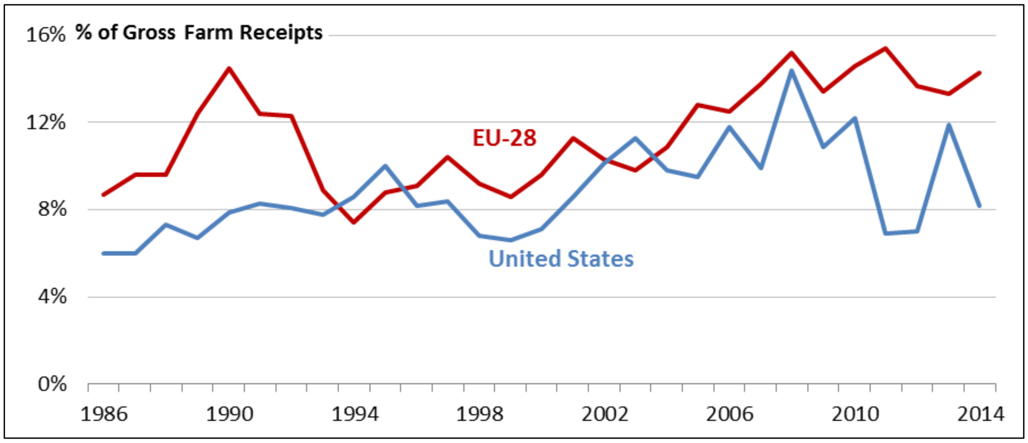
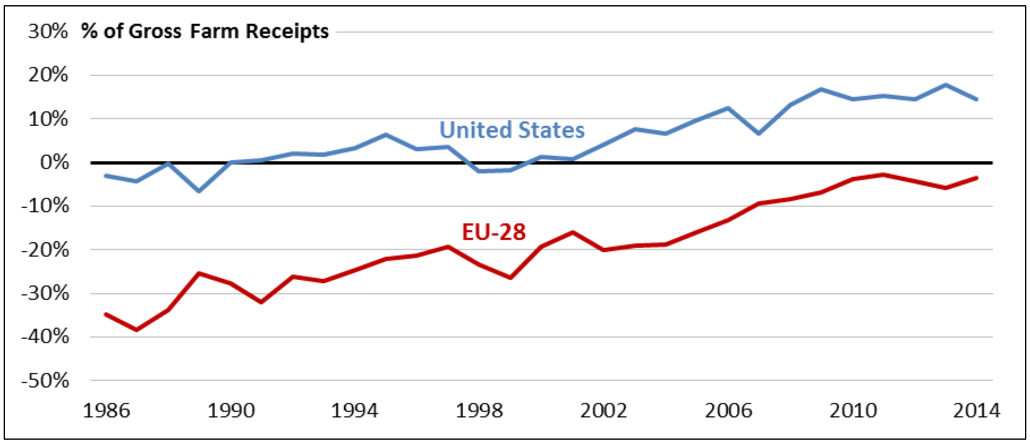


