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Chapter 21

Agricultural Policy and Policy Processes

Common Agricultural Policy in Context	371
What is special about the CAP?	372
How does the Common Agricultural Policy Work?	376
Impact and Effects of the CAP	380
Policy-Making Processes	381
Management and Implementation of the CAP	385
Concluding Remarks	385

This chapter examines what is perhaps the most notorious of the EU's policies: the Common Agricultural Policy (CAP). It does so by considering the nature of its controversiality, why agriculture has been singled out for 'special treatment', the current operation of the CAP, the impact of the CAP on both agriculture and other EU policies, and the CAP's policy processes.

The Common Agricultural Policy in Context

Despite the fact that it accounts for only just over 1 per cent of EU GDP and 5 per cent of EU employment, agriculture looms large in the life of the EU. It does so for five main reasons. First, the economic impact of agriculture is greater than indicated by the figures just given, for in addition to farming itself there are many industries that are closely linked to agriculture and are dependent on its success. These industries include agro-chemicals and fertilisers, agricultural equipment, food processing, veterinary medicines, and financial services. Second, the EU has, via the CAP, major policy-making and decision-making responsibilities for agriculture. Indeed, agriculture is the most integrated of the EU's sectoral policies. Third, as a major recipient of EU funds – accounting for around 40 per cent of total annual budgetary expenditure – agriculture is central to EU budgetary deliberations. Fourth, there is a greater institutional presence and activity in the agricultural field than in any other: the Agriculture Ministers normally meet more frequently than all other Councils except for the Foreign, Ecofin and General Affairs Ministers; Agriculture Council meetings are prepared not by COREPER but by a special body, the Special Committee on Agriculture (SCA); the Agriculture Directorate General is by far the largest of the Commission's sectoral DGs; and there are far more Council working parties and Commission management and advisory committees in the sphere of agriculture than in any other single policy area. Fifth, agriculture is the most controversial of the EU's policies, with the member states disagreeing on many issues, most notably the extent to which and the ways in which the sector should be protected.

For its supporters, the most important benefits accruing from the CAP are a plentiful and stable food supply and the maintenance of productive activity in

Yet even amongst those who are most critical of the CAP, few seriously challenge the view that there should be an EU agriculture policy of some kind. Certainly no member state government believes that the agricultural edifice should be wholly uprooted and policy returned completely to national capitals (though UK governments have come close to this position). The view that there is something special about agriculture, something that distinguishes it from other sectoral activities and merits it receiving advantageous treatment, still strikes a chord with EU decision-makers – though it does not command such strong support as in the early days of the EC.

What is Special about Agriculture?

The attention given to agriculture in the EEC Treaty and the subsequent creation of the CAP after long and often tortuous negotiations in the late 1950s/early 1960s is often seen as being part of a trade-off between France and Germany. There is some truth to this view. In exchange for the creation of a common market in industrial goods, which the French feared would be greatly to Germany's advantage, France – with its large but uneconomic agricultural sector – would benefit from an agricultural system that, though also in the form of a common market, would be based not on free and open market principles but on foundations that would protect farmers from too much competition.

Important though it was, however, the Franco-German 'deal' is only part of the explanation of why agriculture, from the earliest days of the Community, was given an elevated policy status. For the fact is that when the CAP was being created none of the then six member states seriously objected to it in principle – the Netherlands, for example, was a strong supporter – though there were differences between the states on the pace of the CAP's construction and the precise nature of its policy instruments. This consensus on the existence of the CAP was a result of a shared recognition that agriculture required special treatment.

Today, despite the EC and now the EU having greatly increased in size, despite the circumstances and conditions of agriculture having dramatically changed, and despite the CAP having caused major difficulties and disruptions to the whole EU system, agriculture is still generally regarded by the national governments as requiring special treatment. Many of the reasons for this are much the same as they were in the EC's early days. Others are more recent. The reasons can be grouped under two general headings: the distinctive nature of agriculture and political factors.

The distinctive nature of agriculture

Most governments of the industrialised world have taken the view that agriculture is not like other areas of economic activity. It is special and as such merits special treatment to encourage, assist and protect it. In the EU, five main arguments have been advanced in support of this view, the relative importance of which has varied over time.

The first argument – which, with CAP reform over the years, is not as important now as former – it was – stems from the fact that agricultural products are subject to considerable fluctuation if they are subject to public intervention and regulation. This is largely because, even with modern farming techniques, agricultural supply is heavily dependent on weather. Agricultural price instability is seen as undesirable for two reasons. First, if prices suddenly go up, inflation is immediately fuelled (given that food constitutes around 20 per cent of the budget of the average EU citizen). Second, if prices fall, farmers may not be able to make an adequate profit and may be forced off the land. Even those who

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purchases.

The second argument for vital foodstuffs comes from outside pressures. In 1970s memories were still fresh of international trading agreements played an important role for greater self-sufficiency in calm international trade and with many of the world's foodstuffs being in surplus – in particular wheat and beef – it is an argument that is less weighty than it used to be.

The third argument must have food, it means the gap between what can be met by imports, which creates pressures for the balance of payments. The demand for food at world levels (as long as income is brought even if prices are low) is the basis of an import payment's argument to underpin the CAP since the early to mid-1970s became significantly more community production surplus.

The fourth argument encouraged to state environmental reasons in a realistic tone to the countryside is part of the plan that management in itself. Rather more arguments that land that is scrub which is in itself undesirable and that incomes to determine and agricultural towns in search of a better environment.

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has obliged decision-makers to take a broader view of what should be the content and priorities of agricultural policy.

Political factors

The agriculture sector enjoys political assets that have been translated into influence on EU policy. Four of these assets are especially important.

