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ANALYSIS OF EU COMMON AGRICULTURAL POLICY[1]

Zoran Simonović[2], Dragan Momirović[3]

Abstract

The authors are specific attention to the development of the Common Agricultural Policy of the European Union. The Common Agricultural Policy is viewed from the sixties of the twentieth century. It starts from Mansholt plan continues with expansions in 1973, 1981 and in 1986 years to finally come to the first reform of the CAP advocated by the then Commissioner for Agriculture MacSharry. The reform was carried out according to the proposal MacSharry only increase the cost of the CAP and has led to new reforms contained in the Agenda 2000th. During the 2003rd and the 2006th year has come again to reform the CAP. The very need for such frequent reforms, especially in the last twenty years lets us know that the importance of the CAP in the agricultural development of the European Union's big. It could be said that there was no CAP there would be no EU. Almost all agricultural activities in the EU are covered by the CAP. Subsidies are an essential tool for CAP. The Common Agricultural Policy could hardly function without import restrictions and export subsidies, various supplements and restrictions.

Keywords: *CAP, EU, reforms, subsidies, agriculture.*

Introduction

The Common Agricultural Policy is one of the oldest common policies. The specificity of the CAP is reflected in several facts. In the first place in the agriculture of the EU generates 1.5 % of the GDP of these countries, it means very little, while the CAP consumes more than 40% of the EU

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[2] Zoran Simonović, M.A., research associate, Institute of Agricultural Economics, Volgina street 15, 11060 Belgrade, phone: +381 11 2972 858, E-mail: zoki@medianis.net
[3] Dragan Momirović, PhD, full professor, University "Union" Belgrade, Faculty of Industrial Management Business, Serbia, Ive Andrića 2, 11400 Mladenovac, phone: +381 11 3391 641, E-mail: draganmomoirovic@ymail.com

budget. This amount was previously higher - in 1984 the share was 74 %. According to financial projections that were made in the period since 2007 the 2013th it is planned to allocate to agriculture in total about 33% of the EU budget.[4] This data indicates that in the years to strive for gradual reduction of funds for this activity. Second, the Government experts almost identical opinion that the current CAP bad and should be changed. As the main negative factors CAP emphasizes its price, methodical character and unfairness. There are even so sharp tones that are directed towards CAP who think that it is expensive, wasteful and hostile to environmental protection. Based on the proposed financial perspective for the period since 2007 the 2013th The retained in approximately the same ratio of energy in relation to the IPT. It is unlikely, therefore, that the CAP radically change any time soon.[5]

Development of a common agricultural policy

The Common Agricultural Policy has to be created and shaped more sixties formation mechanism "common market" for virtually every agricultural product individually. Emphasis was placed on the establishment of common price policy community, and resulting in the (Article 40 of the Rome Treaty) the European Agricultural Fund, which was the source of financing of the common agricultural policy (pricing).[6]

The European Union with its common policies contributes to greater cooperation between member states in all aspects of agricultural production. The creation of an economic union, therefore, is linked to the establishment of a developed concept of agricultural policy. Note again that the European Union began with a Mansholt Plan (Le Mansholt Plan) which is still in 1980 respectively in 1985 he was generally realized. The complexity of such problems of the agrarian program of the European Union, expressed in many segments of the agricultural policy of each country. Some of these issues are the following: the question of the general situation of agriculture in the country, the issue of improving the income of farmers, the issue of overcoming the unfavorable agrarian structure, the issue of surplus labor in agriculture, the issue of low labor productivity, the question of precise measures of social policy for farmers, and many others.

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[4] Prokopijević M. (2009): *„Evropska unija“*, Službeni glasnik, Beograd, 199.
[5] Dinan D. (2009): *„Sve bliža Unija“*, Službeni glasnik, Beograd, 339-340.
[6] Ловре К., Тркуља Ђ. (2003): *„Интегрална политика аграрног и руралног развоја Европске уније и импликације на аграрну политику земаља у транзицији“*, Анали економског факултета у Суботици, број 9, Суботица, 6.

