

**Tuesday 2 October 2012**

## **Farm subsidies to continue, despite the crisis?**

Australian farmers are unlikely to benefit from US and EU reforms of the Farm Bill and Common Agricultural Policy (CAP), according to research reported in the latest edition of the Australian Farm Institute's *Farm Policy Journal*.

The US and EU are two of the world's largest agricultural production regions and changes to their agricultural policies have the potential to impact on farmers around the world, including on Australian farmers.

The Spring edition of the *Farm Policy Journal*, entitled 'Farm subsidies to continue, despite the crisis' provides insights into the proposed policy changes to the Farm Bill and CAP, and their possible implications.

The Journal includes a series of three papers examining the possible implications of current versions of the US Farm Bill. There seems to be general consensus that direct payments to farmers are likely to be phased out in the future, while the current generous subsidies for crop insurance will be made even more generous. These measures have the effect of maintaining farm income support, while shifting some of the cost to the private sector.

'There are a myriad of issues to be sorted, and the lack of bipartisan support complicates progressing legislation but at this stage the impact on Australian farmers seems negligible.' said Mick Keogh, Executive Director of the Australian Farm Institute.

The Journal also contains several papers examining current proposals for a future EU Common Agricultural Policy (CAP), which is due to commence in 2014. At this stage there are no serious reform proposals despite the cost of the CAP for the EU, and despite the current Eurozone financial crisis. The main changes proposed at this stage seem to involve strengthening some of the 'green' compliance measures, and creating stronger incentives for farmer cooperatives to help farmers get a better share of retail dollars.

'What seems amazing from an Australian agricultural perspective is that neither the US or the EU are showing any real desire to reform their comprehensive and expensive farm policies, despite the large cost of these policies for taxpayers, and despite the perilous state of government finances in both locations.'

'What is also evident is that none of the proposed changes to current policies seem likely to have any real implications for Australian farmers.' Mr Keogh concluded.

Contributors to the Spring 2012 *Farm Policy Journal* are:

- Gaétane Potard and Emélie Halle, A Brief Background to the US Farm Bill and the EU Common Agricultural Policy (CAP)
- Patrick Westhoff and Scott Gerlt, The US Farm Bill: Possible Impacts on Commodity Markets
- Joe L Outlaw, James W Richardson, J Marc Raulston and George M Knapek, The US Farm Bill and Implications for International Competitiveness
- Stephanie Mercier, External Factors that are Driving the 2012 US Farm Bill Debate
- Fabien Santini and Sergio Gomez y Paloma, The New European Common Agricultural Policy and the Food Chain
- David Harvey, How Green will the CAP be Post 2013?

The Spring 2012 quarter *Farm Policy Journal* is available online at the Australian Farm Institute website [www.farminstitute.org.au](http://www.farminstitute.org.au) or by phoning (02) 9690 1388.

Ends

Media contact: Mick Keogh – (02) 9690 1388 or 0418 256 066