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THE COMMON AGRICULTURAL POLICY (CAP) AND THE TREATY

Following the entry into force of the Treaty of Rome, Member States' agricultural policies were replaced by intervention mechanisms at Community level. The foundations of the common agricultural policy (CAP) have remained unchanged since the Treaty of Rome, with the exception of rules relating to the decision-making procedure. The Treaty of Lisbon recognised codecision as the 'ordinary legislative procedure' for the CAP, in place of the consultation procedure.

LEGAL BASIS

Treaty on the Functioning of the European Union (TFEU) – Articles 38 to 44.

RATIONALE BEHIND THE CAP

When the Treaty of Rome established the common market in 1958, state intervention was a major feature of agriculture in the six founding Member States. If the principle of the free movement of goods was to apply to agricultural produce, ongoing state intervention notwithstanding, national intervention mechanisms which were incompatible with the common market had to be transferred to Community level: this is the basic rationale behind the establishment of the CAP.

What is more, at the time, intervention in agriculture reflected the broad consensus regarding the specific characteristics of the sector – that is to say that it is highly dependent on climate and geography and prone to systemic imbalances between supply and demand, and hence substantial fluctuations in prices and incomes.

Demand for food is inelastic; in other words, price fluctuations have little bearing on it. Moreover, the length of production cycles and the unchanging nature of certain inputs mean that farmers themselves have scant control over the global supply of farm produce. Under these conditions, an increase in supply automatically forces prices down, whereas a decrease forces them up. All these factors create permanent market instability. Faced with this situation, governments have always been keen to regulate agricultural markets and to support farmers' incomes, a tendency inherited by the CAP.

Even though agriculture today represents only a small share of the economies of developed countries, including that of the European Union, public intervention has recently been stepped up, with agro-rural policies that have added other dimensions in support of the traditional function of primary activity, namely the production of foodstuffs, including sustainable development, the fight against climate change, spatial



and landscape planning, diversification and vitality of the rural economy, public health, product quality, and the production of energy and biomaterials. Support for public assets or non-commercial aspects of agriculture – in other words, those not rewarded by the market – has thus become a key strand of today's agricultural and rural policies, including the CAP.

OBJECTIVES

Article 39 TFEU sets out the specific objectives of the CAP:

- a. To increase agricultural productivity by promoting technical progress and ensuring the optimum use of the factors of production, in particular labour;
- b. To ensure a fair standard of living for farmers;
- c. To stabilise markets;
- d. To ensure the availability of supplies;
- e. To ensure reasonable prices for consumers.

These objectives are both economic [Article 39, paragraph 1(a), (c) and (d)] and social [Article 39, paragraph 1(b) and (e)] and are intended to safeguard the interests of producers and consumers. In practice, the objectives of the CAP have remained unchanged since the Treaty of Rome came into force, given that their wording has proved extremely flexible and capable of accommodating the countless reforms seen since the 1980s (fact sheet: The common agricultural policy – instruments and reforms [3.2.4](#)). It should be pointed out that, as evidenced by settled case-law, the objectives of the CAP cannot all be fully achieved at the same time. Consequently, the EU legislator has significant discretion in the scope of the reforms, depending on market developments and the priorities set by the EU institutions at a given time.

Alongside the specific objectives of the CAP set out in Article 39 TFEU, a number of Treaty provisions lay down other objectives, which are applicable to all EU policies and measures. On that basis, promoting a high level of employment (Article 9), environmental protection to promote sustainable development (Article 11), consumer protection (Article 12), animal welfare requirements (Article 13), public health (Article 168(1)) and economic, social and territorial cohesion (Articles 174 to 178) are becoming objectives of the CAP in their own right. The European Green Deal of November 2019 and the farm to fork and biodiversity 2030 strategies published by the Commission in May 2020 confirm the increasing cross-cutting nature of agriculture and food issues. Furthermore, at a time of market liberalisation and globalisation, Article 207 sets out the principles of the common commercial policy applicable to trade in agricultural products. Lastly, a derogation has been granted from competition policy principles for agricultural products and trade in such products, in view of the unique structure of the farming industry (Article 42). However, this exception was only developed from 2013 onwards (see fact sheet: Financing of the CAP – facts and figures [3.2.2](#)).



THE DECISION-MAKING PROCESS IN THE AREA OF AGRICULTURAL POLICY

The TFEU (Article 42, first paragraph, and Article 43(2)) then recognised codecision as the 'ordinary legislative procedure' for the CAP (fact sheet [1.2.3](#)), in place of the previously applicable consultation procedure, thus consolidating the European Parliament's role as true co-legislator in the agricultural sphere.

Nevertheless, the new Treaty raises major problems of interpretation, in that it introduces exceptions to the ordinary procedure which work to the benefit of the Council. The second paragraph of Article 42 provides, in relation to competition rules, that '[the] Council, on a proposal from the Commission, may authorise the granting of aid: (a) for the protection of enterprises handicapped by structural or natural conditions; (b) within the framework of economic development programmes'. In addition, Article 43(3) states that '[the] Council, on a proposal from the Commission, shall adopt measures on fixing prices, levies, aid and quantitative limitations'. In the absence of a clear demarcation of the legislative powers of the European Parliament and the Council in the agricultural sphere, legal and political problems arose during the negotiations on the new post-2013 CAP.