Any of these issues, if it is set, it automatically requires a lengthy discussion of building a shared vision of where we are talking. Therefore, it is necessary to embark on the study of these problems and in consideration of all aspects of their eventual resolution. Generally CAP could be assessed as successful based on these objectives, but it is in fact caused serious economic, environmental and political problems.

Enlargement in 1973 The only further complicate the already difficult relations. The European Community entered two small countries (Denmark and Ireland) with large agricultural sectors and a large country (United Kingdom) with a small agricultural sector, but with a lot of big farmers. Just joining the UK has led to a new political twist because she followed an agricultural policy which was inconsistent with the CAP. Britain in the last two centuries has not been able to produce enough food for all its inhabitants, because it was a bit of arable land on the island. Britain is, therefore, imported food from their colonies. As the British Empire eventually declined the move to supply agricultural products from the Commonwealth and from cheap suppliers. Commonwealth countries have started to take care of the entry of Britain into the EU. It follows the roots of the British aversion and criticism that is directed at CAP.

Excessive production of agricultural products has caused a new debate on the reform of the CAP. The Council has introduced modest changes in the system of guaranteeing prices and introduced a special form of payment that was supposed to introduce "co-responsibility" dairy products, as they enable them to recover the costs of the intervention storage and subsidizing the sale of surplus produce.

When this payment for "co-responsibility" had achieved the Commission has proposed the introduction of quotas[7] in production. After a long and intensive negotiations at the highest level in March in 1984. The leaders of the European Union have agreed on a quota system for milk production.[8]

[7] Quotas were introduced for reasons to discourage production over the limit. To this end, they introduced taxes from 75% to 100% for exceeding the quota. Just to point out that the odds were in conflict with the idea of a common market on the free movement of factors of production.

[8] Petit M. (1989): *„Pressures on Europe's common agricultural policy“*, International food policy research Institute, Washington i Ecole Nationale superieure des scienses agronomiques appliquees, Dijon, 10.

Despite all the introduction of milk quotas and quotas for tobacco and sugar are not much help to reduce the consumption related to CAP. There is a possibility of a bankruptcy. Also the problem was forthcoming Mediterranean expansion, but also ever-present insistence of Margaret Thatcher on budget reform has further increased the pressure to take the radical surgery. At a summit in June Fonteneblu in 1984. The European Council decided to reduce the growth of spending for CAP, but at the same time the Council has decided to increase its own revenues of the European Union, thus removing the reason for far-reaching reform of the CAP, or the threat of running out of money.[9]

The issue of reform of the CAP again became topical in 1987 and in 1988 year due to budgetary pressures. The Commission has proposed a mix of measures to prevent overproduction, limiting consumption, diversification support farmers and promote rural development. Direct payments to farmers were introduced in 1988. The so-called. McSherry reform and it will become an increasingly important way of subsidizing agriculture.[10]

And this attempt at reform was only partially successful. The pressure to implement effective reforms and further strengthened, not only because of overtime costs CAP, but also because the CAP incited unfavorable international comments on the recently launched program on the single market. For all of this is further affected by the lack of progress in the Uruguay Round of the General Agreement on Tariffs and Trade (GATT). The misunderstanding arose as a result of disagreements over export subsidies, and also contributed to increase international pressure on the European Union to reform the CAP. The inclusion of agriculture in the Uruguay Round led to the Commission in a position to defend himself before the negotiations began in September in 1986 year. The Council insisted that the basic objectives and mechanisms of the CAP to those inside and those outside do not question.[11] Agriculture Commissioner MacSharry Irishman Ray (Ray MacSharry) was the main creator and driving force of the reform plan, which is called by his name, "McSherry plan." Member States in June in 1992 The agreed about the first reform of the CAP. The Common Agricultural Policy has changed fundamentally with the McSherry reform package. McSherry plan contains four major policy changes:

[9] Dinan D. (2009): *„Sve bliža unija“*, ibid, 347.
[10] Prokopijević M. (2009): *„Evropska unija“*, ibid, 212.
[11] *Bulletin of the European Communities*, No.3/1985, point 1.2.11, 2.1.22 и 2.2.12.

