

## PRESENTATION OF THE COMMON AGRICULTURAL POLICY (CAP) - HISTORY AND ESTIMATES POST 2013 –

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### Abstract

Common Agricultural Policy (CAP) is one of the first common policies adopted by the European Union. Its genesis was a reaction to food problems that followed the Second World War, and measures were adopted in the European Economic Community (EEC). The term “common policy” fairly reflects one of the defining features of the CAP, namely that, for about 90% of agricultural products, the decision not remain with the Member States but the European Union. CAP is not only one of the first common policies, but also among the most important. In its present form, agricultural policy is built around two pillars: the first - and original - is the common market organizations, common measures include regulating the operation of integrated markets for agricultural products, and the second, which has gained widespread in the last decade is that of rural development and includes structural measures targeting the harmonious development of rural areas, in some aspects: social, business diversity, quality products, protect the environment.

**Keywords:** Agriculture, Common Agricultural Policy (CAP), grants, reform of the CAP, future the CAP post-2013.

### INTRODUCTION

Agriculture which was the expected implementation of a common early stage of European construction. Farmers were at the time of signing the Treaty of Rome 25% of the population. Besides belonging to the same area of civilization, where agriculture and peasants formed the basis of European culture building, the main feature was the diversity of Europe’s agricultural and mining structures, management methods and policies. From another perspective, Western Europe still not able to overcome, despite U.S. support provided by the Marshall Plan and efforts to coordinate development policies in the OECD, economic retardation and imbalances caused by years of war.

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European agriculture, even the most modern (M. Kingdom, Netherlands, Denmark), were still less mechanized, using small amounts of fertilizer and plant protection products was ignored role. Small family farms, non-specialized, not only could provide a subsistence income for self-consumption agriculture, far from providing food needs and to cope with foreign competition, especially coming from the U.S. Common Agricultural Policy (CAP) was intended to be, in this context, the solution to achieve the three objectives: economic - promoting technical progress and optimal allocation of resources, increased production, social - fair standard of living for farmers, reasonable prices for consumers, and political - to ensure food security. Common Agricultural Policy Community is exclusively reserved. Its aim is to ensure reasonable prices for consumers and fair incomes for farmers, in particular through the creation of the common agricultural market and the principle of single prices, financial solidarity and Community preference. CAP is one of the most important Union policies (agricultural expenditure accounts for 45% of the Community budget).

### **Overview of the Common Agricultural Policy**

Agriculture was still the beginning, one of the key sectors of the European Community, which is why the European Economic Community initiated a Common Agricultural Policy (CAP) in 1962 specifically to increase yields and ensure a standard of living fiermierilor comparable with the other social categories. It also aimed to stabilize markets and ensure continuous supply of European consumers and affordable.

CAP importance is reflected by several distinct features:

- when launching the CAP, had mitigated the shock of a high rate of labor out of agriculture. Agriculture lobby remains strong today, making agricultural policy is a sensitive chapter;

- CAP is an integrationist policy par excellence, to a greater extent even than the internal market, where harmonized standards have replaced only about 10% share of national ones. In the CAP national agricultural policies have been replaced, for most agricultural products (90%), common regulations for the operation of markets and marketing;

- CAP is a policy of financial resources consuming. CAP consumes complex system of subsidies and other financial incentives, about half of the common budget.

CAP is based on three independent principles. The first principle refers to „market prices” unique, which means that agricultural products can circulate freely throughout the EU, applying the same system of prices. The second principle concerns the „Community preference”, that EU products are preferred to those outside the Union, to which European consumers must pay an additional fee. The third principle „financial solidarity” concern that all EU Member States and contributes to the Community budget, while all Member States are entitled to benefit from measures financed under the CAP.

CAP objectives are:

- Agricultural efficiency;
- Fair standard of living for farmers;
- Stabilize agricultural markets;
- Ensuring supply;
- Reasonable prices for consumers.

To achieve the objectives of CAP are used the following instruments: prices, income policy, subsidizing certain costs, external trade policy incentives and protection.

### **CAP reform**

Moments of forming and CAP reform:

- 1957 - Treaty of Rome establishing the objectives of the CAP (agricultural productivity, a fair standard of living for farmers, stabilize markets, ensure the supply of food, reasonable prices for consumers)

- 1958 - Conference in Stresa on the policy framework

- 1962 - Take the first Common Market Organisation (set of technical provisions governing the functioning of the common market for each product)

- 1964 - Understanding the level of grain prices

- 1966 - “Luxembourg compromise” on a unanimous vote, (Since that time, any member could block any decision by the Council of Ministers. For the effect was that the CAP reforms has slowed down, because any state agricultural interests to block debate in therefore the proposals for reform have become moderately timorous)

- 1968 - ‘Mansholt Plan’ for structural reform of the agricultural sector

- 1973 - First expansion: Denmark, Ireland, United Kingdom (the latter country became the main critic of the CAP)

- 1984 - introduction of production quotas on milk

- 1988 - Introduction of “budgetary stabilizers” of the CAP expenditure

- 1992 - MacSharry reform: reducing intervention prices and the introduction of certain direct compensation payments

- 1994 - Completion of the Uruguay Round: the reduction of agricultural protectionism

- 1999 - Agenda 2000: the introduction of Pillar II to support rural development.

