The history and evolution of the european common agricultural policy

History

The years immediately following the Second World War, Europe was marked withfoodshortages, a situation that needed immediate and lasting action. The food supply must and will be secured, and agricultural production within the region revitalized. This necessity would then prompt the beginnings of a Common Agricultural Policy (CAP).

The beginnings of CAP

The Cap has its roots in the signing of one of the Treaties of Rome[1] in 25 March 1957, which established the European Economic Community[2] (EEC). Article 38. 4 of the

Treaty Establishing the European Community refers specifically to the creation of a common agricultural policy among Member States that would accompany the implementation of a common market for agricultural products (3). Article 39 then presents the objectives of a common agricultural policy:

1. to increase agricultural productivity;
2. to ensure a fair standard of living;
3. to stabilize markets;
4. to assure availability of supplies;
5. to ensure that supplies reach consumers at reasonable prices. (3)

The Stresa Conference[3] in July 1958 established the three key principles of the CAP namely: market unity (for free movement of agricultural products within the EU), financial solidarity (a communal treasury finances all of CAP's expenses), and community preference (European products were to be given priority over products from outside the region) (Delayen 1). Finally, the year 1962 marked the CAP’s coming into force.

The CAP started with the short-term goal of addressing the food supply problem by providing subsidies and granting high prices to farmers to produce more. There is a clear link between production and subsidy: the more farmers produce, the more they will earn.

Aside from subsidies, the CAP also provided for financial assistance aimed at the development of farming: funds were directed towards farm management and enlargement, and acquisition and management of proper and up-to-date technological skills.

Moreover, the CAP created practical measures like aid for early retirement (to provide avenues for the next generation of farmers), assistance for training and development, and financial incentives for the less favored areas[4] (LFA).

Farmers working in less favored areas are given compensation for income loses that they incur. (Rural development in the European Union 5) By the 1980s, the CAP was continuously seeing favorable results and agricultural production continued to increase. The CAP’s long-term goal of self-sufficiency is finally made secure.

However, unhampered abundance in agricultural products led to a surplus—more than what the region could consume was being produced. Excess commodities were stored, distributed within the EU, or exported (supported by export subsidies) (The Common Agricultural Policy Explained 4).

However, this was not enough—more costs were incurred, prices were distorted, and negative environmental effects were becoming manifest. There was a growing concern towards environmental sustainability of agriculture and the CAP just had to cope with the changing times and circumstances.

The milk quota in 1983 was just the beginning of a series of reforms. To control dairy production and costs, producers were given a certain quota. If producers go beyond their quota, taxes would be appended. Then in 1992, the Mac Sharry reform[5] introduced the vital direct payments. Production was limited and prices reduced, but farmers were given direct payments as compensation (Delayen 2).

The EU also began taking the environmental aspect into consideration by providing incentives to farmers who apply farming measures that help in protecting theenvironment. With the coming of the new century, the food supply is secure and self-sufficiency not an issue anymore. The emphasis of the CAP has changed and therefore, policies must undergo an overhaul.

The CAP today

Change was inevitable and necessary, thus, Agenda 2000[6] came into being. The reforms initiated focuses on increasing productivity and competitiveness of agriculture in the EU while taking environmental sustainability into account, and establishing clear rural development policies. It was also in Agenda 2000 that the system of funding was reorganized and a specific budget was set.

Regarding productivity and competitiveness, the EU remains a strong player in the world market. With the coming of the Agenda 2000, price cuts were implemented (15% for cereals, 15% for dairy products, 20% for beef and veal) so as to stabilize supply and demand in the market (Agenda 2000—A CAP for the Future 1).

The quality and circumstances involved in food production and the relationship between production and the environment has replaced the necessity of securing the food supply. In line with this, the CAP established agri-environment measures.

Optional cross-compliance was introduced. Incentive is given annually to farmers who commit to these agri-environment measures. However, non-compliance would mean reduction or cancellation of this incentive. The uncollected funds are then added to funds for rural development or agri-environment measures (Agenda 2000—A CAP for the Future 1).

Funding under the Agenda 2000 is now divided into two pillars. Whereas before, funding of the CAP only provided for market management (market-related subsidies) and direct payments to farmers, it now has a second pillar to provide for rural development policies.

Funding for the second pillar is financed by both the EU and individual Member States, and encompasses agri-environment measures, aid to farmers working in LFAs, and commitments to higher quality of food, and animal welfare. (The Common Agricultural Policy—A Policy Evolving with the Times 4).