

## A HISTORICAL ANALYSIS OF THE COMMON AGRICULTURAL POLICY

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### **Abstract**

*Agriculture is perceived by the EU as occupying a special place in its economic and social structure, because of its content and its relevance at the level of each individual. Consequently, the EU sustains that the relative poverty of a high proportion of its agricultural and rural population needs a protectionist price policy combined with a long term policy that would aim at its rural development, especially in the peripheral and poorly developed areas. Between EU policies Common Agricultural Policy is regarded as one of the most important. This not only because of the budget for the Union to finance this policy (which is about 50% of the total budget) the number of people affected and territory involved, but also the historical importance of delegated sovereign attributes EU Member States to the decision. The importance of the Common Agricultural Policy derives of close links with the single market and economic and monetary union, two key areas of European integration.*

**Key words:** agriculture , Common Agricultural Policy, European institution

### **INTRODUCTION**

The governments of the member states, together with the governments of the other developed world states, have admitted the fact that agriculture is affected by the special economic and social problems which normally don't affect the other sectors, especially due to the cyclic nature of the agricultural production.

Therefore, in the absence of an official support, the prices of the agricultural products tend to decrease, while the prices of the raw materials and other industrial products, which farmers must purchase, tend to increase. Hence, the life level of farmers had to be maintained at the same standard as that of their partners in the urban regions. The path used to equalize the life levels was that of sustaining the increase of productivity in agriculture.

The Common Agricultural Policy (CAP) is among the common policies adopted by the Union Europe, then European Economic Community (Treaty of Rome 1957). Its Genesis was a reaction to food problems that followed the Second World War. It should be noted that the term "common policy" reflects

one of the defining features CAP, that for about 90% of agricultural products, the decision no longer rests with the Member States, but the European Union [3].

### **MATERIALS AND METHODS**

The existence of internal surpluses and the increase of the exported quantities, resulted from the increase of productivity, had led to very high budgetary expenses that had to be made in order to sustain the prices. At the same time, sustaining the income in the rural area had been officially encouraged by means of the added value through specialized farms, to the final agricultural products, as well as to non-agricultural activities (rural tourism) [10]. Initially, the approximation of the alimentary products' prices was considered as having an important contribution to the harmonized industrial salary costs, forming therefore a basis for enlarging the common market of industrial goods. Although, as time went by, the alimentary expenses started to represent an increasingly lower percent of the total expenses made by individuals, and this way of thinking is still valid.

CAP preparing Conference in Messina, in 1955, decided, after long debates, that agriculture should be included in the “common market” system. Once this decision made, the partners had to decide whether they wanted to apply, in the case of agriculture, only the general rules of free exchange and competition, already established for the industry, or if they had to establish separate rules for the agricultural sector.

The current model of economic and social development needs a combination of institutional strategies which are specific to the domain with innovative entrepreneurship models adapted to the societal context. Therefore, at the level of the common agricultural policy, besides the specific tools, the governance model focuses on the small scale exploitation in which the principles of the agricultural entrepreneurship are centered on the individual and his needs, engaging the community, on the one hand, and the individual, through the consume, on the other hand. According to the new directions of the CAP, the focus is on the sustainability paradigm, containing alimentation, environmental protection, protection of natural resources, the fight against climatic changes. Therefore, we can identify four fundamental changes at the CAP level:

- (1) promoting the production on a small and medium scale in harmony with ecosystems, combining innovation with traditional knowledge, in order to obtain alimentary products in a sustainable manner;
- (2) promoting local products, as a unique method of combining the favorable effects of acclimatization, protecting the biodiversity and promoting local alimentary products and the community's traditions, with positive economic effects;
- (3) promoting local agro-alimentary systems in order to create knowledge and solidarity exchange networks between agriculturalists and city dwellers, gambling on the increase of the agricultural culture inside the urban population, especially through education and the acknowledgment of the benefits of agro-alimentary products consume;

- (4) promoting some ecologic agro-alimentary systems not only for reducing the dimensions of the agro-alimentary enterprises, but also for rewarding, in parallel, those who actually implement the agro-ecologic techniques, offering contributions to the community in the form of ecological services [2].

## RESULTS AND DISCUSSIONS

The result of these discussions was the development of separate special rules for agriculture, mainly because of the importance given to the agricultural incomes' support by the countries having a developed agriculture. As a result, in the final text of the Treaty of Rome, signed on March 5, 1957, the states agreed upon the establishment of a combination between these special rules and the general application in agriculture of common market's principles. In the Treaty, it is specified the fact that agriculture is submitted to commercial and competitive rules applied in the European Community. But these general commercial rules are abandoned or modified in many cases, by applying the 38-47 articles of the Treaty. These articles had been mainly established and developed as was of escape, which allows the establishment of monetary restrictions, market organizations, as well as controls over the goods' movement which, from an economic point of view, are contrary to the principles of free exchange that govern the rest of the Treaty. This freedom of intervening in the agricultural commerce is stipulated in the 38<sup>th</sup> article of the Treaty of Rome, which states that common market will extend over the agriculture (the rules set for establishing the common market are applicable to agricultural products), “with the exception of the contrary directives of the 39-46 articles” (Treaty of Rome, art. 38, paragraph 2) [9].