- *Reduced prices in certain sectors. As part of these reforms, reduced the prices of grains and oilseeds by 30 % over a period of three years. Prices for milk, beef and sheep have been reduced by 15%. The reduction was done to approximate prices were priced on the world market (and later price reductions introduced to fruits and vegetables).*
- *Direct support to farmers' incomes. The reform introduced a system of direct payments to farmers as compensation for price reductions in certain agricultural sectors.*
- *An important feature of these reforms is the introduction of so-called. "Scheme for non-use," which was supposed to commercial producers in certain sectors (mainly cereals) in certain regions paid to keep land idle rather than to grow crops that the EU must buy.*[12]
- *Follow-up measures have entailed the introduction of new programs to support rural development, organic agriculture, agricultural commodities replaces forests and the early retirement of farmers.*[13]

It is interesting to note that a generous compensation plan, on which the Council agreed to agriculture made the reformed CAP, is more expensive than unreformed. However, the cut in the guaranteed price and the omission of the country of manufacture, the reform has helped to reduce agricultural surpluses in the EU. Agricultural producers also did well because they had a reduction in income. Incentives extension together with a more pronounced concern for the environment and the concerns of consumers made on proposals for reform of the CAP in Agenda 2000, the Commission strategy to "strengthen and expand the Union in the first years of the twenty-first century." [14] Published in July in 1997. The Agenda 2000 included the revised objectives of the Common Agricultural Policy which revealed the impact of new social movements and economic trends in agricultural policy. Agenda 2000 was adopted in 1999 with the aim of further long-term development and continuing trade negotiations with the WTO. The Heads of State and Government of the EU agreed to new agricultural strategy makes a coherent policy that would constitute a framework for agriculture and regional development in the EU.

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[12] Sarker R., Jayasinghe S. (2007): *„Regional trade agreements and trade in agri-food products: evidence for the European Union from gravity modeling using disaggregated data“*, Agricultural Economics 37, 95.

[13] Hiks S. (2007): *„Politički sistem Evropske unije“*, Službeni glasnik, Beograd, 269.

[14] *Agenda 2000 for a stronger and wider Union*, COM(97) 2000 final VOL. I. Brussels: Commission of the European Communities, 15.07.1997, 98.

The agenda includes the period 2000th - 2006th and represents a strategy based on the principles McSherry reforms, but also includes the development of a comprehensive strategy to the wider needs of rural communities in Europe. Basic guidelines for this reform were:

- *To improve the global competitiveness of the European Union through lower prices,*
- *Guarantee the safety and quality of food to consumers*
  To provide a stable income and a fair standard of living for the agricultural community,
- *The methods of agricultural production to be favorable for the environment and respect the protection of animals,*
- *To integrate the objectives related to the environment in their instruments,*
  To seek and create adequate income and employment for farmers and their families,
- *A new division of functions between the Commission and the Member States relating to compensation in the form of direct payments or rural development measures.*

Basically Agenda 2000 proposed EU to continue McSherry reforms transforming agricultural subsidies from price support to direct payments. The Commission has proposed big cuts in guaranteed prices for a number of agricultural products. The farmers would get compensation for some sort of direct payment.

In addition to all the above presented Agenda 2000 he gave special importance to rural development and highlighting the responsibilities and opportunities for agriculture in order to boost environmental awareness. Accordingly Agenda 2000 proposed environmental protection within agriculture with that organic farming should be given a more significant role. The agenda has led to a simplification of the rules relating to new rural development and market regulation and management regulations to environmental standards, particularly in relation to field crops. Rural development became the second pillar of the CAP. Reform, said the intention to consider rural development in a broader context, i.e. including agriculture and forestry, as well as other professional interests in rural areas.

