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## THE COMMON AGRICULTURAL POLICY IN THE EUROPEAN UNION POLITICA AGRARA COMUNĂ ÎN UNIUNEA EUROPEANĂ

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**Abstract:** The article studies various aspects of the Common Agricultural Policy (CAP) in the European Union. The aim of the CAP is to provide farmers with a reasonable standard of living and consumers with quality food at fair prices. The way these goals are met has changed over the years. Food safety, preservation of the countryside and value for money are now all key concepts of the CAP. The article highlights only some of the significant aspects of this important EU policy, with implications for all Member States, since a more detailed analysis of the subject cannot be contained in a single article, given that the documents relating to this policy are extensive and can be studied by anyone interested following the links provided in the bibliography.

**Keywords:** The common agricultural policy of the EU: its purpose, objectives, mechanisms, advantages; financial support and directions for improving the CAP; the common market; price stabilization; employment; constant provision of food.

### Introduction

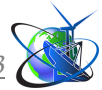
**The Common Agricultural Policy (CAP)** is one of the oldest policies of the European Community and has been one of its main objectives. This policy, developed at a time when Europe was unable to meet most of its food needs, was necessary to encourage farmers to produce food by introducing guaranteed prices. The policy has undergone regular reforms and has evolved over the years. These reforms aimed to improve the competitiveness of the agricultural sector, promote rural development and address new challenges in areas such as the environment and climate change [6].

The objectives of the CAP are to increase agricultural production, provide businesses with certainty of food supply, ensure a high quality of life for farmers, stabilize markets and ensure reasonable prices for consumers. It was, until recently, operated through a system of subsidies and market intervention. Until 1990, the policy accounted for more than 60% of the European Community budget, then annually it has fallen to 34% today [9].

### Main text

**Establishment and operation of the CAP.** The Common Agricultural Policy (CAP) [3] was the first policy drafted by the European Economic Community, being in fact the very "propellant" of European unification, before becoming - due to the extremely important financial costs - the "victim" of its own success. The general terms of the CAP were laid down in Article 39 of the Treaty of Rome in 1957. Initially, the objectives of the CAP were to:

- increase productivity in agriculture by promoting technical progress, ensuring the development of agricultural production and making optimum use of the factors of production, especially labor;



- ensure a fair standard of living for the EU rural community, in particular by increasing the individual incomes of people in the agricultural sector;
- stabilize markets;
- ensure a constant supply of food;
- ensure that consumers are supplied at reasonable prices.

The basic principles underlying the development of this policy were: the single market, Community preference and financial solidarity. The policy instruments were not clearly defined from the beginning (except for the creation of financial funds), leaving further clarifications to decision-makers. As the Common Market began to function, the need for adjustments also appeared. The 'Mansholt Plan' - being the first memorandum proposing the reform of the CAP (1968) - was one of the outstanding examples of attempts to solve the initial problems faced by agriculture after the implementation of this policy.

The memorandum proposed a long-term program, aiming to create "modern production units" according to a selective investment plan. Due to the major implications on the activity of small farmers and the vehement reactions from the agricultural professional environment, this memorandum has yielded modest results compared to the initial ambitions. However, the Council of Ministers adopted three socio-structural directives aimed at investing and stimulating professional retraining in the agricultural sector. This legislative approach was the starting point for further reforms and directions of the CAP, materialized by the adoption of a series of measures in favor of farmers (early retirement and professional reconversion), farms (investment support granted selectively according to development plans and accounting for agricultural activity), marketing and processing of agricultural products (through sectoral and regional development programs and support producer organizations) and measures applied at regional level (in mountain areas and less-favored areas).

Farmers' incomes in the 1980s were relatively modest compared to other economic sectors, with notable disparities at regional level and production systems, confirming the assumptions of the Mansholt report. As a result, the European Community has chosen a less harsh path of reforming the CAP. The "Green Paper" of these reforms (1985) provided for reducing protectionism and practicing a domestic price policy, which would allow rapprochement with world prices (at least for a few products), freezing budget expenditures and adjusting basic prices according to surpluses. In 1988, the European Council imposed budgetary discipline (limiting expenditure growth) accompanied by a series of sectoral measures to support and complement it. For example, the application of the quota regime and co-responsibility through self-financing, which initially proved functional for the sugar sector and was extended in 1984 to other products: milk and dairy products.

