ANALYZING THE COMMON AGRICULTURAL POLICY AS A CASE OF CONCEPTUAL SHIFTS (1957-2016)

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Abstract

The Common Agricultural Policy (CAP) is the oldest and the most expensive communitarian policy in the history of European political integration. It exists since the Treaty of Rome of 1957, and from then on, it has evolved under the operationalization of three central concepts: productivity, competitiveness and sustainability. This paper will observe in which way the operationalization of these concepts serves the purpose of explaining the legislative history of the CAP and its most important stepping stones: the Treaty of Rome, the Mansholt Plan of 1968, the MacSharry Reform of 1992, the Agenda 2000, the Fischler Reform of 2003, the CAP Health Check of 2008, the Lisbon Treaty of 2009, the 2013 CAP reform, and the initial effects of the “Brexit” process.

Keywords

Common Agricultural Policy, European integration, greening, productivity, competitiveness, sustainability.

The Common Agricultural Policy (CAP) is still one of the most important topics amongst European Union (EU) scholars as it is the most expensive common policy in this geopolitical space representing around one third of its budget.

In the approximately sixty years of the history of the CAP, this policy had many conceptual shifts. A certain concept can be operationalized at given

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moment making it useful for a specific methodological or academic argument, however, if one studies the several types of operationalization a certain concept has originated through the decades or centuries, then one would be able to observe the historicity of such a concept.

The history of the CAP is a complex one if wish to understand it in terms of conceptual shifts, however, the concepts of productivity, competitiveness and sustainability do pose a viable solution that considers its development ever since the treaty of Rome of 1957 until the present treaty of Lisbon of 2009.

These three concepts and their operationalization encompass the evolution of the CAP quite efficiently as, at first, the CAP was a policy designed for production, as food stuffs were running low in post-war Europe and a greater output was mandatory. Then, the second moment was initiated, as a liberalizing reform in the CAP became necessary and overproduction became a community concern. The CAP and food prices would need to adapt to the market at the same time as producers would receive extra income to compensate for the losses due to the market price adaptation. The third period, understood as “the competitiveness period”, was then started with the increased application of greater agri-environmental laws, reducing land erosion and environmental damage together with crop rotation, food and water security and other practices. The parliamentarization of the CAP did not completely overcome path-dependence in the EU and can thus still be included under the operationalization of the concept of sustainability as well as very contemporary events such as “Brexit”, or in other words, the British intent to leave the framework of the EU, as reducing the economic costs of this separation while maintaining an equilibrated system among EU countries is still visible.

The conceptual potential of these terminologies as objects of operationalization are somewhat vast, therefore the strengths and weaknesses of these choices must be taken in their validity in assessing the political and conceptual transformations of this common policy in the EU. Each concept is controversial by nature as well as their temporalization and relationship between each other.

These concepts do serve not only as a historical assessment of the CAP from 1957 until today, but also as a research on the chosen policies the supranational institutions, and the member states decided to pursue, and the succeeding European treaties.

The European Coal and Steel Community was formed by the High Authority (the future European Commission after the Treaty of Rome), the Special Council (which would become the Council of Ministers and then the Council
of the EU after the Lisbon treaty of 2009) and the Common Assembly (the future European Parliament after 1957) (Haas, 1957). In this embryonic system of European supranationalism, it was the High Authority that symbolized the federative aspect of this *sui generis* type of political integration.

With the treaty of Rome of 1957, this Community was reshaped and renamed into the European Economic Community (EEC). In this community, this legislative system would start to be applied in agricultural policies, therefore, a CAP designed between the states and the European Commission would come into practice (the European Parliament did not have legislative powers at this stage).

The loss of people, equipment, animals and land during the war eroded the agricultural sector so much that only grain production equaled pre-war levels\(^2\), therefore, an economic and political ideal was decided that viewed agriculture as an extremely relevant economic area that needed extra incentives from states and the community. Alan Milward\(^3\), an intergovernmentalist economic historian, postulates the belief that the supranationalization of agricultural policies was a French political move to improve its industrial sector at the same time as the agricultural sector could be maintained and new markets could be sought.

It is the intent of this study to see how well these three concepts of productivity, competitiveness and sustainability adapt to the operationalization of these developments in agricultural policies in this economic and political union. These concepts were used not only in the treaties of the EEC and the EU but also by European supranational institutions and even government representatives.