Treaty of Berlin established the sub-limits for the period since 2000 the 2006th year. Most of the funds (around 90 %) are intended to support the market, while about 10 % of EAGGEF anticipated costs to rural development. Sub-limits laid down in this agreement have been clearly defined, namely it was not envisaged that the funds are transferred from one section to another, or from one year to the next. The amounts are determined show an increase of € 36.6 billion in the 2000th year to 37.3 billion € in the 2006th year. Maximum costs are provided for the 2002nd € 39.6 billion a year, after this year, the amount of cost decreases. On the other hand, it is envisaged that the costs of growing two years immediately after 2006th due to the implementation of reforms in the sector of dairy products, and to determine the extent of direct payments. [15] Finally, we can conclude that the reform of the CAP of Agenda 2000 was very modest, because the system did not include the removal of price support of a large decline in agricultural income. Cuts prices on which it was agreed they were not large enough to provide the ability to manage agricultural policy in the post- enlargement EU. Also, this measure could not satisfy critics of agricultural protectionism of the EU at the WTO. Most importantly, food prices in the EU, despite the basic market conditions have remained high despite the fact that the offer still exceeds demand.[16]

CAP Reform and the 2003rd

The reform of the CAP of the 2003rd was focused on the creation of a common agricultural policy that would be more market-oriented, and able to provide better quality and healthy food. As MacSharry reform that was adopted ten years ago, this reform is a response to pressures outside the EU, but it is negotiated in the WTO. At the same time, this reform reflects the need to adjust the CAP towards the EU Council decision of December 2002nd year to move forward with the expansion of the EU to the East. In particular, the reform of the 2003rd The attempts to provide resources to developing countries, with the costs of the CAP are in line with overall budgetary limits of the expansion of the European Union and applicable to the 2013th year. Thus, it is clear that the reform in accordance with the objectives of Agenda 2000 and should complete the process of reform in some areas and establish a stable policy framework in others.[17]

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[15] http://ec.europa.eu/agenda2000/public_en.pdf

[16] Dinan D. (2009): *„Sve bliža unija“*, ibid, 355.

[17] Цвијановић Д., Симоновић З., Михаиловић Б., (2011): *„Тежишта и циљеви нове реформе ЗАП и политике ЕУ према новим члановима“*, Економика пољопривреде број 3, Београд, 364.

EU agriculture ministers on 26 June 2003rd, after the usual haggling adopted a radical reform of the Common Agricultural Policy.[18] Reform has completely changed the way the European Union is supporting the farm sector. New ZAP was directed towards consumers and taxpayers. Farmers in the EU are given the freedom to produce what, why there is market demand. This meant that in the future, the vast majority of subsidies paid independently from the volume of production. To avoid abandonment of production, Member States may choose to maintain a limited link between subsidies and production under well- defined conditions and within clear limits. This new "way to farm payments" will be linked to the respect of the environment, food safety and compliance with animal welfare standards. Severing the link between subsidies and production of the farmers in the European Union force to be more competitive and market-oriented production, while providing the necessary income stability. More money will be available to farmers who comply with environmental standards, quality, and programs for the protection of animals by reducing direct payments for bigger farms. The Council decided to further revise the prices of milk, rice, cereals, sharply wheat flour, animal feed and dry walnut. In order to comply with the maximum budget relating to the EU-25 to the 2013th The ministers agreed to introduce a mechanism for financial discipline. This reform was to strengthen the position of the EU in trade negotiations with the WTO. Different segments of the reform will enter into force in 2004th and 2005th year. The above method of payment farms will come into force in 2005th year. If a Member State is a necessary transition period due to the specific conditions of its agricultural sector, it can be applied single farm payment no later than 2007 year. Reform has five main elements, namely:

- *Continued implementation of Agenda 2000 on access (audit market policies, such as reducing the cost of intervention dairy products).*
- *Separation and direct support (introduction of single farm income payment based on previous payments).*
- *The introduction of mandatory reduction of direct payments in case of non compliance with the EU standards of environmental, food safety, animal health and their well-being.*

[18] European Commission, (2005): *„The Agricultural Situation in the European Union, 2003. report, European Communities“*, Brussels, Luxembourg, 25.