At the end of the 80s, the need for radical reforms of the CAP was increasingly evident, due, firstly, to internal constraints (pricing policy was insufficient to absorb the increase in stocks and the reduction of budget expenditures) and, secondly, due to external constraints – probably decisive ones – expressed during the GATT negotiations [3].

The Uruguay Round Marrakesh Final Act established, for the first time, through



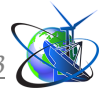
multilateral negotiations, the liberalization of trade in agricultural products. Although agricultural products account for only 10% of international trade, they have always been an extremely sensitive case. Agriculture benefited from preferential regulations in the GATT negotiations, being able to use trade instruments not allowed for other categories of goods, such as: *quantitative restrictions, minimum import prices, import levies, substantial domestic support, export subsidies, state agencies specialized in foreign trade.*

The framework of principles and rules for the functioning of international agricultural trade was established at the conclusion of the Uruguay Round and covers four areas: market access, domestic support, export subsidies and phytosanitary measures. The agreement provides for a differentiated application of commitments for developed and developing countries, imposing discipline in policy and trade on all contracting parties. The 1992 reform had positive effects and corrected previous weaknesses induced by the CAP. It has allowed significant agricultural surpluses to be absorbed and improved farmers' incomes (thanks to direct payments). However, the 1992 reform was found to be insufficient and to lead to large differences at regional level and between producers due to disproportionate support. Rich regions received support at the expense of less favored areas and producers. Also, the problem of surpluses was still unresolved, especially for some products (beef, cheese and milk powder). The start of new WTO negotiations again highlighted the fact that the common agricultural policy had to adjust to the requirements of the big "players" on world agricultural markets (USA). Added to this was the new European policy framework, namely the prospect of enlargement of the EU towards Central and Eastern Europe. It was therefore obvious that the CAP needed to be reformed. In addition to external pressures, the EU has increasingly begun to face a phenomenon inherent in modern economic development: the decrease in the number of people employed in agriculture and their migration to industrial areas.

Knowing that agriculture plays an important role in the rural economy, the disproportionate allocation of Community support has had negative consequences for rural areas in poorer areas. Therefore, the need to create a new rural development framework as the main starting point for restoring the rural economic and social network has become indispensable. The development and implementation of a comprehensive and coherent rural development policy has become, with the last reform of CAP (Agenda 2000), the "second pillar" of the common agricultural policy [3].

As a dynamic policy, the CAP has adapted, through successive reforms, to the new challenges facing European agriculture. These challenges include: ensuring food security for all European citizens; addressing fluctuations in world markets and price volatility; preserving thriving rural areas throughout the EU; using natural resources more sustainably; contributing to climate change mitigation.

The Common Agricultural Policy supports farmers in their role as suppliers of high-quality and affordable food for EU citizens. The CAP is a set of pieces of legislation adopted by the EU to ensure a harmonized agricultural policy in EU countries. It aims to: ensure that EU citizens are supplied with safe, high-quality and affordable food; guarantee a fair standard of living for farmers; conserve natural



resources and respect the environment.

The EU's Common Agricultural Policy is a set of pieces of legislation adopted by the EU to ensure a harmonized common agricultural policy. The CAP is divided into two pillars and has three main areas of action: direct support (first pillar) and market measures (first pillar). Direct support (first pillar) consists of payments directly to farmers, which act as a safety net for them, i.e. sufficient funds for them to carry out their activity. Market measures (first pillar). The agri-food sector faces many current and future challenges, including global competition, economic and financial crises, climate change and fluctuating production costs such as fuel and fertilizers. A set of rules has been established under the CAP to counterbalance high price volatility on EU agricultural markets [10]. Rural development (second pillar). Predominantly rural areas make up half of Europe, home to around 20% of the EU's population. Most of these areas are also among the most disadvantaged regions in the EU, with a GDP per capita well below the European average.

**The EU Cohesion Policy** is in many ways complementary to the rural development policy, especially in terms of supporting balanced territorial development [9]. This includes: the European Regional Development Fund (ERDF) and the European Social Fund (ESF) [8].

**Unified Agrarian Policy for 2023-2027** [10]. The reformed CAP applicable from 2023 introduces a number of improvements, including, in particular: the contribution of agriculture to the EU's environmental and climate objectives; more targeted support to smaller farms; more flexibility for Member States to adapt measures to local conditions.

