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THE COMMON AGRICULTURAL POLICY – INSTRUMENTS AND REFORMS

The common agricultural policy (CAP) has undergone five major reforms, the most recent of which were in 2003 (mid-term review), 2009 (the 'Health Check') and 2013 (for the 2014-2020 financial period). The first discussions on the post-2020 CAP began in 2016 and the corresponding legislative proposals were unveiled in June 2018.

LEGAL BASIS

Articles 38 to 44 of the Treaty on the Functioning of the European Union (TFEU). Regulations (EU) Nos 1303 to 1308/2013 (OJ L 347, 20.12.2013).

OBJECTIVES

The successive CAP reforms have adapted the mechanism it uses in order to better attain the stated aims of the Treaty (fact sheet 3.2.1). The latest reform also sets new objectives for the CAP (Article 110(2) of Regulation (EU) No 1306/2013): economic (ensuring food security by means of stable agricultural production, increasing competitiveness and the distribution of value across the food chain); environmental (sustainable use of natural resources and the fight against climate change); and territorial (ensuring economic and social vitality in rural areas).

ACHIEVEMENTS

A. The 1992 reform: the great turning point

Ever since it was first introduced in 1962, the CAP has fulfilled its objectives by ensuring secure food supplies. Then, with its policy of support prices that were very high compared with the world market prices and an unlimited buying guarantee, the CAP started to produce more and more surpluses. In order to close the widening gap between supply and demand and bring agricultural expenditure under control, the Council introduced a radical change to the CAP by replacing the system of protection through prices with a system of compensatory income support.

Loss in income resulting from a significant reduction in guaranteed prices for arable crops was fully compensated for by direct aid per hectare. In the area of livestock production, the fall in the price of beef was compensated by a headage payment. These compensatory measures were entered in the WTO's 'blue box' (fact sheet 3.2.7).

B. Agenda 2000: a new stage to build on the 1992 reform

The 1997 Luxembourg European Council, which declared that agriculture in Europe had to be multifunctional, sustainable, competitive and spread throughout European territory, set the strategic objective for the new reform. The outcome of the agreement reached at the end of the Berlin European Council (24-25 March 1999) was that the reform would focus mainly on the following:

— A new alignment of EU prices with world prices, partly offset by direct aid to producers;

— The introduction by Member States of environmental cross-compliance as a condition for granting aid and the option of reducing this (modulation) to finance rural development measures;

— In line with the conclusions of the 1996 Cork Conference, reinforcement of socio-structural and accompanying measures, within a new rural development policy known from then on as the 'second pillar of the CAP' (3.2.6);

— Budgetary stabilisation underpinned by a strict financial framework for 2000-2006.

C. The June 2003 reform: towards a CAP based on decoupled aid

At the 1999 Berlin Summit, the 15 Member States adopted the proposals of Agenda 2000 and asked the Commission to conduct a mid-term review in 2002 to assess the impact of the latest CAP reform. This mid-term review would end up becoming the most ambitious reform of the CAP thus far, with four key objectives: forging stronger links between European agriculture and global markets; preparing for EU enlargement; better meeting society's new demands regarding conservation of the environment and product quality (public opinion having been perturbed by a series of animal health crises); and making the CAP more compatible with the demands of third countries.

On 26 June 2003, EU agriculture ministers meeting in Luxembourg reached an agreement which effectively overhauled the CAP and introduced a series of new principles and/or mechanisms:

— Decoupling of aid from volumes produced, to make farms more market-oriented and to reduce distortions in agricultural production and trade. Decoupled aid has now become a 'single farm payment', based on guaranteeing income stability;

— Cross-compliance, which has made the single payments conditional on a whole series of criteria concerning the environment and public health, in response to the expectations of EU citizens;

— Compatibility with WTO rules, insofar as the ultimate objective of aid decoupling was to ensure that it was included in the 'green box' (fact sheet 3.2.7);

— Public redistribution of payment entitlements allocated to farms on historical bases with the help of two mechanisms: modulation, allowing funding to be transferred between the two pillars of the CAP to reinforce rural development; and the potential application of a regional decoupling model to allow harmonisation of payments per hectare allocated according to regional criteria;

— Financial discipline, a principle subsequently enshrined in the 2007-2013 financial perspective (OJ C 139, 14.6.2006), whereby the budget of the first pillar of the CAP was frozen and annual compulsory ceilings imposed;

— Finally, a single common market organisation (single CMO) was established in 2007, by codifying the regulation mechanisms of the existing 21common market organisations (CMOs) [Regulation (EC) No 1234/2007, OJ L 299, 16.11.2007].

D. The 2009 'Health Check': consolidation of the 2003 reform framework.

The 'Health Check' launched by the Council on 20 November 2008 revised a long list of measures applied following the CAP reform of 2003. It was designed to:

— Reinforce complete decoupling of aid through gradual elimination of the remaining payments coupled to production by moving them into the single farm payment scheme;

— Partially reorient first pillar funds towards rural development by increasing the modulation rate for direct aid;

— Inject flexibility into the rules for public intervention and control of supply in order not to have an adverse impact on the ability of farmers to react to market signals.