- *Strengthening and improving rural development. Strengthening of EU rural development policy, with more money, new measures to improve the environment, quality and animal welfare and help farmers to meet EU standards in production starting since 2005 year.*
- *Mechanisms for fiscal discipline to ensure that the cost of the CAP does not exceed the budget limit.*[19]

So to sum up, this agreement is separating subsidies from production, strengthen the cross-compliance policy, the pendulum shifted towards a more balanced distribution of payments, from larger to smaller producers and imposed price reductions in some hitherto unreformed sectors of agriculture (non-sugar sector). In its essence, the reform of the 2003rd represents a continuation of the reform McSherry in 1992 year. She changed the principles, but not the generosity of EU agricultural subsidies.

Like McSherry reforms Midterm Review was launched because there was a need of the EU to curb the influence of disturbing the common agricultural policy in order to facilitate the end of another round of multilateral trade negotiations, held under the auspices of the WTO. This round was particularly related to global development. For this reason, the EU is faced with additional pressures to alter CAP to farmers in developing countries would not have been brought in bad position. This new series of negotiations was launched in Doha, Qatar in November in 2001 year. It was officially called the Doha Development Round (Doha Development Round). Increased pressure in the WTO has provided a strong impetus for the reform of the CAP within the midterm review. The EU has argued that the midterm revision of which was finally agreed in June 2003rd The help came a shift in the negotiations in agriculture in the WTO and the Doha Development Round as a whole. Despite all this EU trading partner remained skeptical about wanting to see concrete proposals for the liberalization of agricultural trade in the WTO.[20] In August 2003 The U.S. and EU have made their joint initiative in agricultural issues at the WTO, which refers to the three pillars and to domestic support, export subsidies and market access. However, this initiative was insufficient to ensure the success of the ministerial meeting in Cancun in September 2003rd, which was a midterm review of the Doha Round. In November 2003rd years after

[19] http://ec.europa.eu/agriculture/capreform/index_en.htm
[20] Dinan D. (2009): *„Sve bliža unija“*, ibid, 357-358.

the failure of Cancun, the EU ministers and the European Commission have reaffirmed their commitment to Doha. In May 2004 the EU has indicated it would be willing to abolish export subsidies, in the July- august 2004 year that it is ready to establish a framework for establishing modalities in agriculture.[21]

The European Union has in its offer FIP with partners[22] from 28 October 2005th, offered a reduction of the total trade support by 70%, which is the planned reduction of this type of support under the reform efforts of the IPT in the Union, as well as restrictions on the "blue box" payments. Critics point out the fact that this is the amount of support that are not current, because the EU reform of the 2003rd the committed support of the separation of production and thus ensure that the label for 90 % of its support to farmers.[23] However, despite the pressures of enlargement and multilateral trade negotiations, the history of the CAP pointed out that the core group of member states to ensure that farmers, especially those in Western Europe, continue to receive large subsidies. The reform package is aimed at the common organization of the market for crop products, beef and milk. Oilseeds, sugar, wine, tobacco, chicken and mutton are excluded from the agreement reached.

The main problem of the CAP is that much of the money ends up in the hands of people who are not engaged in farming activities. In a study published by the OECD 2003rd The questioner who the users actually reformed CAP and led to the fact that a large part of the funds within the hands of those who provide input. In the first place to the landowners, who is not engaged in agriculture and businesses that produce chemicals that are essential to agricultural production. OECD calculates that about 45 cents of every euro on the basis of direct payments is in favor of landowners who are not engaged in agricultural activities, rather than the farmers themselves. Another important policy CAP market price support, the worse the result. Farmers receive only 48 cents of a euro, while 38 cents goes towards the costs of resource use and provision of inputs.[24]

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[21] Swinbank A. (2005): *„Developments in the Doha Round and WTO dispute settlement: some implications for EU agricultural policy"*, European Review of Agricultural Economics, 32(4):551-561.