In recent years, Slow Food [11] has repeatedly called on the European institutions to "deliver an ambitious, green and fair reform of the Common Agricultural Policy" as part of its more ambitious goal of transitioning to a greener EU in all areas. *Slow Food is a worldwide network of local communities founded in 1989 to counter the disappearance of local food traditions and the spread of fast food culture. Since then, Slow Food has grown into a global movement involving millions of people in over 160 countries and works so that we can all have access to good, clean and properly cherished food.* Under the influence of *Slow Food*, the European institutions have committed themselves to implementing an adequate agricultural policy with the European Green Deal by 2027.

**COVID-19: EU support for agriculture and fisheries.** Farmers have faced difficulties as a result of the COVID-19 pandemic. Ensuring food security for European citizens during the crisis has been a priority for the EU. Measures to support food producers have ensured a stable supply throughout the pandemic. To support all actors involved, the EU has taken the necessary steps by: guidelines to ensure the efficiency of the food supply chain, including the creation of green lanes and measures for seasonal workers; direct support measures for farmers and rural areas; exceptional market support measures; simplifying CAP measures and making them more flexible. Much can be said about how the EU and its Member States have worked together as a team to help citizens during the COVID-19 pandemic. From ensuring safe and effective vaccines, to sending medical equipment to where it is most needed, to taking patients from other countries. From protecting jobs and



workers to supporting partner countries around the world, EU countries have gone to great lengths to support each other.

To support EU citizens, businesses and countries in recovering from the economic downturn caused by the COVID-19 pandemic, EU leaders agreed to draw up a recovery plan for Europe. On 23 April 2020, they committed to establishing an EU recovery fund to mitigate the effects of the crisis. On 21 July 2020, EU leaders agreed on an overall budget of €1 824 billion for 2021-2027. Combining the multiannual financial framework (MFF) and an extraordinary recovery effort, Next Generation EU (NGEU), worth €750 billion (€800 billion in current prices), the package contributes to rebuilding the EU after the COVID-19 pandemic and supports investment in the green and digital transitions. This comes on top of the three €540 billion safety nets already put in place by the EU to support workers, businesses and countries [10].

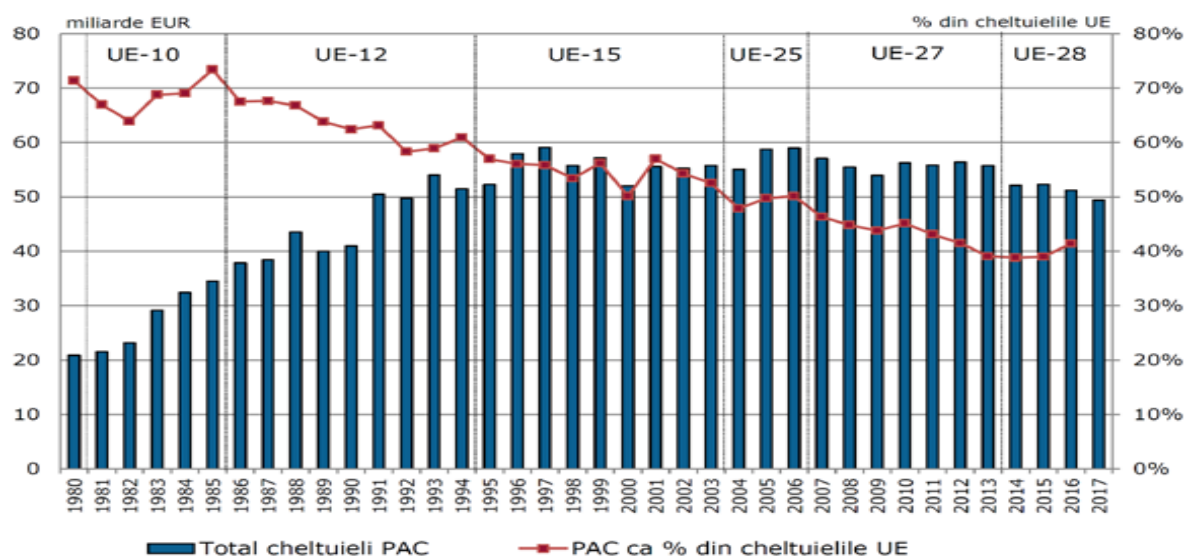
A particular role in Agricultural Policy in the European Union is played by intervention prices in supporting the price on the Community market, providing a guarantee for producers' incomes. The fall in these prices with the Mac Sharry reform has led to the need for direct compensation payments, depending on the land under cultivation and the number of livestock, and more substantial compensation for land left fallow. The intensity of application of these guarantee mechanisms depends to a large extent on the conditions imposed by WTO negotiations. The last reform (Agenda 2000) also brought a number of other measures relating to environmental protection, such as aid for fallow land and afforestation, financed from the EAGGF (European Agricultural Guidance and Guarantee Fund) guarantee budget. *The principle of "financial solidarity"* can be found in various Council Regulations laying down the financial provisions for setting up this fund. The EAGGF finances all price support mechanisms, export refunds and public market intervention and, in part, the structural funds for rural development [3].