- 1 Since the CAP was established, the governments of those states that benefit most from CAP financial transfers have been strong defenders of the system. The line-up of these states has not been wholly consistent over time as circumstances have changed, but in recent years the most prominent opponents of reductions in EU expenditure on agriculture have included France (which accounts for 20 per cent of total EU agricultural production and which is the most notable permanent member of the 'anti-reform' club), Germany (which accounts for 12 per cent), Spain (which also accounts for 12 per cent), and Ireland (which accounts for 2 per cent and where agriculture accounts for just 2 per cent of national GDP, but where agriculture looms large in the national 'psyche').
- 2 At the national decision-making level, Ministries of Agriculture have traditionally tended to be slightly apart from mainstream policy processes, and since 1958 this has been reproduced at the EU level with the position of the Agriculture DG in the Commission. All policy-makers in all areas of policy do, of course, attempt to use their own expertise, knowledge and information to provide themselves with some insulation from the rest of the decision-making system, but agriculture is particularly well placed to do this. Its supposedly distinctive nature, the complexity of much of its subject matter, and the customary close relations between agricultural decision-makers and producers, all combine to make it difficult for 'outside' decision-makers to offer an effective challenge or alternative to what is presented to them. That all said, in some member states this 'separateness' of Agriculture Ministries is now being diluted, with agriculture increasingly becoming part of more broadly based environment/rural affairs departments.

3 Farmers enjoy considerable electoral weight. Even though their relative numerical importance has declined over the years – in 1958 around 25 per cent of total EC employment was in agriculture, today the EU figure is just over 5 per cent – the agricultural vote is still significant. The significance varies from state to state. The size of the domestic population engaged in agriculture is one important factor in determining this significance: proportions vary considerably, with, for example, around 14 per cent of the working population in Poland engaged in agriculture, 12 per cent in Greece, 11 per cent in Portugal, and 2 per cent in Belgium. Another consideration is the direction of the agricultural vote. In some member states the agricultural vote is disproportionately directed towards small parties which, benefiting from proportional representation, can be key players in national politics and government. On the whole, farmers, especially richer farmers, incline towards Centre-Right and Right parties, with the consequence that it is they, rather than parties of the Left, that are usually the strongest defenders of agricultural interests in EU forums. But this inclination to the Right does not, in most countries, amount to an exclusive loyalty, so few parties can afford to ignore the farmers: at a minimum, all parties must give the impression of being concerned and solicitous.

4 In most EU countries, farmers have long had very strong domestic organisations to represent and articulate their interests. When it became clear in the 1960s that much of agricultural policy and decision-making was being transferred to Brussels, similar organisations were quickly established at Community level. As early as 1963 approaching 100 Community-wide agriculture groups had been formed. Today the number is around 130. The most important of these groups is the Committee of Agricultural Organisations in the European Union–General Confederation of Agricultural Co-operatives in the EU (COPA–COGECA), which is an alliance of umbrella or peak organisations attempting to represent all types of farmers on the basis of affiliation through national farming groups. Beyond COPA–COGECA and a few other overarching organisations, specialist bodies exist to represent virtually every product that is produced and consumed in the EU and also all participants in the agricultural process – farmers most obviously, but also processors, traders, retailers and so on.

The influence of this agricultural lobby has declined over the years, but it is still a significant force in the EU. It is worth setting out the reasons why this is so.

The sheer size of the lobby is formidable

It operates at two levels, the national and the EU.

At the national level there are considerable variations in the pattern and strength of agricultural representation. But in all member states there are groups of some kind that have as their main purpose the utilisation of whatever devices and channels are available to them to influence both national and EU agricultural policy (within the general principles of the CAP, member states enjoy a considerable policy discretion).

At the EU level the large number of Euro-agricultural groups means that lobbying activities across the agricultural sector are almost continuous. COPA–COGECA moves on the broadest front, and with over 50 full-time officials is by far the best resourced and staffed organisation (for further information on COPA–COGECA see Chapter 15, and COPA–COGECA's website at www.copa-cogeca.be). The more specialised groups – such as the mustard makers (CIMCEE) and the butchers (COBCCEE) – are much more modestly provided for and at best may have just one full-time member of staff working out of an office made available by a national affiliate. But since the interests of these small groups are usually narrowly drawn this is just about enough to allow basic lobbying and representational requirements to be fulfilled – holding meetings and consultations with decision-makers, feeding information through to EU institutions and to members, and preparing policy and briefing documents. If necessary, reinforcements are usually available from national and Euro-umbrella associations.

Agricultural interests generally enjoy good contacts with, and access to, decision-makers

Again, this factor operates at both national and EU levels. At the national level, influence with government is vital, not only because of their control over nationally determined policies but also because they are the route to the Council. Most governments are at least prepared to listen to representation of national agricultural interests, and some engage in virtually automatic consultation on important

There are a number of factors which generally approach a picture of what is made possible; not easier; and possibly being sympathetic to the view that the government, despite being a national government, a national government with what is agreed with what is agreed can always try to impossible Greeks' At the EU level, get for agricultural very willing to listen establishment of EU itself available to relations are viewed extremely useful: the knowledge and experience the Commission can engage in certain them to Commission meetings can help to arise arising from such not really understand farmgroups can do so during national interest in relation to most simplify the Commission as a decision-maker as a decision-maker and the EP. And that since the mid-1990s maintaining close links with the Commission has the Commission has the agricultural sector, COPA–COGECA have been to defend the ancient agricultural organisations by strong and contrary attitudes to 'opponents' to – consumers and – but they are relatively

A number of reasons why governments are not always approachable in this way: there may be a lack of sympathy for the interests' views; a fuller understanding of what is going on in the agricultural world is needed; policy implementation may be made more difficult; political support may be generated by the government and the interest are as one. The government is being seemingly listened to by its government. If the national agricultural interest is dissatisfied with what is agreed in the Council, the government may try to blame 'the awkward Italians', 'the intransigent Greeks', or 'the immovable Poles'.

At the EU level, the Commission is the prime target of agricultural interests. For the most part it is not willing to listen. Indeed, it has encouraged the formation of Euro-agric groups and readily makes information available to them. Close Commission-group relations are viewed by the Commission as being mutually useful: the groups can contribute their knowledge and experience, which may improve policy; the Commission can explain to the groups why it is taking certain actions and thus try to sensitise them to Commission concerns and aims; face-to-face meetings can help break down barriers and resistances arising from suspicions that 'the Eurocrats' do not really understand farming practicalities; and if the groups can do something to aggregate the conflicting national interests and demands that inevitably arise in relation to most proposals, they can considerably simplify the Commission's task of developing policies that are acceptable and can help to legitimise the Commission as a decision-maker in the eyes of the Council and the EP. All that said, however, it is the case that since the mid-1980s the Commission, though maintaining close links with the agricultural lobby, has been less influenced by it. A major reason for this is that the Commission has been obliged to try to reform the agricultural sector, whilst organisations such as COOPA-COGECA have been, in Grant's words, 'seeking to defend the ancient regime' (Grant, 1997: 170).