When the six members of the European Economic Community were trying to establish a common market, they were using various customs taxes, variable taxes, subventions for production and market intervening methods, so that they could protect their markets from “the negative

effects of importations” and sustain the prices of their farmers. Therefore, it had been acknowledged the difficulty degree which is inherent for reaching the objectives established in article 39. This is why article 40 established the means that were going to be used in order to reach the harmonization of the agricultural policies. Although mainly contradictory, this article sets the principles of applying the common rules regarding the competition in the trade with agricultural products between member states and the creation of a uniform system of organizing the market at the level of the Community.

The Common Agricultural Policy is the oldest and the most integrated of the common policies adopted by the European Economic Community inside the Treaty of Rome in 1957, being actually launched in 1961. Its genesis was a reaction to the alimentary problems that had followed the Second World War, respectively the dramatic decrease of the agricultural production especially in France and Germany, followed by the increase of importations from America with negative consequences on the commercial balance.

The Common Agricultural Policy has substantially contributed to the process of economic integration, by means of fluidizing the European commerce with agricultural products, due both to the elimination of customs taxes as well as practicing the external common customs tax, which contributed to the development of production and exportations, as well as to increasing the work productivity in agriculture, the farmers’ incomes, a result of the mechanization in the 1950’s and the implementation of technical progress [8].

However, in the context of an increasing importance of the industrial sector and the existence of an inelastic demand in what regards the price of agricultural products, the incomes that could be obtained from agriculture are inferior to those from industry [4]. In these circumstances, in order to avoid the reopening of some older social conflicts, governments started to adopt measures for custom protection and for supporting the production, which vary in what regards their

form and intensity from one country to another.

As a result of practicing a protectionist policy, the agricultural production grew with no connection to the demand, and this thing generated surpluses especially in France for the wheat production, which had to be exported. The solution was to sign up some bilateral agreements in order to ensure the outlets. Another problem was that of the existence of an work-offer residue in agriculture, a consequence of the mechanization in this field of economy, residue that could not be absorbed by the other branches, having as consequence a decrease of the net incomes in agriculture.

All these problems culminated with the idea of a European regulation of the market for agricultural products (initiated in Holland) that would guarantee the stability and continuity of exportations, as well as the protection of farmers’ incomes.

Therefore, the CAP’s objectives established through the Treaty of Rome looked at the following aspects:

- Increasing the offer of agricultural products;
- Increasing the productivity by means of promoting the technical progress and the optimal use of the production factors, especially the workforce;
- The stabilization of the market: purchasing production residues at guaranteed prices and creating stocks;
- Reasonable prices for consumers;
- Increasing the farmers’ incomes [5].

Acquiring these objectives will be made through the common organization of agricultural markets according to the product (the common placement of a product or group of products in a private regime), which requires: the organization of a European market, the coordination of various national markets, as well as the establishment of the rules regarding competition [1].

The negotiation on the reformation of the Common Agricultural Policy will mainly take into account the financial resource given by the CAP. However, the reformation has the ambition of going even further: the revision of direct help schemes, the balancing of

subventions and aids for rural development, the inclusion of ecologic themes or the amelioration of the European agriculture's competitiveness. In this context, it is necessary to evaluate the positions of the various actors involved in this process, with the purpose of providing a bigger image of the force equilibrium at a European level.

As the CAP has developed and become more sophisticated, in line with the requirements EU citizens, the following factors have gained greater importance: care for the welfare of society rural improving food quality in Europe, ensuring food safety, ensuring protecting the environment for future generations to ensure better conditions for health and animal protection, achieving all of the above at minimal cost to the EU budget (which is funded largely by taxpayers, ie ordinary citizens) [7].

**The conservative side.** This category includes France, first of all, the country that benefited and still benefits from CAP, as well as countries such as Greece or the vast majority of the new member states from Eastern Europe, including Romania. This group of states, as the French President Sarkozy was saying, sustains "a new Common Agricultural Policy funded on prices and communitarian preference", which means the preserving of the status-quo. The states platoon lead by France sustains the preservation at the same standards of the communitarian agricultural budget (approximately 40% of the total European budget) and defends, at the same time, the First Pile of subventions for production in the detriment of a prioritization of a rural development via the Second Pile. The new elements that this heterogeneous group of states sustains include measures that are in trend, like: protecting biodiversity, ameliorating the ecologic conditionality in order to obtain European financing, and a better connectivity of agriculture on the market. Inside this group we find a special group formed of the new member states that, by protecting investments, actively militate for the simplification and the harmonization of their allotment [6].

This conservatory position of various member states is very actively sustained by the powerful agricultural lobby from the European level, which brings forward numbers that show a well-financed European agriculture. According to these, the European agriculture that produces 30 million workplaces in the entire EU must remain strong and well financed in order to produce aliments and create public goods such as protecting the environment and biodiversity, ameliorating and protecting the natural environment – including by means of creating specific conditions of fighting against flooding or desertification [5].

