

 The Scottish Government

A Brief History of the CAP

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Objectives of the Common Agricultural Policy

- *To increase agricultural productivity by developing technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production particularly labour.*
- *To ensure thereby a fair standard of living for the agricultural population, particularly by the increasing of the individual earnings of persons engaged in agriculture*
- *To stabilise markets*
- *To guarantee regular supplies: and*
- *To ensure reasonable prices in supplies to consumers*

The Early Days: Price support through Market Management

- Variable import levies to protect against lower priced imports
- Intervention in the market to remove surplus supply
- Intervention stocks released back onto the market; or destroyed; or exported with subsidy
- Farmers (mostly) did not receive payments directly, but EU spending benefited them indirectly through the market price

Prices in the EEC compared with world price levels, 1967/68

Table 2. Prices for certain agricultural products in the EEC compared with world price levels, 1967/68^a

Product	EEC common price UC/100 kg. (1)	World market price UC/100 kg. (2)	(1) as a %age of (2)
Soft wheat	10.7	5.8	185
Hard wheat ^b	16.1	8.1	200
Husked rice	18.0	15.3	117
Barley	9.1	5.7	160
Maize	9.0	5.6	160
White sugar	22.3	5.1	438
Beef	68.0	38.8	175
Pig meat	56.7	38.6	147
Poultry meat	72.3	55.0	131
Eggs	51.1	38.7	132
Butter	187.4	47.2	397
Olive oil ^b	115.6	69.8	166
Oil seeds ^c	20.2	10.1	200