It was entirely foreseeable, that the interinstitutional debate on the scope of Article 43(3) would continue before the Court of Justice of the European Union. However, the Court's judgment in Case C-113/14 of 7 September 2016 established a broad interpretation of the concept of 'price fixing' in Article 43(3) TFEU, which includes the reference thresholds of intervention prices. As a result, Article 7 of Regulation (EU) No 1308/2013 (CMO Regulation), based on Article 43(2), has been cancelled, and reference thresholds have been adopted by the Council exclusively once again. In the wake of those judgments, future reforms designed to bring CAP mechanisms into line with policy objectives would have to clarify the scope of existing legal bases in order to better respect the balance between co-legislators.

In addition, there have always been other bodies which have been involved in the implementation of the CAP under the 'comitology' procedure. Since 1961, when the first CMOs were established, a number of committees have been set up. The Treaty of Lisbon introduced a distinction between 'delegated acts' and 'implementing acts' (fact sheet [1.3.8](#)). The adoption of delegated acts is now governed by the relevant basic legislative act, whereas the adoption of implementing acts is subject to the new examination or advisory procedures provided for by [Regulation \(EU\) No 182/2011 of the European Parliament and of the Council](#). Most of the Commission's draft implementing acts in the agricultural sphere are subject to examination procedures as part of which the European Parliament and the Council have a 'right of scrutiny'.

What is more, professional organisations in the EU, represented by the Committee of Professional Agricultural Organisations and the General Confederation of Agricultural Cooperatives in the European Union, have always been indirectly involved in the European decision-making process through the work of the advisory committees. Very recently, the scope of consultation has been widened through the creation of civil



dialogue groups to assist the Commission in implementing the CAP (the 'structured dialogue' process).

THE CAP, A COMPETENCE SHARED BETWEEN THE EU AND THE MEMBER STATES

The TFEU (fact sheet [1.1.5](#)) recognises that competence is shared between the EU and the Member States in the field of agriculture, contrary to established legal opinion and the stance adopted by the Commission's legal services^[1], which have hitherto regarded policy on markets (first pillar of the CAP) as an exclusive EU competence. New Article 4(2)(d) TFEU has a bearing on legislative work in the sphere of agriculture in that the European institutions apply the subsidiarity principle (fact sheet [1.2.2](#)) in areas not covered by the EU's exclusive competence [Article 5(3) and Article 12 of the Treaty on European Union (TEU)]. The national parliaments can thus forward to the Presidents of the European Parliament, the Council and the Commission reasoned opinions stating whether, in their view, a draft legislative act in the agricultural sphere is consistent with the subsidiarity principle. In addition, the 'enhanced cooperation system' established by Article 20 TEU (fact sheet [1.1.5](#)) is from now on applicable to the CAP. On this point, some Member States (here, a minimum of nine) may choose to enter into supplementary agricultural commitments to each other, as the CAP is increasingly flexible regarding the application of common mechanisms (fact sheet [3.2.4](#)).

ROLE OF THE EUROPEAN PARLIAMENT

Because it has no decision-making powers, Parliament has, since the Treaty of Rome, exerted a significant influence on the framing of the CAP by the use of non-binding methods, such as own-initiative reports and resolutions. Since the Luxembourg European Council declaration in 1997 advocating a European agricultural model, the European Parliament has on several occasions demonstrated its commitment to a multifunctional European agriculture (and food) model, valid throughout the territory of the enlarged EU and compatible with the liberalisation and globalisation of the markets. This interest has been shown in particular in the 2003 CAP reform process and in the multilateral negotiations on agriculture within the World Trade Organisation (WTO) (see fact sheet: WTO agreement on agriculture [3.2.11](#)). In this context, the European Parliament has also shown support for the integration of new objectives into the CAP. These principles have been confirmed by the resolutions of [8 July 2010](#) and [23 June 2011](#) on the future of the CAP after 2013. This reform of the CAP, concluded on 20 November 2013, allowed the European Parliament to play its role as a full co-legislator in the agricultural field, on the basis of the institutional framework established by the Treaty of Lisbon.

An own-initiative [report on the future of food and farming](#) was adopted on 30 May 2018. On 1 June 2018, the Commission published its legislative proposals for the reform of the CAP. In April 2019, the members of the Committee on Agriculture and Rural Development voted on the three reports concerning the legislative proposals submitted. Following the European elections in May 2019, the new Committee on Agriculture and

[1]SEC(92) 1990, 27.10.1992.



Rural Development revised the amendments adopted during the previous legislature, and Parliament, meeting in plenary, adopted its final position on 23 October 2020). In June 2021, negotiators reached an agreement on the three proposals of the CAP reform package which resulted in the adoption of Regulation (EU) 2021/2115, Regulation (EU) 2021/2116 and Regulation (EU) 2021/2117 on 2 December 2021 ([3.2.2](#)).

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