Figure 5. Consumer Support Equivalent (CSE): the United States and EU

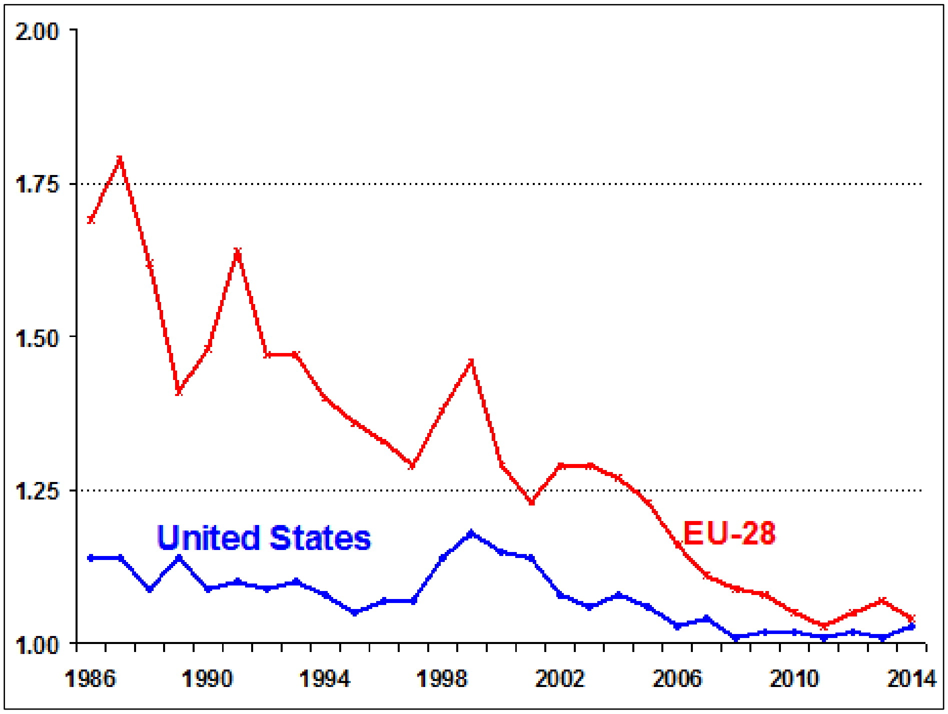


Source: OECD, "Agricultural Policy," https://data.oecd.org/agrpolicy/agricultural-support.htm.

Notes: The PSE includes the annual monetary value of all support to agricultural producers. The GSSE measures support that benefits the agricultural sector in general but does not include payments to individual producers. The CSE measures support to consumers of agricultural products. If negative, the CSE measures the burden (implicit tax) on consumers. All values are at the farm gate.

Figure 6. The Producer's Nominal Protection Coefficient: the United States and EU

(Ratio of EU Producer Support Price to Border Price)



Source: OECD, "Agricultural Policy," https://data.oecd.org/agrpolicy/agricultural-support.htm.

Notes: The nominal protection coefficient shows how much protection domestic support prices provide above world prices: A ratio of 1.0 implies equity, whereas a ratio greater than 1.0 signifies protection.

EU Taxes, While U.S. Supports Consumers of Agricultural Products

Since the mid-1990s, U.S. consumers have benefited from government agricultural supports that have contributed, on net, to lower consumer prices and widespread access to both domestic production and imports. Such policies include those that have incentivized greater food production, lowered trade barriers, and targeted certain population subgroups for greater access to food through nutrition programs. If negative, the CSE measures the burden (implicit tax) on consumers through high internal producer-support prices or import barriers that more than offset any consumer subsidies.

Since 2000, the U.S. CSE has been positive and has trended steadily higher to average 15% of gross farm receipts during 2010-2014 (**Figure 5**). In contrast, EU consumers have, on net, helped to underwrite subsidy transfers to their agricultural sector. When negative, the CSE measures the burden (implicit tax) on consumers through high internal producer-support prices or import barriers that more than offset any consumer subsidies such as domestic food assistance. The EU's CSE has measured negative over the entire 1986-2014 period, but it has steadily trended upward (or been less negative).

Conclusions and Policy Implications

The EU is one of the United States' chief agricultural trading partners and also a major competitor in world food markets. Both the EU and the United States heavily support their agricultural sectors. However, strong budgetary pressures coupled with a shifting policy preference toward greater market orientation have motivated both the United States and the EU to modify their farm programs since the 1980s. Traditional price and income support programs have been progressively replaced by support that is decoupled from production or prices.

Many in Congress have historically defended U.S. farm support programs as a means to ensure that the United States has continued access to the "world's safest, highest quality, and most abundant food supply."[50] European defenders of the CAP have made similar arguments for state-sanctioned intervention in the agricultural sector. Yet longstanding criticisms and continued debate have challenged the extent of and need for government support of farm programs. Some argue that the failure of the United States and EU to enact more substantial reform to their respective farm support programs contributed to delays in the now defunct WTO Doha Round of multilateral trade negotiations.

Because the United States and the EU figure so dominantly in the development and use of agricultural policy on the global level, information comparing the EU and U.S. farm support programs will likely continue to be of interest to Congress as the United States prepares for another round of domestic farm bill negotiations and as it continues to engage in international trade negotiations on several fronts, including the Transatlantic Trade and Investment Partnership with the EU and the Trans-Pacific Partnership with Pacific Rim nations and within the WTO's multilateral negotiating forum.

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[50] Representative Mike Conway, Chairman of the House Agriculture Committee, "The livelihood and lifeblood of rural America, *Bloomberg*, June 6, 2016, http://about.bgov.com/blog/the-livelihood-and-lifeblood-of-rural-america/.