From the Article 38 until the Article 47 of the Treaty of Rome, the initial legislation of the CAP is designed. It is curious to note that, even in this founding article, the use of the concept of *productivity* is already visible, as productivity became the answer for high economic demand. What separates academics is not so much the assumption of the need for foodstuffs in the economy of the time but the legislative origin of such push. Intergovernmentalists such as Moravcsik\(^4\) or Frances Lynch (Lynch and Guirao, 2007) would state that this need pre-dated the war and it was an international economic condition. Neofunctionalists or federalists, on the

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other hand, would claim that it was the High Authority and/or the European Commission who was the leader in creating a system that would allow such communion of interests to take place (Haas, 1958⁵; Lindberg, 1963⁶).

The CAP is therefore a result of European integration but it was/is also a catalyst for further political integration.

The European budget also became an instrument of utmost importance as it would encompass contributions from member states (some considered as net contributors and others as net benefiters). The specific fund which was responsible for the management, gathering and application of agricultural funds was the European Agricultural Guidance and Guarantee Fund (EAGGF) which was later transformed, in 2005, into the European Agricultural Guarantee Fund (EAGF) (first pillar), and the European Agricultural Fund for Rural Development (EAFRD) (second pillar). This initially heavily regulated and funded market for the most important agricultural commodities such as meat, sugar, milk, cereals and others did not allow foreign markets to be able to negatively or positively influence commodity prices, levies, tariffs, therefore, creating a harmonious and less volatile situation for the economies to develop.

A protectionist economic choice proved to be successful as productivity increased in the years after the treaty of Rome of 1957 (a value of approximately forty million tons of cereals was achieved in the first years; as of today that value is of around three hundred million tons) however, with greater production came greater intensification of production systems, soil erosion, use of fertilizers, competitiveness, and eventually, with greater mechanization, the employability of the agricultural sector also diminished.

The Mansholt plan of 1968 was possibly the first set of measures that started to address some of these problems; however, due to its radical approach and the opposition of farmers, its results and directives were mainly centered on modernization of equipment, agricultural practices and training⁷.

With time, agricultural production became so elevated that a change in the approach to this common policy was viewed as necessary by the member states. If demand was great in the first years and supply low, now the situation was different as demand relatively stabilized (although continuously growing due to birthrates, immigration into the EEC member

⁵ Ernst Haas (1958) “The Uniting of Europe; Political, Social and Economic Forces”, South Bend, Indiana, University of Notre Dame Press.
states and enlargements) and supply was reaching new heights. This led to disequilibrium in the market, over expenditure and the resulting policies that ensued.

These production-based policies aimed at productivity through subsidies for storage, import taxes and tariffs, intervention in agricultural markets to avoid world prices and operation under target prices and a common market with financial solidarity through the European budget. These measures were successful in many aspects but they also created externalities such as the “mountains of butter”, a metaphor usually used to describe the effects of overproduction.

The shift into a more (neo)liberal CAP, with different types of financial aids and subsidies became a policy ideal whose structures are suitable for an operationalization of the concept of competitiveness. The crisis of the mid 1970’s was another catalyst, if not the most important one, for this change as the world gradually started adopting different economic theories such as monetarism and the Chicago School.

Even though one can call this shift in the CAP as a push towards a neoliberal ideal of economic policy-making, it is also true that the agricultural sector continued to be (and still is today) a heavily regulated and subsidized area in central Europe, the EEC and the EU. However, due to the nature of the policies that ensued (such as a direct financial aid to farmers designed at compensating them for the loss they would endure due to agricultural commodities now being more prone to world market prices and devaluation), it is feasible to assume that, to some degree, a liberalization of the CAP was upheld. Despite this difference in agricultural policies, in 1982, the greatest value of the EEC budget’s contribution to agriculture was observed as this sector, representing 74% of this entire budget.

The 1980’s was a decade when most of these ideals came into practice in several documents and summits such as the “Fontainebleau Summit of Heads of Government” of 1984, or the “Perspectives for the Common Agricultural Policy” Green Paper of 1985 from the European Commission.