[22] *Five Interesed Parties (FIPs)*, Аустралија, Бразил, Индија Јапан, САД, заједно са ЕУ чине Г-6, шест кључних актера преговора (six key players).

[23] Поповић В., Катић Б. (2007): *„Доха рунда преговора у СТО и интерна подршка пољопривреди Србије"*, Економски анали, 52(172), 97.

[24] Baldwin R., Wyplosz C., (2010): *„Ekonomija evropskih integracija"*, Data status, Beograd, 376-377.

The reform of the CAP in 2006

The reform of the CAP in 2006 represents a radical change in sugar production. Ministers of Agriculture of the European Union on 20 February 2006 formally adopted a radical reform of the sugar sector. The reform, which came into force on 1 July, brought a change in the system that has remained largely unchanged for almost 40 years, in line with the rest of the reformed Common Agricultural Policy. The reform is allowed to provide long-term and sustainable future sugar production in the EU in order to improve competitiveness and market orientation of the sugar sector and to strengthen position within the EU in the current round of talks with the World Trade Organization. Key reforms related to the right to cut the tail of the 36% of the guaranteed minimum price of sugar, the giving of generous compensation for farmers and, most importantly, the restructuring fund aimed at encouraging non-competitive sugar producers to leave the production.[25]

From 1 January 2005 the ten member states will take effect the new agricultural policy in line with the reform agreed in June 2003rd year. The main element of the new policy is subsidizing farmers irrespective of their production, and in the interim period until 2007a. The Member States were able to retain the link between production and subsidies.

Nine European countries (Austria, Belgium, Denmark, Germany, Ireland, Luxembourg, Portugal, Sweden and the UK) have decided that from 1 January 2005. Then start implementing the new CAP is based on a single payment to farmers - Single Payment Scheme - SPS. The remaining five "old members" (Finland, France, Greece, the Netherlands and Spain) apply SPS since 2006, And Malta and Slovenia since 2007. Eight new members during the transitional period will apply a slightly different pattern of payments. Farmers in these states will receive grants which amount is defined per hectare (Single Area Payment Scheme - SAPS), and the pay of regional financial resources, but also the country's 2009th was transferred to the SPS.

The amount of subsidy is now directly linked to the measures that are being implemented:

[25] http://europa.eu/rapid/pressReleasesAction.do?reference=IP/06/194&format=HTML&aged=1&language=EN&guiLanguage=en

- *Environmental Protection,*
- *Food Safety,*
- *Implement health standards for plants and animals, the measures for the welfare of animals (so-called cross-compliance).*

In order to ensure compliance with the defined budget for the period up to 2013th, introduced stricter financial discipline. Reforming define three regulations of the European Commission.

- *The first decree is no. 1124/2008,[26] before her 796/2004/EC and defines detailed rules for cross-compliance, modulation and the management and supervision of the system. The provisions of cross -compliance are key to reform of the CAP as income of farmers within the SPS depends on their respect for public health, animal welfare, environmental protection and respect for other environmental measures.*
- *The second decree was (No. 1124/2008, before we 795/2004/EC) and sets forth detailed rules for the implementation of the single payment scheme (SPS) is defined Greater Regulation no. C1782/2003/EC laying down common rules for direct support schemes under the CAP and run support schemes for farmers. This allows you to go to system connectivity support for the production and farmers to ensure income and allows them to transition to a production that meets the demands of the market. Support is also within the instrument may be paid only if they comply with the provisions of cross-compliance. This system of support and co-ordinate with the WTO rules, i.e. they no longer count on the support that distort trade (the yellow box), but in the category of support that do not distort trade (the blue box).*
- *The third is regulation (no. 2237/2003EC[27] of 23 December 2003), And defines the detailed rules for the implementation of support schemes defined under Title IV. Increased Regulation no. 1782/2003EC. This provides continued support for specific products, for example. Premium for animals (sheep and calves), because in these sectors expect the greatest effects of changes in the support system, i.e. abolition of the connection between the support and the amount of production.*

[26] *Official Journal the European Union*, L 303, 7-9.
[27] *Official Journal the European Union*, L 339, 52-69.