**The reformist side.** On the other side of the spectrum of interests we find a group of actors led by Great Britain, a traditional critic of CAP, sustained by countries such as Denmark, Sweden or Holland. According to these, the Common Agricultural Policy must be profoundly reformatted so that it would take into consideration the new economic conditions in Europe, conditions that imply a reevaluation of the EU's priorities. Therefore, Europe's main priority in the new context is the amelioration of the economic competitiveness, including the agricultural area. This thing would be translated by the substantial decrease of agricultural subsidies in favor of a more flexible financing system, based on contractual principles, in which eco-conditionality would be ameliorated and which would focus on agriculture's multi-functionality. This group of countries sustains not only the decrease of subventions but also an obligatory modulation that would transfer more and more funds from the First Pile towards rural development and (co)financing precise and easily assessable projects. Finally, according to these, a strong rural development Second Pile, based on the eco-conditionality principle and oriented towards the market would contribute even better to the amelioration of the fight against climatic changes

Therefore, while Great Britain already strongly sustained a significant decrease of the budget allotted to the CAP, its usual allies didn't followed the same path, but supported,

at least for the moment, the traditionalist side, sustaining the preservation of the CAP's budget to the current standards.

**The moderate side.** In the context of the dilemmas between the conservatory and the reformist sides, there are at least two actors that have a rather moderate position. The first of them is, somehow naturally, the European Commission, which must aggregate the various interests in a balanced legislative proposal in order to facilitate a future consensus of the legislators (The European Parliament has a co-decisional power in the agricultural domain after the activation of the Treaty of Lisbon). In this sense, Dacian Cioloș, the Commissary for Agriculture, proved that he has a middle position, despite the fears regarding his partnership with the conservatory side. Although he strongly sustained the preservation of the current CAP's budget, he showed to be really open to the principles of a multi-functional and flexible agriculture: "I cannot imagine the rural area without agriculture, but I cannot see it only with agriculture" [11]. Moreover, the new commissary showed that he wants a simplification and a bigger clarity of allotting subventions via the First Pile, being preoccupied at the same time with ecologic themes and a better integration of these in the new Common Agricultural Policy.

On the other side, at least until now, the European Parliament seems to have been placed on the same moderation line when it comes to the CAP reformation. In a recently adopted resolution, the European deputies sustain the preservation at the same level of financing "at least in the following period of financial programming" (2013-2020). It was expected that ecologic themes such as the protection of biodiversity or eco-conditionality should be present in the Parliament's position (this usually being the EP's appanage), but what it unusual is the underrated support given by the deputies to rural development. The rather fade position of the euro-parliamentarians can be explained through the unexpectedly wide consensus over this resolution which probably diluted the strong positions of the political groups.

However, it is expected that after the activation of the Commission's legislative proposal, the positions of the political groups to be more trenchant.

Finally, in what regards the public opinion, it seems to be rather inclined towards a traditionalist vision of the CAP, being normally satisfied with its current state. Therefore, 90% of the citizens interviewed as part of a Euro-barometer survey, consider that agriculture and the rural areas are vital for Europe. In the same sense, 83% of the interviewed ones sustain the preservation of the current level of subventions simultaneously with keeping at the same standards or even increasing the CAP's budget (only 17% consider that the agricultural budget is too high). In what regards the ecologic themes, most of the Europeans (82%) sustain the integration of the preoccupations for environmental protection in the CAP's mechanisms, prioritizing at the same time the process of ensuring safe and quality products (Romanians do not share this opinion, as they consider as main priority the ensuring of a stable life standard for the farmers – 60% of the respondents).

Therefore, from the force equilibrium at the European level we can notice, at least for the moment, an advantage of the conservatory side in what regards the negotiations regarding the future of the Common Agricultural Policy after 2013.

## CONCLUSIONS

The initial goal of the Common Agricultural Policy was that of ensuring the auto-sufficiency and stability of agro-alimentary products' markets; afterwards, after the elimination of the definitive danger of the alimentary penury and after offering the farmers and the processors in the CAP funding states a proper life standard, the achievements in the agro-alimentary sector have become more than sufficient (a 20% bigger production of cereals as compared to its needs and the agricultural production would increase with a 2% average while the demand was staying the same or even

decreasing; moreover, there were disproportionalities in the farmers' incomes, so that 20% of them were receiving over 80% of the total budget for agriculture), and this thing requested the elaboration of a mechanism that would be able to absorb the surpluses without diminishing the farmers' incomes.

Currently, the CAP's challenges are not related only to the establishment of some prices and incomes that would be sufficient for farmers, but they are also highly related to the fight against the penury of natural resources, their rational use in the context of the proliferation of the negative effects of the economic-financial crisis, with direct repercussions over the consume of agro-alimentary products and the functionality of the agricultural products' market.

Moreover, another challenge is the durable development and the ensuring of its premises, with impact on the medium and long term agriculture's sustainability. In this context, it is highly important for agriculture the intensive growth of the ecologic agriculture rate, the development of the bio products' market and the development of eco-efficient behavioral abilities in the case of the consumer of agricultural products.

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