In these documents the concept of competitiveness is already demonstrable in the rhetoric used by the European Commission. The instrument of price

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support had to be adapted to these new economic conjunctures into one of income aids, environmental protection and macro rural policy and surplus production limits (quotas on milk came in 1988; sugar quotas had already existed since 1968; however, the 2013 reform ended both quotas in 2015).

Over expenditure in agricultural policies by the communitarian budget was not just a European problem, it was also visible in the United States, therefore, originating greater export subsidy competition. The General Agreement on Tariffs and Trade (GATT) that met in the Uruguay Round (1986-1994) stipulated some of these measures such as the subtraction in barriers and in subsidies for exports. The EEC was less prone to change than the United States as path dependency was (and still is) a relevant and visible element in the structures and choices taken in this community/union.

A change of philosophy and paradigm was only more evident in the Macsharry Reform of 1992, in the current European Union.

The German unification after the fall of the Berlin Wall and the fall of the Soviet Union caused a small economic crisis during the government of Helmut Kohl who had to assure that the new East Germans had to be well included in the new German order, hence contending for a regulated and a compressed CAP budget. The French socialist government of Mitterrand, on the other hand, had to assure his commitment in the defense of an adequately budgeted CAP.

The Macsharry reform directed and transformed the CAP and the farmer into not just a producer but a protector or supervisor, in other words, it understood the farmer as a guardian of the land, therefore, it was also during these times when the first greening measures started to appear in supranational rhetoric discourse\(^\text{11}\).

The Agenda 2000\(^\text{12}\) was another important step in this evolution, one that continued and improved the Macsharry reforms of 1992.

This Agenda had already in its inception the notion that in 2004, the entrance of ten new countries in the EU, would greatly transform the CAP, as many of these countries had strong agricultural sectors (for example, for example,  


Poland was and still is the most populous in this group, but with low productivity levels and lower wages than its Western member-states).

This Agenda continued a European pursuit to liberalize the CAP and to make it “greener” or more environmentally friendly.

As agriculture is possibly one of the social and economic activities with greatest land and environmental impact, then the need for the development of agri-environmental policies would be higher as scientific development, geographic analytical systems and other methods appeared which allowed greater detailed readings on the human impact on nature to be made. According to the Commission, such greening push was relatively well accepted by both legislative makers, civil society and farmers. The CAP would thus become a mix of a market, agricultural production and price policy, a cohesion policy (as it also tried to develop endangered areas, Less Favored Areas (LFA’s) and to equilibrate agricultural investment in the EU), an environmental policy and a health policy.

The first pillar of the CAP was then based on direct payments, and the second pillar was mostly based on rural development and greening.

From 2000 to 2006 worldwide demand for food stuffs remained at a high point, consequently leading to a relative growth in prices in commodities such as beef, cheese, cereals or milk powder. Quotas for the milk sector were maintained until 2006 but slightly alleviated\(^{13}\). As demand in world markets would continue, the fact that price control was still relatively visible in EU markets would lead to a destabilized EU policy and market, therefore, this surge in world agricultural demand was also an economic factor that pushed the EU to a different posture towards the CAP, in other words, a more “liberalized” CAP, based on competitiveness.

The next CAP reform was the Fischler Reform of 2003 (sometimes referred to as Mid-Term review) named after Franz Fischler, the Austrian Commissioner for Agriculture from 1995 until 2004. This reform, possibly one of the most incisive ones in the history of the CAP, changed a number of instruments in the application of farm policy continuing the move away from price support towards direct payments with greater environmental constraints and greater decoupling, in other words, a greater separation between agriculture and rural development due to globalization. The shift towards a sustainable CAP started to have its operationalization in these reformative times.

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This reform needed to be decided on the basis of the greatest EU enlargement. France maintained its role as a defender and perhaps conservative view on the CAP (as well as, for example, Portugal and Spain which had always been afraid of losing greater shares of European funds), whereas Sweden (accompanied by Finland and Austria), for example, favored a more reformative position with the basis of the need for support in their difficult national terrains. Ten new countries in the EU would greatly alter these political groupings.