The agricultural organisations are not counterbalanced by strong and vigorous groups advancing contrary attitudes and claims

'Natural opponents' to agricultural organisations do exist – consumers and environmentalists most notably – but they are relatively weak in comparison.

A major reason for their weakness is that whereas farmers constitute a clear section of the population with a readily identifiable common sectoral interest, consumers and environmentalists do not have such a group consciousness, are more widely dispersed and, in consequence, are just not so easy to mobilise or organise. So although there are many more consumers than there are farmers in the EU, the largest of the Euro-consumer groups – the European Bureau of Consumers' Associations (BEUC) – has a staff of only 20 or so. This is sizeable enough when compared with most Eurogroups, but it pales in comparison with the massed ranks of the agricultural associations. Moreover, the BEUC has to cover the whole spectrum of relevant EU policies: agriculture takes up only part of its time.

Additionally, in terms of access to decision-makers, the farmers' 'rivals' do not as a rule enjoy the 'insider status' granted to much of the agriculture lobby. They rarely have a 'sponsoring' ministry in the way that agricultural interests do. Nor are they necessarily consulted by the Commission on agricultural matters as a matter of routine, nor automatically called in for discussions when something of importance or potential interest arises. The fact is they do not have the political and economic power of farmers, they cannot offer trade-offs in the way of cooperation on policy implementation, they are – in some instances – relative late-comers, and a few – notably the more radical greens – are seen as not conforming to established values and the rules of the game. Some of the more respectable of these 'oppositional' agriculture groups have their foot in the EU door – BEUC, for instance, is a recognised 'social partner' – but none has quite entered the room in the manner of the agricultural lobby.

Agriculture has powerful friends

Whilst farmers and those directly engaged in the agricultural industries have been the most obvious beneficiaries of the CAP, others have gained too, notably the owners of land. Huge profits have been made by investment institutions, financiers, banks, industrial corporations, and private landlords from the rising value of land that has been associated with the CAP. Many of these interests have direct access to decision-makers, indeed are themselves amongst the decision-makers in some governments, and have sought to use their influence accordingly.

Unity has been a source of strength

Despite the great range of interests represented, the agriculture lobby was, until the early 1980s, more or less united in its aims: it pressed for comprehensive market regimes for as much produce as possible and it sought the largest price increases it could get. Since that time, however, as significant steps to bring spending on agriculture under control have been taken and as EC/EU enlargements have made the interests of the agricultural sector more divergent, the unity of the lobby has been subject to increasing strains and its effectiveness has accordingly been weakened. Sectors have vied with one another as increasing attention has had to be paid not only to the size of the cake but also to the way in which it is cut. Increasing competition *within* the agricultural sector has been no more clearly demonstrated than by the division in recent years between COPA–COGECA and the European Farmers Organisation (CPE) which represents small farmers. In the context of agricultural reform discussions and negotiations, CPE has been much more in favour than COPA–COGECA of the redistribution of support to small farmers and of broadly based rural development activities.

Farmers sometimes resort to direct action

In some EU countries, farmers sometimes take matters into their own hands if they are dissatisfied

with policies and decisions affecting their sector. Disruption of transport networks is a particularly favoured tactic. Whilst decision-makers never came to admit that they have been swayed by direct action, there is no doubt that farmers' militancy has affected at least some of those who are responsible for running EU agriculture.

How the Common Agricultural Policy Works

Title III of the TFEU (Articles 38–44) – the contents of which are still much as they were written for the EEC Treaty, save for the removal of redundant transition measures and some updating (notably on decision-making procedures) – sets out the general rationale and framework of the CAP. The objectives of the CAP, which are reproduced in Document 21.1, are exactly as they were in the 1957 Treaty.

Beyond setting out general aims, the Treaty does not have much to say about the content of agricultural policy. This content rests on four broad operating principles, the first three of which were adopted by the Council of Ministers as early as December 1960. The four principles are now described.

Document 21.1

The aims of the CAP as set out in the 1957 EEC Treaty and in the TFEU

The objectives of the common agricultural policy shall be:

- (a) to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, in particular labour;
- (b) thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture;
- (c) to stabilise markets;
- (d) to assure the availability of supplies;
- (e) to ensure that supplies reach consumers at reasonable prices.

Source: Treaty on the Functioning of the European Union, Article 39 (1).

Single internal market

Agricultural goods are supposed to be able to flow across internal EU borders, unhindered by barriers to trade and unhampered by protectionist policies that might distort or limit competition. In other words, it is not a free trade system based on pure market principles because support mechanisms of various sorts exist.

Until the early 1990s, the support mechanisms were almost exclusively based on a price support system. This was extremely expensive to finance, for two main reasons. First, many products were produced in amounts that were surplus to EU requirements. High guaranteed prices were the main reason for these surpluses, but improved farming techniques and the concentrated use of agri-chemicals also played a part. Second, most products were protected and supported by a market regime, known as a common organisation of the market (COM). Different regimes provided different forms of protection and support so that in practice there were many agricultural policies rather than just one – but about 70 per cent of products were beneficiaries of support prices of some kind. Third, apart from a brief interlude in 1974–75, EU agricultural prices were consistently above world prices, which meant that it was not possible to export surpluses without suffering a financial loss. Several devices were used to deal with the surpluses, all of which had to be financed from the EU budget.

Reforms in the 1980s designed to curb agricultural output had some effect, but not enough. Accordingly, internal demands for further reform soon arose, with pressures focused especially on the large proportion of the EU budget – over 60 per cent in the late 1980s – that was allocated to the CAP and the waste of agricultural over-production. At much the same time – the late 1980s and early 1990s – the EC came under increasing pressure from outside – most particularly from the USA – to fundamentally reform the CAP so that the EC market would be made more open and subsidised EC produce would not be ‘dumped’ on world markets. These twin pressures, internal and external, led, after extensive internal deliberations and external negotiations, to agreement in 1992 on major reforms of the CAP. At the heart of these reforms was a bearing down on prices on the one hand and a shift from price support to income support on the other. Included amongst the income support measures were

various compensation schemes designed to enable farmers to take agricultural land out of production, to diversify land use, and to take early retirement.

