Real progress is now being made towards reform of the EU's Common Agricultural Policy

by Blog Admin

The Common Agricultural Policy (CAP) is one of the EU's oldest and most important policy instruments, making up around 40 per cent of the EU budget. **Wyn Grant** *writes that the most recent round of proposed reforms to the CAP focus on giving member states more scope to follow their own policies: making the policy less 'common'. But, he writes, there are still barriers to reforms which are based around disputes over what the CAP actually is – a social policy, or a way of making EU agriculture more competitive.*

Reaching an agreement on the reform of the Common Agricultural Policy (CAP) has never been easy because there are so many conflicting national interests and competing national perspectives on what the CAP should deliver. This task has been made harder as the number of member states has increased, and indeed two (Slovakia and Slovenia) voted against the agreement reached in the Farm Council on March 19.

However, after three years of talks, real progress has been made. This was facilitated by the recent agreement on the multi-annual financial framework (EU budget) for 2014-2020, although it should be noted that there is an outstanding issue about the impact of rural development proposals on Britain's rebate which has been referred to the Economic and Financial Affairs Council. There has been considerable praise for the skill with which the Irish presidency has now handled the negotiations. The reform now enters trilogue discussions between the Commission, Council and European Parliament on April 11. It is hoped that it will be possible to produce an agreement by the end of June.

In the past the European Parliament has been something of a bystander in CAP negotiations, but now it is fully involved through the extension of the co-decision procedure. While a policy as important as the CAP could not be left outside the Parliament's responsibilities, it does complicate the process of reaching a final agreement. There are a number of differences between the position of the Council and the Parliament: e.g. on aid for young farmers. Moreover, while its involvement may be seen as a victory for democracy, it has to be remembered that agricultural and rural interests are still very influential, although environmentalists have also been pressing their case.

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It is, however, perhaps worth emphasising that at the beginning of the talks there was discussion of the possibility of creating a third 'pillar' of the CAP covering climate change, to add to market support and rural development. Agriculture and food production and consumption is a major contributor to climate change: from the fossil fuels used in production, to consumers travelling to supermarkets in their cars. In particular, farm animals contribute substantially to emissions of methane, which is a particularly significant and persistent contributor to greenhouse gas emissions.

If one was to sum up the proposed reforms, it could be said that they will produce a less *common* agricultural policy. It has been argued for some time that it is difficult to produce a common policy that covers conditions as distinct as those in Lapland and the Azores. However, in reality a series of concessions has been made in the Farm Council to take account of grievances of particular member states.

One decision of the Council that is likely to prove controversial is the 'capping' of payments to large farms. MEPs voted for the mandatory capping of payments with a €300,000 ceiling and the Commission also backs such a move. However, it is controversial with member states with considerable numbers of large farms, such as the Czech Republic, Germany and the UK. The Council would like individual countries to decide by what percentage they would cut payments and above what level payments should be capped.

This dispute goes to the heart of what the CAP is for. The Treaty of Rome established contradictory objectives and these have never been changed or given a clear preference ordering. If, as many people do, one thinks that the CAP is a social policy, then the assistance should be targeted on smaller and more marginal farms. However, it would probably then be more efficient and fairer to target the incomes of the farmers than the farms. Alternatively, if one thinks that the task of the CAP is to make European agriculture more internationally competitive, then it would be wrong to reduce support to larger farms, which would tend to be more economically efficient (and often have better records in areas like animal welfare). There is also a tricky issue about what constitutes a farm, as a large estate can be split into distinct legal entities.

The argument about what the CAP is for is also at the centre of disputes about 'greening' the CAP, which has been at the heart of the Commission's strategy. The EU wanted to make 30 per cent of direct payments to farmers on three broad measures: to establish ecological focus areas, grow a diverse range of crops, and maintain permanent grassland. Member states will now, if the Council proposals are accepted, be able to introduce their own 'greening' measures rather than applying those advocated by the EU.

A final area in which member states have been given more scope to follow their own policies is in relation to what is known in the jargon as 'coupling'. At one time subsidies were largely linked to what farmers produced – through such devices as buying surplus production off the market – and this encouraged economically inefficient and environmentally harmful over production. Starting with the MacSharry reforms in the 1990s, the EU started to 'decouple' its policy instruments from production, although it can be argued that the Single Farm Payment is an indirect aid to production. Some member states like to use 'coupled' aids to support particular types of farming: e.g. livestock production in remote areas. Some member states will be allowed to couple 12 per cent of their direct support payments, but the UK is restricted to 7 per cent, which is resented in Scotland.

Depending on the final outcome of the negotiations, it is possible that the CAP share of the EU budget will fall below 40 per cent for the first time. Given that it was over 70 per cent in the 1970s and 1980s, this suggests that the 'punctuated equilibrium' of successive reforms can make a difference, although not as big a difference as some would like.

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Note: This article gives the views of the author, and not the position of EUROPP – European Politics and Policy, nor of the London School of Economics.

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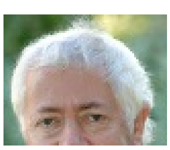

Wyn Grant is Professor of Politics and International Studies at the University of Warwick. He joined the department in 1971 and was chair of department from 1990 to 1997. In 2010 he was presented with the Diamond Jubilee Lifetime Achievement award of the Political

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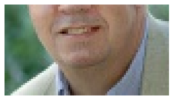

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