One of the most important developments in this 2003 Fischler reform was the Single Farm Payment (or Single Payment Scheme – SPS or Single Area Payment), in other words, a per-hectare based payment. This SPS would be made once a year. Some of these payments would be made under a modulation system meaning that there would be a reduction of direct payments on a proportional basis depending on the size of the farming endeavor. These savings would be directed towards the second pillar/rural development. They would also need to be performed under a financial discipline perspective preventing breaches in CAP expenditure. It would oblige farmers to be more aware of market tendencies, to respect production and green standards, while partially removing overly bureaucratic procedures from its implementation on the ground. This would, in theory, reinforce the EU’s position in the world and specifically in agricultural markets and policies.

The CAP was lastly shifted, as our concepts delineated, to a policy of sustainability. The factors that lead to these shifts in its conceptualization were, for example, the need for greater legislative strives in food security, a declining level of proportional production, unbalanced agricultural markets, efficiency in the use of resources and land as well as water and land quality, standard agronomic conditions, animal welfare, coupled with ever growing uncertain weather conditions due to global warming which can automatically affect biodiversity and demographic concerns such as depopulation in the agricultural sector.

The fact that after the Fischler Reform, the CAP’s subsidies were separated from production made them keener to market volatilities while maintaining a degree of sustainability and market adaptation coexistent with modulation or, in other words, the exchange of funds from pillar one to pillar two. Together with this, one must remember that, in this same philosophy, the subsidy is given per hectare provided that certain green requirements are met which means that it is duty of the farmer to not only take care of his/her land but also to decide on which best productivity level to be met. It is clear now that the concept and political motif of productivity or competitiveness were now a thing of the past no longer suitable to explain political decisions,
nor analyze the history and specificities of the time, however, their use remained coherent with past policies.

The shift towards the last stage of our conceptualization, namely sustainability, is mostly associated with greening measures (in other words cross compliance with systems such as “Statutory Management Requirements” and “Good agricultural and environmental conditions”), quality, and overall rural development. The Fischler Reform partially failed to change the apportionment of support across states, the EU border protection, and the cuts that were made in the second pillar after this reform, even though Franz Fischler was a great advocate of a stronger second pillar.

With time, the European Commission and later the other European Union institutions came to the realization that the Fischler reform, though innovative and paradigm-shifting also needed changes. This lead to the CAP Health Check of 2008, the following step in this constant restructuring of the CAP.

This CAP Health Check of 2008, the first CAP review directed towards a Union of twenty-seven member states, continued this mercantilization of the CAP with measures such as the ending of milk quotas by 2015, simplification of payments for farmers, the strengthening of the second pillar through “compulsory modulation” in all of the EU space from 5% to 10% by the end of 2012, greater decoupling (separation of payments from production) in arable crops. The set-aside system was also ended with this health check. This set-aside system had been under use since 1988 and mostly after the MacSharry reform of 1992 as another measure to curb production due to the so-called period of the “mountains of butter” in which farmers would set-aside parts of their land to reduce production, spare and orderly maintain the land, improve biodiversity and still be able to receive support. The Single Area Payment Scheme (SAPS), which was originally designed to accommodate most states that had entered the EU in 2004 and in 2007 (with some exceptions) was allowed to continue to be used until 2013 with an additional ninety million Euros.

The Lisbon Treaty of 2009, which almost immediately followed the CAP Health Check of 2008, was another important stepping stone in the evolution of the CAP that can still be considered under the conceptualization or operationalization of sustainability. This treaty is reformative in the sense that it significantly enlarged the ordinary legislative procedure (codecision).

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to new areas (eighty-five in total), the most important of which was the CAP, the subject of this paper. If for close to sixty years, the CAP had always been decided between the European Commission and the Council of Ministers, after the Lisbon Treaty, a third institution began to be able to influence the design of legislative acts: the European Parliament. This completely changes the power structures of the EU legislative institutions, although all of these three institutions have behaved in a proactive way making sure that this policy remains at the core of EU integration. First studies\textsuperscript{15} have shown that the EP has indeed behaved as a responsible institution, able to exert influence on legislation and was, up to a certain point, able to partially restructure the CAP, however, the degree of that restructuring is debatable. According to Fertő and Kovács (2014), the EP was able to exert influence on legislation in 65.6% of the cases in which it was involved by itself or under coalition with the Council or the Commission. When working by itself, then the EP changed 14% of the legislative acts upon which it acted.