a) reference period differs for various products

b) including direct production aids

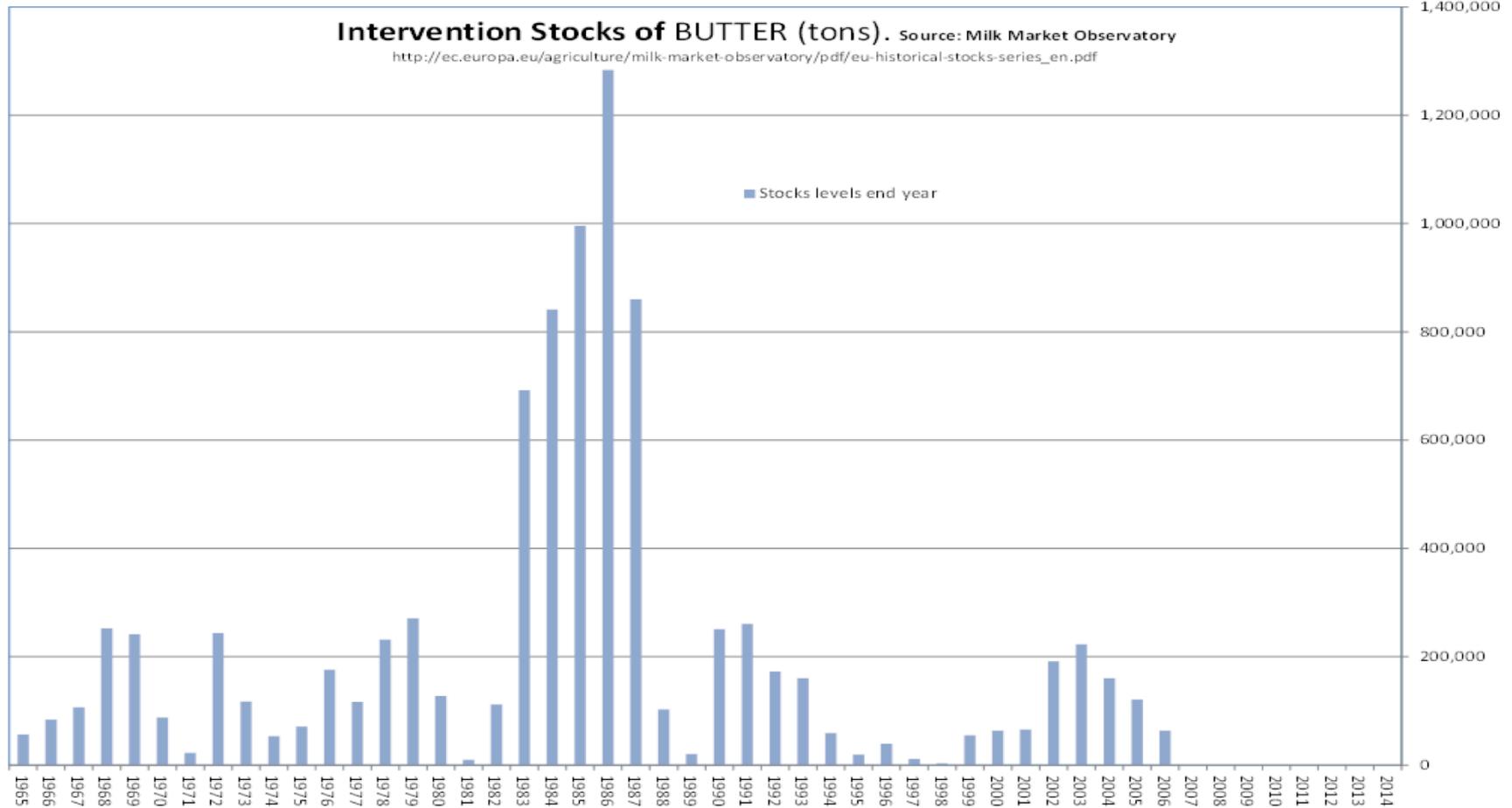
c) wholesale entry price

Source: Fennel (1997)

Problems

- Improved technology plus higher intervention prices led to prolonged surpluses
- Farmers producing according to subsidies and not consumer demand
- Cost to the taxpayer of purchase and disposal
- Pressure on EU and US in Uruguay Round of international trade negotiation

Intervention Stocks



The 1980s: putting on the brakes

- Milk quotas
- Budget stabiliser mechanisms



The MacSharry Reforms

- Implemented 1992 in order to unblock Uruguay round negotiations
- Support prices reduced, farmers compensated through direct payments for crops and for livestock
- Production-stimulating effect limited by set-aside and livestock quotas



Classification of subsidies under international trade rules

- Red Box - Forbidden (Eg export subsidies)
- Amber Box - Permitted but limited and liable to challenge (Eg price support)
- Green Box - Permitted unconditionally (Eg agri-environment)
- Blue Box – Permitted subject to conditions (only partially coupled, subject to production ceilings)



Agenda 2000



- More MacSharry-type price reduction
- Europeanisation of rural development: “Second Pillar” of the CAP joint-funded between EU and Member States
- CAP began to move from purely an agricultural production based support regime to include wider environmental and rural development issues



The 2003 Fischler Reform

- Agreed 2003, implemented 2005/6
- Coupled direct payments mostly replaced by decoupled Single Farm Payment. Choice between historic- and area-based
- Limited coupled support still allowed (Eg Scottish Beef Calf Scheme)
- Cross Compliance
- SFP qualified for Green Box, reducing EU spending in Blue Box and pre-positioning EU for conclusion of WTO Doha Round
- Simplified version for new (Central and Eastern European) Member States
- Limited to main temperate products but subsequently rolled out under Commissioner Fischer-Boel



The Ciolos Reform



- Part of EU budget negotiations for 2014-2020. Severe pressure on CAP budget especially First Pillar
- Introduction of 'Greening' to deliver more public benefit from First Pillar. SFP replaced by Basic and Greening Payments
- Also Young Farmer supplement, Small Farmer Scheme, Top-up for Areas facing Natural Constraints
- Limited coupled support still allowed
- Phasing out of historic basis for payments, and some redistribution of funding between Member states (internal and external convergence)
- Activity rules, improved provision for new entrants
- Evolution not revolution for Second Pillar (but implemented at the same time)



THE FUTURE

- *More Budget pressure*
- *Simplification?*
- *More local discretion?*



Reflections and Conclusions

- Multiple objectives are always difficult to achieve
- The CAP is designed 'by committee' between the European Commission, the Member States' national governments, and the Members of the European Parliament.
- The new CAP is the most complex ever. Everybody says it is too complex but nobody will willingly give up the parts that matter to them.
- Does more simple imply more local discretion, or less?
- Implementation difficulties are very easy to overlook when making policy
- CAP 2021.....?