But just as the reforms of the 1980s alleviated rather than solved the CAP problem, so similarly did the more radical reforms of 1992. By the mid-to-late 1990s pressures for further fundamental reform were again building, which resulted in another major round of reforms in 1999. The main features of these reforms followed upon the principles of the 1992 reforms with, on the one hand, further removals of and significant cuts in support prices and, on the other hand, a strengthening of direct compensatory aid to farmers and of incentives for diversification. There were also extensions to rural development policy, which resulted in rural development coming to be regarded as the second pillar of the CAP.

As with the 1992 reforms, the 1999 reforms were quickly seen as not having been sufficiently radical. Amongst reasons for this were that they did not make provision for any significant overall decrease in CAP expenditure and that they did not go far enough to meet WTO demands for a reduction of agricultural trade distorting support mechanisms. Accordingly, further reforms were agreed by the Council in 2003, the principal measures of which continued in the tradition of the 1992 and 1999 reform rounds with: further reductions in support prices, where they continued to exist; an intensification of support measures for environmental protection and rural development; and a further major movement in the direction of separating – or ‘de-coupling’ to use the technical term – financial support for agriculture from production levels. As part of the de-coupling, most financial payments to farmers were moved to a Single Payment Scheme (SPS) (called a Basic Payment Scheme from January 2015), in which a single payment was based on past payments, acreage, and land use. In a system known as ‘cross-compliance’, payments were made conditional on farmers meeting specified standards on a range of farming practices, including food safety and animal welfare requirements. To curtail the much-criticised practice of most of CAP funding being given to large farmers and agri-companies, limits were placed on the maximum size of individual payments. Savings resulting from the imposition of these limits were re-directed to rural development.

After the 2003 settlement, the process of improving the management of the agricultural market continued.

The general framework of the settlement remained firmly in place, but a variety of specific measures were taken with a view to streamlining and simplifying CAP operations. As part of this, the remaining 21 CMOs were replaced with a single CMO (reflecting the continuing movement away from price to income support), simpler rules were adopted on such matters as market intervention and refunds, and hundreds of legal acts were either repealed or consolidated.

Another round of agricultural reform was agreed in 2013, setting out changes to be implemented during the period of the EU's 2014–20 multiannual financial framework (see p. 423–4). The Commission initially proposed a number of quite radical measures, most notably: (a) a proportionately more equal distribution of funding between the member states (CEECs had been inequitably treated in the 2006–13 MFF); (b) a 'greener' CAP, with increased support for environmental protection and rural development; (c) payments to be targeted more to active farmers, rather than all land-owners benefiting; and (d) more discretion to be given to member states as to how funds should be spent. However, as is shown below, though the essence of the Commission's proposed measures remained in place, the force of many of its specific proposals were watered down as they passed through the Council and the EP.

* * *

A mixture of endogenous and exogenous factors have thus combined since the late 1980s to produce very strong pressures for fundamental reform of the CAP's market system. The most important of these factors have been: market imbalances arising from the CAP's structure – especially high prices and over-production; the dominating position of the CAP in the EU's budget; rising international dissatisfaction with the distorting effects of the CAP on world agricultural trade; and the increasing importance on policy agendas of newer issues that are of concern to society, notably food safety, rural development, and sustainable environmental protection.

The pressures to which these factors have given rise have been such as to produce major rounds of CAP reform in 1992, 1999, 2003, and 2013. These reforms have not been as radical as the Commission would have liked, but taken together they have been sufficiently extensive as to bring about a fundamental change in the nature of the CAP's internal market. The three main dimensions of the changes are set out in

Box 21.1. In consequence of the changes, income support has generally replaced price support, EU prices are now much closer to world prices, and farmers are now being seen not just as agricultural producers but also as custodians of the land.

However, sight should not be lost of the fact that not all has changed. As Garzon (2006) has observed 'Europe has not fully embraced the new paradigm of market liberalism. Public intervention remains high, in particular in supporting farmer income. The logic of alleviating market instability in the name of the social objective of providing farmers with a fair standard of living is still present.' This public intervention, even though it is of a very different kind to formerly ensures that the CAP continues to loom large in the EU's budget and ensures too that the EU continues to be pressed by trading partners to move further in the direction of market liberalisation.

Community preference

The EU market is protected from the global market. Since world prices are normally lower than EU prices, free access onto the EU market would

BOX 21.1

The principal changes to the CAP system in the 1990s and 2000s

- A movement away from the former policy of high guaranteed price levels. Most intervention prices have either been removed or reduced to much lower levels – levels that are, in effect, safety net levels.
- Price level support for farmers has been largely replaced by income support payments that are made by a Basic Payment Scheme (formerly Single Payment Scheme). Most payments have been de-coupled from payments for production outputs.
- A much higher priority is being given to less policy concerns, including rural development, environmental protection, and food safety. There is less emphasis on highly intensive and productive farming and more on resource protective farming.

clearly undermining preference, in the therefore required European preference refunds – that is subsidies – also used to Community preference third of the CAP budget (1990s), but rising to 10% of domestic production, and planned decline, and planned. The mechanics of the tariff imposed vary according to the product concerned. Protectionist measures against cultural imports into the EU are explained in Chapter 10. Arrangements whereby some of their products are given special access to the EU market. So, the EU grants special access to developing, and especially to the African, Caribbean and Pacific (ACP) countries. Under the Cotonou Agreement, the agricultural exports of the ACP countries to the EU market. (It should be noted that these 'concessions' do not involve any good-will. Much of the agricultural preferences are generalised preferences and are not specific in nature and scope.)