E. The 2013 reform: a more global and integrated approach

The 2013 reform was the latest stage in this as yet unfinished CAP adaptation process [Regulations (EU) Nos 1303/2013 to 1308/2013, OJ L 347, 20.12.2013]. The broad outlines of the CAP for the 2014-2020 period concern:

— Converting decoupled aid into a multifunctional support system. The system of decoupling agricultural aid and providing generic income support instead, which began in 2003, will now give way to a system in which instruments are once again coupled to specific objectives or functions, and historical reference periods will cease to play a role ('targeting'). Single farm payments will be replaced by a system of payments in stages or strata, comprising seven components: 1) a basic payment; 2) a greening payment for environmental public goods (ecological component); 3) an additional payment for young farmers; 4) a 'redistributive payment' whereby farmers may be granted additional support for the first hectares of farmland; 5) additional income support in areas with specific natural constraints; 6) aid coupled to production; 7) lastly, a simplified system for small farmers. Only active farmers will be eligible for the new basic payments per hectare (fact sheet 3.2.5). What is more, it is provided that the direct payment envelopes available to each Member State will gradually be adjusted until they are all at a minimum per hectare payment in euros by 2019 (the so-called 'external convergence' process);

— Consolidating the two pillars of the CAP: the first pillar, which funds direct aid and market measures entirely through the European Agricultural Guarantee Fund (EAGF); and the second pillar, which covers rural development through co-financing arrangements. Modulation for direct payments under the second pillar has been scrapped and replaced with a mandatory reduction in basic payments above EUR 150 000 ('phased reduction'). Inter-pillar flexibility has also been enhanced: since 2015, Member States have been able to transfer funds between the two pillars (up to 15% of originally allocated amounts from the first to the second pillar, and up to 25%, for some Member States, of originally allocated amounts from the second to the first pillar) (fact sheet 3.2.5);

— Consolidating single CMO tools which have become safety nets for use solely in the event of price crises or market disruption. The abolition of all supply control measures has also been confirmed: the sugar quota regime expired in September 2017 and the system of vine planting rights was replaced by an authorisation system in 2016. The new quota-less milk scheme, in force since 2015, was preceded by the adoption of a 'milk' mini-package [Regulation (EU) No 261/2012, OJ L 94, 30.3.2012]. The new single CMO will also institute a crisis reserve to respond to market disturbances (fact sheet 3.2.4);

— A more integrated, targeted and territorial approach to rural development. Better coordination of rural measures with the other structural funds is also envisaged (fact sheet 3.1.1). The wide range of existing instruments within the second pillar of the CAP is to be simplified so as to focus on support for competitiveness, innovation, 'knowledge-based agriculture', establishing young farmers, sustainably managing natural resources and ensuring balanced regional development (fact sheet 3.2.6).

Several measures have been launched, on the heels of the decisions taken in 2013, in order to adjust the regulatory frameworks to reflect institutional, economic and budgetary developments. A second milk package was adopted in 2016 with the aim of reducing supply and helping Europe's livestock farmers cope with the price crash that followed the abolition of quotas in 2015 (OJ L 242, 9.9.2016). At the same time, the Commission held the 'Cork 2.0' Conference in September 2016 and re-opened the debate on rural development policy post-2020 (fact sheets 3.2.6 and 3.2.9). It has also brought forward measures aimed at simplifying the basic acts relating to the CAP (the 'Omnibus Regulation') (fact sheet 3.2.9) in the context of the mid-term review of the multiannual financial framework for 2014-2020 (fact sheets 1.4.3 and 3.2.2). This exercise was finished before the end of 2017 and the new rules were published [Regulation (EU) No 2017/2393, OJ L 350) 29.12.2017]. In addition, the Agricultural Markets Task Force, which was set up in January 2016, presented its final report in November 2016, suggesting improvements to regulation of the food chain and agricultural markets which should lead to legislative proposals being brought forward. Lastly, the Commission presented its communication on 'The Future of Food and Farming' in November 2017, the 2021-2027 Multiannual Financial Framework in May 2018 and corresponding legislative proposals in June 2018 to launch the post-2020 CAP reform programme (fact sheet 3.2.9).

ROLE OF THE EUROPEAN PARLIAMENT

On the whole, the European Parliament has supported all of the CAP reforms. It fell in with most of the Commission guidelines for the 2003 reform while declaring itself in favour of partial decoupling and rejecting the idea of a phased reduction of aid (P5_TA(2003)0256 of 5 June 2003, OJ C 68 E, 18.3.2004). Parliament also renewed its calls for full co-decision on agricultural policy, a goal that was attained when the Lisbon Treaty came into force (fact sheets 1.1.5 and 3.2.1).

Discussions on the future of the post-2013 CAP had begun in Parliament even before the Commission presented its communication and legislative proposals. Parliament adopted a resolution based on an own-initiative report on 8 July 2010 (OJ C 351 E, 2.12.2011, p. 103). MEPs set their priorities for the new CAP for the 21st century: food security, fair trade, maintaining farming activity across the whole of Europe, food quality, preserving biodiversity and protecting the environment, fair remuneration for the public goods supplied by farmers and, finally, rural development based on the creation of green jobs. These priorities were confirmed in a resolution of 23 June 2011 on the Commission's communication on the CAP towards 2020 (OJ C 390 E, 18.12.2012, p. 49).

The European Parliament amended the legislative proposals on the post-2013 CAP and the amended text became the mandate for negotiation with the Council (resolutions P7_TA(2013)0084, P7_TA(2013)0085, P7_TA(2013)0086 and P7_TA(2013)0087, 13.3.2013). This was the basis on which, following more than 40 trilogue meetings, political agreement was reached and Parliament adopted its stance on the new regulations relating to agriculture, on 20 November 2013, immediately after adoption of the financial arrangements for 2014-2020 [resolutions P7_TA(2013)0490 to P7_TA(2013)0494 (OJ C 436, 24.11.2016, p. 270-280].

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