He tried straightening attention to rural development. Thus, the CAP has been divided into two pillars: Pillar I - oriented agriculture as an economic branch - direct payments and market interventions (traditional CAP) Pillar II - aimed at rural development (modernization of villages and agriculture, development of alternative economic sectors of agriculture, protect the environment and the countryside).

- 2003 - Fischler reform: the introduction of single farm payments, decoupled.

During the second term’s Fischler, in 2003, another reform was adopted, considered by many analysts as the most radical in the history of CAP. The main element of this reform was the introduction of single farm payments, irrespective of the production. In

addition, two new instruments were introduced that anticipates future developments of the CAP:

1) “cross-compliance” - to receive the subsidies, farmers must meet certain environmental standards and animal welfare.

2) “modulation” (transfer of funds from Pillar I - Pillar II subsidies to rural development by reducing subsidies to large farms. In other words, very large farms receive less money than would be worked by surface and additional funds are moved to rural development.

- 2008 - “Health Check” review progress Fischler reform

On 20 November 2008, EU agriculture ministers reached political agreement on the Health Check of the Common Agricultural Policy. Among a series of measures include the elimination of arable set-aside and gradually increase milk quotas until their abolition in 2015, and market transformation intervention into a genuine safety net. Ministers also agreed an increase in modulation, whereby direct payments to farmers are reduced and the money transferred to the Rural Development Fund. This will allow a better response to new challenges and opportunities faced by European agriculture, including climate change, the need for good water management, biodiversity and green energy production. Member States will also have the opportunity to assist dairy farmers in sensitive regions so as to adapt to new market situation.

### **Future of the CAP post 2013**

European Commission Communication: “The CAP towards 2020: how to respond to future challenges regarding food, natural resources and land use” is proposing three ways:

- Status Quo improved: continue gradual reform process to adjust inequalities between Member States (balance of direct payments);
- Support more balanced, better targeted and more lasting: a substantial and timely reform with more focused targets diverse needs of farmers and aims to support environmentally friendly farming;
- Reform of the CAP significant (elimination of income support policy and market support pillar I practically, political philosophy maintaining Pillar II) targeted support particularly to environmental issues and climate change.

Romania Position:

- Maintain the value of real support for agriculture in the two complementary pillars configuration, and recovery potential should allow the new Member States and convergence goals;
- Support active farmers will lead to reducing disparities between Member States and the correct allocation of financial resources;
- Supporting small-scale agriculture, by introducing a support system dedicated to small farms, contributing to strengthening the competitiveness and maintain the vitality of rural areas;

- A fairly direct payment per hectare compared to the other Member States, which is a real support farmers' income and ensure the possibility of developing the competitiveness and sustainability of rural;
- Simplification of the regulatory framework of the CAP, including cross-compliance standards, to reduce administrative burden and ease the economic activity of European farmer;
- Maintaining a budget at least as consistent for rural development and the key criteria for allocating current EAFRD in the Union;
- Supporting innovation, use of environmentally friendly agricultural methods, and alternative energy resources in rural areas to increase efficiency, productivity and resilience of agriculture to climate change;
- Development of rural areas by continuing to support the modernization of infrastructure and non-agricultural services to improve living conditions;
- Diversification of actions supported under the Leader axis and increased financial support;
- Operation of the food chain, the bargaining power of farmers, contractual relations, the need to restructure and strengthen the production sector, transparency and the functioning of markets for agricultural products;
- Maintaining a consistent level of Pillar II budget;
- Increase competitiveness, sustainable management of natural resources and balanced spatial development;
- Creation of the new programming period packages, by interconnecting the existing response to the needs of specific areas or groups;
- With regard to risk management package, the continuation and development of financial engineering measures, insurance instruments, access to credit, guarantees, equity, etc., which are essential to increase competitiveness of agriculture;
- Pillar II of CAP coherence with other EU policies and development of a Community Strategic ERDF, ESF, Cohesion Fund, EAFRD and EFF.

## **CONCLUSIONS**

CAP has long represented the most important success in the integration process of the European Community.

At least until the 80s of last century, the common agricultural success and example of solidarity that have driven European integration offered at all levels - economic, social, institutional and policy .

Agriculture will continue to occupy an important place in future development of Europe, not only in ensuring food security, conservation and appreciation of the countryside, but also to face new challenges such as climate change, while providing a fair standard of living for farmers. But agriculture has to adapt.

As the CAP has proven to be able to turn in recent years, there is a need to make decisions about future needs and the role of agriculture and rural development

vision 2020 and trigger public investment and innovative efforts to provide a thriving rural economy.

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