Over and above the various arrangements for the EU market given to the ACP countries, it should be noted that the Community preference for agricultural products since the early 1990s have been generally reduced. The measures and as the EU price guarantees to

Debt financing

ERDF is financed jointly by the EU budget. The main source is the European Guarantee Fund (EAGF).

clearly undermine the CAP system. Community preference, in the form mainly of import tariffs, is therefore required. (The terms 'Union preference' or 'European preference' are not much used.) Export refunds – that is subsidies to EU agricultural exports – also used to be an important mechanism of Community preference (accounting for almost one-third of the CAP budget in the late 1980s and early 1990s), but rising world prices and the dismantlement of domestic price support has resulted in their decline, and planned elimination by the end of 2018. The mechanics of the preference system and the tariffs imposed vary according to the market regime for the product concerned.

Protectionist measures do not apply to all agricultural imports into the EU from all states. As is explained in Chapter 22, the EU has negotiated arrangements whereby a large number of countries are given special access to EU markets for at least some of their products, including agricultural products. So, the EU grants 'generalised preferences' to developing, and especially least developed, countries, which results in the abolition or reduction of tariffs on many agricultural products intended for processing. Under the Cotonou Agreement, virtually all of the agricultural exports of the African, Caribbean and Pacific (ACP) countries are allowed free access to the EU market. (It should, however, be pointed out that these 'concessions' do not stem simply from generosity and good-will. Much of the produce falling under generalised preferences and the Cotonou Agreement is tropical in nature and not in competition with EU produce.)

Over and above the various special forms of access to the EU market given to developing countries, it should be noted that the general impact and extent of the Community preference system has been greatly reduced since the early 1990s. This has occurred as tariffs have been generally reduced in response to GATT/WTO pressures and as the CAP has moved away from product price guarantees to income support.

Joint financing

The CAP is financed jointly by the member states out of the EU budget. The main funding mechanism used to be the European Agricultural Guidance and Guarantee Fund (EAGGF), but since 2007

this has been replaced by two funds: the European Agricultural Guarantee Fund (EAGF), which finances market measures and direct payments to farmers, and the European Agricultural Fund for Rural Development (EAFRD), which finances rural development support. The change was made partly to modernise financial control and management practices and partly to reflect the changing nature of the CAP – in particular the fact that under the CAP reforms agricultural policy had come to be more clearly based on two pillars, with pillar one focusing on direct financial support measures and pillar two on rural development.

Financial support available for agriculture in the EU is not, it should be stressed, confined to the direct funding provided for agriculture in the EU budget. Some funds are available from other EU sources, including the European Investment Bank (EIB). By far the greatest additional funding source, however, comes from national exchequers: member states are allowed to assist their farmers in many ways, provided they do not – in the judgement of the Commission – distort competition or infringe the principles of the market. Taking the EU as a whole, on average national public expenditure accounts for about 30 per cent of total public expenditure on agriculture, though in some states it is significantly higher.

Allowance for national variations

As the previous paragraph implies, in addition to the three CAP operating principles that were agreed by the Council of Ministers in 1960, and which still constitute the formal operational principles, a fourth – unofficial – principle may also be said to exist: allowance for national variations.

The CAP is not as common or as integrated as it usually is portrayed as being. To be sure, the CAP lays down a policy framework within which member states must operate. But that framework has never been a complete straitjacket.

One reason for national variations is the differing nature of agricultural economies and structures across the EU: a phenomenon that has increased in scope and intensity as the EU has enlarged. So extensive are the differences – arising from such factors as topography, weather conditions, and the average size of land holdings – that it has always been necessary to have a

policy framework that allows for variations that meet specific needs and circumstances. A second reason for national variations is differing policy choices of governments. Some governments, for example, have been much more inclined than others to make available to their farmers – after receiving Commission approval that CAP rules are not being breached – national financial and other forms of assistance. And a third reason is that, as Greer (2005: 3) puts it, 'There are still important areas that are not covered by EU-level policy making or where the reach of the CAP is weak. These include important supply side matters such as research, education and advice, and some sectors are not subject to common market organisation (potatoes for human consumption, for example).'

Significantly, the reform rounds since 1992 are resulting in the CAP become ever more diversified and less common. One reason for this is the increased emphasis on 'non-agricultural' aspects of land use. Another reason is that the reforms have built-in a considerable measure of national discretion, so that in respect of some measures and activities states can choose from an approved EU menu. The 2003 and 2013 reforms in particular made provision for national flexibility with, states, for example, being given considerable manoeuvrability as to how they calculate direct payments to farmers.

The calls that are sometimes made for a 're-nationalisation' of agriculture have made little headway, and are unlikely to do so in the foreseeable future. However, it is undeniable that the *Common Agricultural Policy* displays a considerable measure of national variations.

The Impact and Effects of the Common Agricultural Policy

Whether the CAP is to be regarded as a success or not naturally depends on the priorities and interests of those making the judgement. Since, however, the issue has caused so much controversy it is a question that merits some attention here. This will be done initially via assessing the success or otherwise of the five aims that were originally set out for the CAP in the 1957 EEC Treaty and which, in the TFEU, remain unchanged to the present day (see Document 21.1).

- Agricultural efficiency has increased enormously as a result of modernisation and rationalisation. Because of the large number of variables involved, it is difficult to be precise about agricultural efficiency, but one indication of the advances made under the CAP is seen in the fact that at a time when the number of people engaged in agriculture has dropped by well over 60 per cent on average in the EU-12 states (the pre-1995 EU members) since the CAP was created, volume outputs have steadily increased – at an average of approaching 1.5 per cent per annum since the early 1970s. That said, it might be asked whether the overproduction of certain products (which still exists, though not in so acute a form as before the reform process got underway in the late 1980s) and the encouragement that high levels of support have given to many who would otherwise have left the land to stay on their farms, is wholly consistent with 'ensuring the rational development of agricultural production'.
- Agricultural incomes have grown roughly in parallel with incomes in other sectors. However, the overall average masks enormous variations, both between large farmers (who have done very well for the most part – because they own most farmland) and small farmers, and between producers of northern temperate products (notably dairy produce, cereals, and beef, which have been the main product beneficiaries of the CAP) and producers of other (mainly Mediterranean) products. The post-1992 direct payment systems have been partly designed to offset these distortions.
- Markets have been stabilised, in the sense that there have been no major food shortages and EU prices have escaped the price fluctuations that have occurred in the world market on some products.
- The EU is now self-sufficient in virtually all of those foodstuffs its climate and topography allow it to raise and grow. In 1958 the then six member states produced about 85 per cent of their food requirements; by the early 1990s the then 12 member states were producing around 120 per cent. This latter figure has now dropped in the wake of the CAP reforms, but surpluses still exist in most product sectors. The movement beyond self-sufficiency to the production

of surpluses has only been possible because of considerable common support.
• The exclusion of produce from the aim of 'reasonable' had a low priority within the EU. The CAP have helped farmers, whilst to consumers.