As examples of reformed policies in the CAP reform of 2013, the financial support for young farmers was improved by the fact that it would now encompass farms whose size was up to one-hundred hectares, provided that continuous respect for greening measures was upheld. In the crop diversification area, ten hectares were agreed as a lower commencement for crop rotation having in mind the alleviation of land over usage and the maintenance of permanent pasture areas in permanent grasslands. This reform also saw the creation of Ecological Focus Areas which are created when a farmer dedicates 5% of its land to special ecologically benign structures such as virgin land, trees, buffer strips, margins or nitrogen-fixing plantations. In the rural development sector (second pillar and the EAFRD), the EP was able to exert influence on final legislative acts by close to 80%, which is a resounding statistic. With this reform, the most common Single Payment Scheme was transformed into the Basic Payment Scheme which is operated under the basis of payments that are granted on a yearly basis. The granting of this Basic Payment Scheme is mandatory in order for producers to receive other funding such as the “green direct payment”, the “young farmers payment”, among others. However, even with these changes, as previously stated, the EU budget and the CAP budget have been reduced and it is possible that it may continue to be reduced in the coming years as a possible effect of “Brexit”.

Taking all of these aspects into consideration, one is forced to the conclusion that the parliamentarization of the CAP did not mean a significant

reform of the CAP. The EP still prefers to act on micro-level legislation, where it is statistically more successful and usually avoids macro-level, dissentious areas and policies where its success rate is not as high. Therefore, one can speak of CAP change but not of CAP reform. This is also one more reason why the parliamentarization of the CAP can still be included under the operationalization of the concept of sustainability as the push for greening measures and the generally micro-level assessment of the 2013 CAP change continues both the philosophy of both Fischler and the political behavior of the EP since Nice. Parliamentarization maybe even possibly demonstrated the great inherent path dependence structures visible in the EU.

In 2016, this process of the adaptation of the EP to its new political position in the EU gained an even greater obstacle with the “Brexit” vote or, in other words, the intent of the United Kingdom to abandon the framework of the EU which was justified by a referendum on the 23rd of June 2016. This decision and process will lead to numerous changes in the EU some of which are already observable, expectable and academically logical while others are still difficult to analyze due to extreme historical proximity: the EP will lose the present seventy-three British MEP’s, one British European Commissioner, and the British representative in the Council of the EU, and the European Council. The UK will also stop contributing to the European budget and at the same time stop receiving funds from this same budget. These changes will reform both the EU and the UK economically, politically, monetarily and socially.

The UK, in 2016, contributed with about 21,44 billion Euros to the EU budget, having received around 5,67 billion Euros of that amount. 407 million Euros were received through the European Regional Development Fund (outside the CAP) while 2.72 billion were from the first pillar.

Despite all of these factors, the important aspect to consider in this study is that although this is the first time a member state has decided to abandon the EU in this specific manner, this process can still be considered as under the operationalization of the concept of sustainability, however, sustainability has in this case gained a vaster political motif whereas before it was mostly centered on rural development and greater greening measures.

Conclusions

After the analysis made in this paper, one is able to observe the evolution of the CAP ever since its beginning in the Treaty of Rome of 1957 until today. A study was made on the most important steps in the evolution of the CAP: the treaty of Rome of 1957, the Mansholt Plan of 1968, the MacSharry Reform of 1992, the Agenda 2000, the Fischler Reform of 2003, the CAP Health Check of 2008, the Lisbon Treaty of 2009, the 2013 CAP Reform and the “Brexit” procedure. The concepts of production, competitiveness and sustainability have been used by European institutions and scholars as political weapons for reform but also as descriptive concepts, as constructs that allow an academic to observe the evolution of the CAP, although these concepts are debatable and somewhat elastic in their historicity. Their use and operationalization were based on historical and academic necessity but also as political and rhetorical keywords from institutions trying to push their agenda (mostly the European Commission) having been repeatedly used in legislative acts and speeches. They served as analytical concepts but also have politically charged assets in the development of the CAP therefore giving reason to the assumption of Quentin Skinner of concepts as tools and weapons of debate, weapons for politicians but also as research basis for scholars17 (Skinner, 1978). These conceptual shifts and their political debate prove these concepts to be paradigms in an evolution of a policy, concepts that explain a part of European history that were gradually abandoned as their political use and ability to describe reality gradually lost purpose. They nevertheless continue to have importance as historical conceptualizations that help explain the evolution of the CAP.

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