Figure 1 shows the 1980-2017 CAP spending model, both in absolute terms and as a percentage of the Union budget. The trend line indicates that the share of the CAP in the total Union budget has decreased over the last 25 years, ranging from 73% in 1985 to 41% in 2016. This downward trend in the share of Union expenditure allocated to the CAP partly reflects the impact of changes resulting from successive reforms of the CAP.

For example, in the 80s, CAP spending focused mainly on price support through intervention and export subsidies. In the 1992 CAP reform, support for market prices was reduced and replaced by support to producers in the form of direct payments. Agenda 2000 continued the reform process and rural development policy was introduced as a second pillar. Under the 2003 reform, most direct payments were decoupled from production. The 2013 reform, which covered the period 2014-2020, entered into force on 1 January 2015. It has refocused the CAP on environmental objectives, including a new greening component as part of the direct payments scheme. For the different types of interventions, the direct payments system under the first pillar of the CAP represents around 72% of the CAP budget. These payments shall take the form of basic income support based on the number of hectares. They are complemented by a number of other support schemes targeting specific objectives



and specific types of farmers. The second pillar of the CAP supports EU rural development policy and is implemented through 118 rural development programs developed by Member States [6].

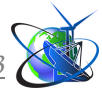


**Fig. 1. CAP spending model 1980-2017.**

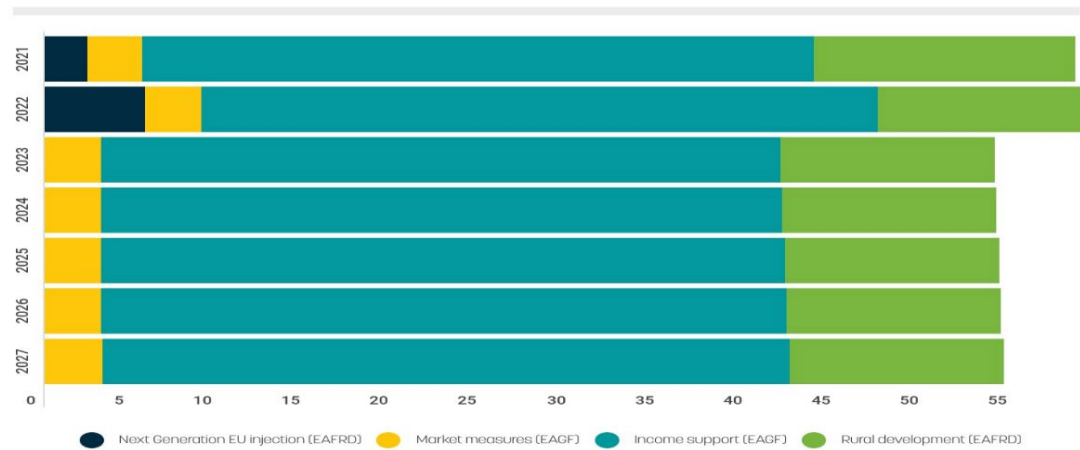
Source: European Commission, 2018.

During the 2007-2013 programming period, two European funds for agriculture were created to finance the CAP, namely: **EAGF - European Agricultural Guarantee Fund** to finance intervention and subsidy measures and **EAFRD - European Fund for Agriculture and Rural Development** to finance rural development programs. Also in 2004, the European Commission proposed for the period 2007-2013 the creation of the European Fisheries Fund. Thus, pillar 1 measures were financed 100% from the EU budget through the **European Agricultural Guarantee Fund "EAGF"**, while measures in pillar two were financed from the **European Fund for Agriculture and Rural Development "EAFRD"** [8].