Beyond an assessment of Treaty aims, five other policy areas are also worth considering. First, the CAP's budget has unquestionably been a major factor in other policies to which perspectives that have been coupled with the series brought agriculture under but it still accounts for a budget.

Second, the CAP has caused disagreements and tensions between the EU and some of its members, within the EU, France, in particular, has a particular attitude towards the CAP. It has been at loggerheads with aspects of agricultural relations between the CAP has fuelled many tensions between the EU and other agricultural WTO framework and biotechnology.

Third, the intense farming encouraged have had an impact on the environment, and agriculture only in recent years. The tensions have begun to ease of the environmental making protection of the reform rounds since making some direct adopting production environment and bio-diversity have been addressed in a new attaching most of the agriculture and attaching

of surpluses has been expensive in that it has only been possible to dispose of the surpluses at considerable cost.

The exclusion of cheaper (often much cheaper) produce from outside the EU means that the aim of 'reasonable prices' to the consumer has had a low priority. The undeniable fact is that within the EU the principal beneficiaries of the CAP have been large agri-companies and farmers, whilst the main losers have been poor consumers.

Beyond an assessment of the CAP through its five Treaty aims, five other significant consequences of the policy are also worth noting.

First, the CAP's strong position in the EU's budget has unquestionably made it more difficult for other policies to be developed. The financial perspectives that have been in operation since 1988, coupled with the series of reforms to the CAP, have brought agriculture under greater financial control, but it still accounts for around two-fifths of the total budget.

Second, the CAP has been the source of many disagreements and tensions both within the EU and between the EU and non-EU states. For example, within the EU, France's generally protectionist attitude towards the CAP has frequently caused it to be at loggerheads with other member states over aspects of agricultural policy. As for its effect on relations between the EU and non-EU states, the CAP has fuelled many trading disputes between the EU and other agricultural exporters, both within the WTO framework and bilaterally.

Third, the intense farming practices that the CAP has encouraged have had damaging implications for the environment, and arguably also for food safety. It is only in recent years that these damaging implications have begun to be properly addressed. In the case of the environment, this has been achieved by making protection of the countryside a theme of the reform rounds since 1992 – for example, by making some direct aid conditional on farmers adopting production methods that respect the environment and bio-diversity. Food safety issues have been addressed in a number of ways, including by detaching most of the responsibility for it from DG Agriculture and attaching it to DG Health and

Consumer Protection and by the creation of the European Food Safety Authority which was established in 2002.

Fourth, protecting the EU market from cheaper world produce, and the release onto the world market of subsidised EU produce, has distorted the international division of labour and the rational utilisation of resources.

Fifth, in international debates and negotiations concerning development policies and the problems of 'the Global South', there has been an increasing emphasis in recent years on the perceived damaging effects of the CAP. This has been partly because NGOs such as Oxfam have given more attention to anti-CAP campaigning.

Policy-Making Processes

Prior to the reform process that began with the 1992 reforms, agriculture was a highly distinctive policy-making sphere. This was mainly because many key decisions were made as part of a regular, and usually highly complicated, process: the annual price review. Many non-price elements were swept up in reviews and became components of what customarily were highly complex and interconnected packages by the time final agreements were made. The core of the packages usually consisted of a range of price increases, adjustments to produce regimes, and statements of intent about future action.

The phased reductions in prices since 1992 coupled with the associated switch from price support to income support have resulted in the annual price review disappearing. As this has happened, policy-making and decision-making processes for agriculture have become more like the processes that exist in other policy sectors. However, the importance, range, and complexity of the CAP, plus the ever-changing nature of the world's agricultural markets, means that there are still significant variations from the 'standard' EU model. The principal variations are now explained, by looking at the roles of the three main institutional actors on CAP policy, with particular reference to how they combined to put in place the 2013 reform package.

As part of this drive for greater efficiency, since the late 1960s the Commission has been proactively in the forefront of attempts to bring about fundamental reform of the CAP. Since the mid-1980s there have been five major 'rounds' of CAP reform, each of which has been led by the Commission. The first round resulted in a political agreement on reforms being reached in 1988, the second in 1992, the third in 1999, the fourth in 2003, and the fifth in 2013. The reform rounds have been driven by a number of factors, the most important of which were initially deteriorating market conditions, increasing surpluses, and recurring budgetary problems, and more latterly have been international pressures against the EU's high levels of protectionism and subsidisation, and domestic pressures for a 'greener' Europe and for funds to be directed in a fairer and more targeted manner.

In this process of agricultural decision-making, the lead within the Commission is inevitably taken by the Commissioner and the DG for Agriculture and Rural Development. However, they no longer have the near-monopoly control over agriculture policy they used to enjoy. As pressures for reform of the CAP have increased and as perceptions of the nature and the implications of agricultural policy have been broadened, so have other parts of the Commission come to have a say and to exercise an influence. Amongst the other parts of the Commission to have inserted themselves, or to have become drawn, into agricultural policy are Health and Food Safety, Environment and Trade. Taking Trade, the Trade Commissioner and the DG Trade have become key players as international

But though the Commission's 'primary role' in putting the environmental agenda and in determining the final agreements (Cunha and the Commission's proposals were 'watered-down by the Council Treaty, also by the EP. And the EP that we now

Council decision

The formal processes of the agriculture sphere are

Box 21.2

Main stages in the making of the 2013 reforms

November 2010	The Commission issues a communication on the future of the CAP, including identifying possible reforms (European Commission, 2010).
October 2011	Following up on feedback to the 2010 communication, the Commission issues draft legislative proposals.
February 2013	The European Council agrees on the main spending limits (including on agriculture) in the 2014–20 multiannual financial perspective.
March 2013	Council reaches agreement on its general approach to the Commission's proposals for CAP reforms.
March–September 2013	Council and EP negotiate, and reach political agreement, on CAP reforms.
September–December 2013	Council and EP negotiate and reach agreement on the Council's draft legislative proposals (which give legal form to the September political agreement).
March 2014	Commission issues the first delegated and implementing acts giving effect to the reforms. Neither the EP nor the Council raise any major objections to the acts.