In November 2007 the Directorate-General for Agriculture and Rural Development of the European Commission presented a reform plan CAP - called "health check" ("health check"). These are the proposals that have no legislative character, but serve as a preparation for the discussion ahead of legislative proposals that should be followed during the 2008th The goal of "health check" to improve the reform of the CAP began the 2003rd The endeavor to direct support system more efficient and simpler, modernized instruments market support CAP (originally designed for six countries) and find adequate answers to new challenges such as climate change and protection of bio-diversity. During 2007 and 2008th The Commission has developed the approach to audit of annual accounts 2008/2009, a "health check" is a preparatory action within this framework, without thereby prejudging the outcome of the audit.

The Common Agricultural Policy after the 2010

It is anticipated that the Common Agricultural Policy is reformed to 2013th Commissioner Cioloş[28] launched on 12 April 2010 public debate on the future of the Common Agricultural Policy,[29] its objectives, principles and contribution to the strategy Europe 2020 Strategy. In addition to the question of how CAP can contribute to the development of the Europe 2020 Strategy, a public hearing gathered was focused on four main issues:

- *Why is the European Common Agricultural Policy?*
- *What are the objectives of the society for agriculture in all its diversity?*
- *Why is it necessary reform of the CAP and how can we meet the expectations of society?*
- *What tools are needed for the future reform of the CAP?*

Based on the results of public consultation and exchange with the Council and the European Parliament, the Commission on 18 November 2010. The announcement represented a "CAP towards 2020", which provides options for the future of the CAP and initiated discussions with other institutions and stakeholders. Display of bills scheduled for year 2011.[30]

[28] EU Commissioner for Agriculture and Rural Development Dacian Cioloş.
[29] http://ec.europa.eu/agriculture/cap-post-2013/debate/index_en.htm
[30] http://ec.europa.eu/agriculture/cap-post-2013/communication/index_en.htm

According to recent information that is of 26.06.2013 the Commission, the Council and the European Parliament (EP) reached a political agreement on the reform of the common agricultural policy . Subject to formal adoption by the Council and the EP as a first reading agreement when texts are translated into all the languages of the member states. On the basis of a Commission proposal from October 2011. Agreement relating to the four basic elements of the CAP:

1) to direct the payment,

2) the one-off common market organization (EDA),

3) Rural Development and

4) Horizontal Regulation for financing, management and monitoring of CAP.

The number of questions will be discussed separately in the negotiations on the Multiannual Financial Framework (MFF) for the period of 2014 the 2020th - Especially in terms of the transfer of funds between direct payments (Pillar 1) and rural development (Pillar 2), allocation of national envelope for direct payments and rural development, the rate of co-financing and questions about the upper limit and gradual decline.[31] Table 1 you can see the total budget and the funds that were intended for the CAP for the period 2010-2012.

