

Copyright 2005 Guardian Newspapers Limited
All Rights Reserved
The Guardian (London) - Final Edition

December 16, 2005 Friday

SECTION: GUARDIAN LEADER PAGES; Pg. 35

LENGTH: 219 words

HEADLINE: Reply Letters and emails: Raw truths about subsidies

BYLINE: Pierre **Boulanger** and Patrick **Messerlin**

BODY:

* You suggest that farm "export refunds" are subsidies granted to their direct recipients. We disagree. Export refunds are not subsidies but compensation for differences between high European farm prices and lower world prices. Such refunds are necessary to induce exporters to buy these products in Europe and sell them in the world markets. Without them, European excess supply would be stocked in Europe and possibly destroyed, as has happened in the past. Such refunds serve only as indirect subsidies to the overproducing farmers.

The same could be said for processed products (biscuits, powder milk etc), transformed in and exported from Europe. The CAP increases the input prices for agribusiness firms operating in Europe. Without such refunds, food processing firms would reduce the scale of their European production.

The big figures flagged in your article have thus to be considered with great caution, since they amalgamate subsidies and compensation. Some exporting and food processing firms have structural links with farmers because they are co-operatives or landowners - in which case export refunds are indeed also farm subsidies. But the evidence from France shows that the largest beneficiaries of the CAP remain the farmers.

Pierre **Boulanger**

Patrick **Messerlin**

Groupe d'economie de Sciences Po, Paris

LOAD-DATE: December 16, 2005