Regarding legislative position is not as positive. The Lisbon Treaty entered into force in 2009, made mostly on the basis of the procedure, which means that it could press its policy agenda. It did not have the ability to change the Lisbon Treaty changed the legislative procedure, with the agricultural legislative procedure, with the agricultural and Council approval. Regarding decision-making, the culture was one of the use of QMV was provided in the Treaty. Initially because of what then because of what that EC decisions should not in practice used for the case became more acceptable. The Agriculture Council became the Council in terms of the number of the case – with Agriculture and the Agriculture and

These pressures have played an increasing role in driving the agricultural reform process. So, although the Agriculture Commissioner, Mariann Fischer Boel, was present at the December 2005 Doha Round negotiations in Hong Kong where agreement was reached, amongst other things, on the phasing-out by 2013 of all first world agricultural export refunds, the EU's 'main player' was the Trade Commissioner, Peter Mandelson.

But though the Commission has exercised a 'primary role' in putting reforms onto the political agenda and in determining the nature of final agreements (Cunha and Swinbank, 2009: 259), the Commission's proposals have habitually been watered-down by the Council and, since the Lisbon Treaty, also by the EP. It is, therefore, to the Council and the EP that we now turn.

Council decision-making

The formal processes of Council decision-making in the agriculture sphere are relatively straightforward:

- Regarding legislative procedures, the Council's position is not as powerful as it was. Until the Lisbon Treaty entered into force, legislation was made mostly on the basis of the consultation procedure, which meant that although the EP could press its policy preferences on the Council it did not have the ability to insist on them. The Lisbon Treaty changed this situation, by 'elevating' agricultural legislative processes to the ordinary legislative procedure, which means that laws dealing with agricultural matters now need both EP and Council approval.
- Regarding decision-making in the Council, agriculture was one of the very few areas where the use of QMV was provided for in the 1957 EEC Treaty. Initially because of French resistance and then because of what became a prevailing norm that EC decisions should be consensual, QMV was not in practice used for many years. But, when its use became more acceptable from the early 1980s the Agriculture Council quickly took advantage and became the Council formation to use it most. In terms of the number of usages this continues to be the case – with Agriculture Ministers (in what is now the Agriculture and Fisheries Council) usually

holding at least 50 votes per year. In proportionate terms, however, the Agriculture Council's 'lead' in the usage of QMV is now shared with several other Council formations, as QMV has become more commonly used throughout the Council system (see Chapter 10).

But though the operation of the Agriculture Council is reasonably 'normal' in terms of formal procedures, it is distinctive in a number of ways. One of these ways is that the Agriculture Council is, of all the formations of the Council, the formation that has traditionally been the most reliant on issue linkages and package deals for the conduct of its business. However, in recent years this use of linkages and packages to increase negotiating flexibility and create room for agreements has not been so prevalent. This is because the margins for manoeuvre available to the Agriculture Ministers have been reduced by the use of multiannual planning within financial perspectives, by the disappearance of the price review, and by the phasing-out of separate product market organisations. But though wide-ranging wheeling and dealing is not now so characteristic of the Council as it used to be, it certainly still exists – most especially when important decisions have to be taken on, for example, Commission reform proposals or positions to be adopted in external agricultural trade negotiations. In such situations, agreements are usually only possible if they are based on a recognition of the different interests and priorities of the member states: some states, for example, are net exporters of agricultural produce whilst others are net importers; some have temperate climates whilst others have Mediterranean; some have mainly large and efficient farms whilst others have many small and inefficient family-based units; and some have vast tracts of 'less favoured' land whilst others have very little. The existence of such differences is a key reason why the taking of Council decisions on agricultural matters can be so protracted: it took, for example, over two years of negotiations before the Council could agree on a common position on what became the 2013 reforms.

This diversity of interests and priorities in the Council make it very difficult for it to be a pro-active policy-maker and, in consequence, makes the Council heavily reliant on the Commission for ideas. Of course, this also applies to most Council formations,

but not generally to the same extent. As Daugbjerg (2009: 399) has observed of CAP reform processes:

Within the Council of Agricultural Ministers, it is the norm that the Commissioner's proposal forms the basis of the discussions aimed at consensus. After the Commissioner's proposal has been formally presented to the Council, farm ministers seldom put forward alternative proposals ... In the history of CAP reform, the Council, as a whole, has been status quo minded and, thus, not a driving force behind reform; rather it has been an obstacle for farm commissioners to overcome.

A distinctive feature of Council agriculture policy processes that has become less sharp over the years is the relative isolation of the processes from other policy areas. Until the late 1980s, agricultural policy processes were largely confined to a somewhat closed group of specialist policy actors in the Commission and the Council. The specialised nature of these actors was emphasised by the way in which DG Agriculture was widely viewed as being not quite a 'normal' DG and by the privileged position of the Special Committee of Agriculture in undertaking for the Agriculture Ministers the preparatory work that COREPER undertakes for other Council formations. (On the SCA, see p. 169.) Agricultural policy-making still remains a little isolated from 'the mainstream', but an increasing enmeshment with other policy areas means that it is nothing like as isolated as it was and that the circle of Council actors involved in agricultural policy formation in the EU has widened considerably. So, for example, non-Agriculture Councils – especially Foreign Affairs (which is responsible for external trade), Ecofin, and Environment – often express views and make decisions that have direct implications for agriculture. Given the segmented nature of Council structures, this can create problems in terms of developing rounded and properly integrated policy.