A number of Eurobarometer surveys indicate that EU citizens are well aware of this policy area. It is recognized that the CAP succeeds in meeting citizens' expectations in terms of providing healthy and high-quality food and contributing to environmental protection. A Eurobarometer survey carried out by the European Parliamentary Research Service in December 2017 [6] demonstrates how important agriculture and rural areas are for EU citizens. Some of the main findings of this survey: more than nine out of ten people (92%) believe agriculture and rural areas are important for the future (figures ranging from 98% in Portugal, 97% in Belgium, 96% in Spain, 85% in Romania and 87% in Croatia). Ensuring the provision of safe, healthy and high-quality food was considered by more than six in ten respondents (62%) to be the EU's primary objective for the CAP and to benefit all European citizens and not just farmers. The survey results are also consistent with regard to the perceived importance of CAP priorities. Figure 2 shows the annual amount of funding for the EU's common agricultural policy for the years 2021-2027.



## CAP allocations, 2021-27



Source: European Commission: Common agricultural policy funds

**Fig. 2. Financial allocations of the EU's CAP for the years 2021-2027 [2].**

**Advantages of the Common Agricultural Policy:** ensuring a fair standard of living for agricultural producers; ensuring fair prices of products for consumers; increasing the quality of agri-food products as a result of compliance with Community standards; protecting the environment and respecting animal welfare standards; substantial subsidies for farmers from Community funds; the possibility of economic growth in poor areas as a result of rural development programs; increasing foreign investments in agriculture and food industry.

The new **Common Agricultural Policy** adopted by the Council of the EU on 2 December 2021 foresees the promotion of a fairer, greener and more performance-based policy, which aims to ensure a sustainable future for European farmers, provide more targeted support to smaller farms and allow for more flexibility by introducing strategic plans at Member State level, allowing national governments to adapt CAP provisions to the needs of their farming communities, in cooperation with local authorities and relevant stakeholders [10].

We also mention that, along with the advantages of the common agricultural policy, there are some ideas circulating in society, especially in countries that became members of the European Union after 2004, giving rise to so-called Euro-myths which are usually false or misunderstood [1]. Some of these myths are: subsistence farms will disappear after the country's accession to the EU; millions of farmers will turn into unemployed; we will no longer be able to sell traditional products on the Union market; all slaughterhouses and dairies will be closed; that countries joining the EU are losing its sovereignty, etc.). It is well known that the EU is currently the most successful form of integration of member countries and that in promoting economic policies, democratic principles are respected in the activity of the European institutions.

### Conclusions

**The CAP** is one of the oldest EU policies. It has undergone regular reforms and has evolved over the years to adapt to the new challenges facing European agriculture. These reforms aimed to improve the competitiveness of the agricultural



sector, promote rural development and address new challenges in areas such as the environment and climate change. The agricultural policy represents a set of principles, means and methods of action through which the general objectives of the state in the field of agriculture are achieved. The CAP has a number of advantages: ensuring a decent standard of living for agricultural producers; ensuring fair product prices for consumers; increasing the quality of agri-food products as a result of compliance with Community standards; protecting the environment and respecting animal welfare standards; substantial subsidies for farmers from Community funds; the possibility of economic growth in poor areas as a result of the implementation of rural development programmers; increasing foreign investments in agriculture and food industry.

The accession of the Republic of Moldova to the European Union will certainly have positive effects on Moldovan agriculture [5]: stimulating trade as a result of eliminating customs duties, increasing prices of agricultural products and, implicitly, farmers' incomes, access to a much larger market of over 450 million inhabitants. In order for the Moldovan agri-food sector to become competitive, priority measures and actions will be needed, both in the vegetal and livestock sectors, processing meat, milk, wine, canned food and other products, seriously improving their quality.

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***Аннотация.** В статье исследуются различные аспекты Единой аграрной политики (ЕАП) в Европейском Союзе. Целью ЕАП является обеспечение фермеров приемлемым уровнем жизни, а потребителей качественными продуктами питания по справедливым ценам. Способы достижения этих целей менялись с годами. Безопасность пищевых продуктов, сохранение сельской местности, соотношение цены и качества в настоящее время являются ключевыми концепциями ЕАП. В статье освещаются лишь некоторые существенные аспекты этой важной политики ЕС, имеющие последствия для всех государств-членов, поскольку более подробный анализ этого вопроса не может содержаться в одной статье, учитывая, что документы, касающиеся этой политики, обширны и могут быть изучены любым заинтересованным лицом по ссылкам, указанным в библиографии.*

***Ключевые слова:** Единая аграрная политика ЕС: ее цель, задачи, механизмы, преимущества; финансовая поддержка и направления совершенствования ЕАП; Общий рынок; стабилизация цен; занятость; постоянное обеспечение продуктами питания.*