Table 1. *Total budgetary resources and funds intended for the common agricultural policy (in million EUR per)*

	2010 Execution	**2011 Budget**	**2012 The funding**
EU budget	139 832.5	138 459.7	142 531.0
Agriculture and Rural Development	**58 880.4**	**57 292.2**	**58 794.8**

Source: *EC, Agriculture and Rural development DG, Financial Report & accounting 2010 (chapter 0501: EC, Budget DG, EC - OJ L68 (15.03.2011), EC - SEC(2011)498 (20.04.2011)*

In the months following important decisions will be taken at the EU level, related to the implementation of the new CAP. For Member States, what lies ahead is the development of new rural development program. You will have to make important decisions relating to the scheme of direct payments

[31] http://europa.eu/rapid/press-release_MEMO-13-621_en.htm

which will be implemented from January 2015. The challenge newest CAP will certainly represent an attempt to strike a balance between effectiveness and efficiency. In taking these decisions Member States have an obligation to make the most of the opportunities offered by the reform to identify future strategies for their agricultural sectors to ensure their competitiveness and sustainability in the longer term.[32]

Conclusions

In the period preceding the emergence of the European Union agriculture was a sensitive issue for most governments in Europe. The situation in agriculture in most of Europe after the Second World War was bad. There was not enough food. There were no adequate mechanisms to ensure enough food for the entire population. For this reason, the main goal of ZAP was the growth of agricultural productivity and ensuring sufficient food production, ensuring quality of living standards of the rural population. CAP is at its inception was based on the production of which is related to price support, yet there was no mention of addressing the structural problems of agriculture. This policy has enabled the creation of surpluses of some agricultural products. This all led to the opinion that it should be made more comprehensive formulation of the EEC. In this direction he went and Mansholt Plan Act of 1968 year. Under this plan, the Commission proposed a radical change in the common agriculture. The very essence of Mansholt Plan reflected the limited price policy and market support and encouragement of nearly five million farmers to abandon unprofitable production. Throughout the period of the seventies there were some attempts to introduce new reforms. Some serious reform activities are made only in the mid eighties the adoption of the Green Paper, which gave a new relationship with the EEC agricultural policy.

The Common Agricultural Policy has changed fundamentally with the reform package. McSherry plan contained four major policy changes: First, there was a decrease in prices in certain sectors. Second, given the direct support of farmers' incomes. Third, an important feature of these reforms was the introduction of so-called. "Scheme for non-use," which was supposed to commercial producers in certain sectors (notably cereals sector) in certain regions of wages to keep land idle rather than to grow crops that the EU should be purchased and fourth point, which is related to the follow-up measures.

[32] http://ec.europa.eu/agriculture/policy-perspectives/policy-briefs/05_en.pdf

This included the introduction of new programs to support rural development, organic farming, replacement of farms and forests early retirement of farmers. Incentives extension together with a more pronounced concern for the environment and the concerns of consumers made on proposals for reform of the CAP in Agenda 2000, the Commission strategy to " strengthen and expand the Union in the first years of the twenty-first century. " Agenda 2000 was adopted in 1999 at the Berlin summit with the aim of further long-term development and continuing trade negotiations with the WTO. The Heads of State and Government of the EU agreed to new agricultural strategy makes a coherent policy that would constitute a framework for agriculture and regional development in the EU. Reform of the 2003rd years is consistent with previous reforms and refers mainly to sustainable agriculture and rural development. Reform has been featured in several major elements and they are: Continue the implementation of Agenda 2000 on access to, and separation of direct support, the introduction of mandatory reductions of direct payments in the event of non-compliance with EU standards of environmental, food safety, animal health and welfare, strengthening and improving rural development, strengthening of EU rural development policy, and help farmers to meet EU standards in production starting since 2005 year. And finally, introduces mechanisms for fiscal discipline to ensure that the cost of the CAP does not exceed the budget limit.

The reform of the CAP in 2006 represents a radical change in sugar production. Ministers of Agriculture of the European Union on 20 February 2006 formally adopted a radical reform of the sugar sector. The reform is allowed to provide long-term and sustainable future sugar production in the EU in order to improve competitiveness and market orientation of the sugar sector and to strengthen position within the EU in the current round of talks with the World Trade Organization. The formulated Common Agricultural Policy should be awake again reformed during the period from 2013th year. In this regard were initiated discussions on the future of the Common Agricultural Policy, its objectives, principles and contribution to the strategy Europe 2020 Strategy.

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