European Parliament decision-making

As was noted in Chapter 12, the powers of the EP have increased greatly over the years. However, until the Lisbon Treaty came into effect agriculture was one of

the areas where the EP's powers remained weak. This was partly because although the EP was a co-decision maker with the Council on the EU's annual budget, it could only make recommendations to amend what was known as compulsory expenditure, which consisted almost entirely of agriculture. It was partly also because agriculture was one of the remaining policy areas where the EP's legislative powers were based on the consultation procedure. This allowed the EP to make recommendations to, and exert pressure on, the Commission and the Council, but did not permit it to insist that its views be accepted.

This is not to suggest that the EP did not exert influence on agricultural policy before the Lisbon Treaty entered into force. It scrutinised both policy and legislative proposals and it had some successes in helping to shape outcomes. Garzon (2006), for example, suggests that the Agriculture Committee played a crucial role in helping to devise an acceptable formula on de-coupling in the 2003 CAP reform round. It is also the case that the Parliament's influence over agriculture had increased as a result of agriculture policy broadening out to include aspects of related policy areas – such as environment and food safety – where the co-decision procedure applied. Overall, however, agriculture was an area of comparative EP institutional weakness.

The position changed, however, with the Lisbon Treaty because the Treaty 'rectified' the EP's weaknesses: the distinction between compulsory expenditure and non-compulsory expenditure was abolished, so the EP's budgetary powers over agricultural expenditure were thereby increased; agricultural law-making became subject to the ordinary legislative procedure, so the EP gained equal powers with the Council over the making of agricultural legislation. The transforming effect of this latter change was no more clearly seen in 2003 when there were exhaustive negotiations – many of which were conducted in numerous trilogues between the Council and EP on the Commission proposals for CAP reform. Amongst changes to the reforms as a result of EP pressure and influence were more payments to be directed to small farmers, to small farmers and to active farmers (with it being made much more difficult for such as airports and sports clubs to claim such payments) and for there to be a better distribution of aid across the EU.

Management Implementation Common Agr

Because of the nature more involved in the tion of agricultural po policy spheres. The Com Agriculture and Rural this regard. They overs system, adjust it as neces to ensure that the nation undertake the frontline national Ministries of A cies, customs and excise their obligations in a pr of these responsibilities Development is one of 1,000 staff divided into

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Management and Implementation of the Common Agricultural Policy

Because of the nature of the CAP, the EU is much more involved in the management and implementation of agricultural policy than it is in most other policy spheres. The Commission, and particularly DG Agriculture and Rural Development, are central in this regard. They oversee the operation of the whole system, adjust it as necessary and, as far as possible, try to ensure that the national and regional agencies that undertake the frontline implementation of policy – national Ministries of Agriculture, intervention agencies, customs and excise authorities and so on – fulfil their obligations in a proper manner. In consequence of these responsibilities, DG Agriculture and Rural Development is one of the largest DGs, with around 1,000 staff divided into 11 directorates.

Much of what the Commission does in managing the CAP involves making 'administrative' legislation. This is no more clearly seen than by looking at what followed the political agreement reached between the EP and Council in September 2013 on the reformed CAP. The first step to giving the agreement legal force was the issuing (by the Commission) and then the passing (by the EP and the Council) of four 'basic' regulations, which were made by the ordinary legislative procedure. These regulations set out general rules on rural development, direct payments to farmers, market measures, and 'horizontal' issues covering such matters as funding and controls. They also made explicit provision for the regulations to be followed by more specific acts, which are normally issued in the form of either Commission delegated acts (which supplement or amend legislative acts) or Commission implementing acts (which are designed to ensure that all legislative acts are applied in a uniform manner in all member states). (See Chapter 9 for a description of how such Commission acts are made and are overseen by the EP and Council.) Consequently, the Commission began adopting appropriate delegated and implementing acts from March 2014. Delegated acts covered topics as varied as public intervention expenditure, requirements related to the agricultural products benefiting from private storage aid, and rules in the fruit and vegetables sectors. Amongst topics

covered by implementing acts were rules for direct payments, support measures in the wine sector, and work programmes to support the olive oil sector.

As a result of logistical necessities, agriculture is far ahead of any other policy area in terms of the number of legal acts in force, apart from external trade. Most of the law is highly specific, covering such matters as product specifications, market intervention instruments and mechanisms, and payment-related issues. There is, seemingly, nothing especially 'political' about such acts, but whilst they may appear to be technical and 'non-political' they might in practice well involve the Commission doing things that amount to rather more than the simple application of tightly drawn rules. Many decisions on, for instance, intervention and support systems are taken within margins of manoeuvre that give the Commission at least some flexibility. This flexibility can result in the Commission's choices having important financial implications for producers, traders, processors, and the EU budget.

The Commission also has room for manoeuvre in how it deals with the many national and regional agencies that undertake, on the basis of shared management, most of the direct policy implementation. It is, moreover, a room for manoeuvre that has broadened as the CAP has been reformed for, as was noted above, a significant degree of decentralisation has been built into the reform processes. Key features of the decentralisation that have increased management flexibility include: some direct payments are allocated to member states in the form of 'national envelopes', which national authorities manage according to their own criteria and requirements; many rural development measures are co-financed with member states; and member states must have in place rural development programmes that require Commission approval before EU funds can be released. Such decentralisation requires the Commission to frame its relations with national agencies more in terms of being a partner than an overseer.

Concluding Remarks

The CAP has been the subject of considerable reform in recent years. The core feature of the reform programme has been to replace a system that used to be based primarily on support prices by a system that now is based

primarily on direct payments to farmers. Another key aspect of the reform has resulted in the CAP becoming less focused on matters related to food production and more concerned with wider environmental, rural development, and consumer protection issues.

However, the reforms that have been and are being made have not solved all of the CAP's problems. *Outside the EU*, many countries, not least the USA, continue to be dissatisfied with what they regard as a still over-protected EU market and still

over-subsidised EU produce on world markets. *Inside the EU*, sharp differences still exist over important aspects of agricultural policy: where should the balance be struck between market efficiency on the one hand and the granting of support to the agriculture sector on the other?; and in so far as support is to be given to agriculture, how ought it to be distributed, and in what form?

Agricultural policy will thus continue to loom large on the EU agenda.

Chapter 2 External

External Trade

Foreign and Defence
Policies

Development Policy

The External Dimension
Internal Policies

The Consistency and
Representational Problem

Concluding Remarks