The setting up of the CAP

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The first steps towards the CAP

For the Commission, and in particular for the Vice-President and first Commissioner with special responsibility for Agriculture, Sicco Mansholt, the common agricultural policy (CAP) constituted an essential factor for European economic integration.

Upon taking office, Mansholt, the former Netherlands Minister of Agriculture, submitted proposals for radical integration which would lead to a common agricultural market.

The Stresa Conference

In the spring of 1958, the common agricultural policy (CAP) was still not unanimously supported by the members of the European Economic Community (EEC) because of their conflicting economical and political interests. The difficulties involved in implementing the CAP were such that, pursuant to Article 43 of the Treaty of Rome, it was necessary to convene a Round Table Conference which all those concerned were invited to attend, in order to determine the way ahead.

The Conference held from 3 to 12 July 1958, in Stresa, Italy, brought together a committee of experts consisting of Members of the Commission, the six Ministers of Agriculture, representatives from farmers' unions and national experts. It fulfilled a request from France, which was keen to determine, as soon as possible, the major guidelines of the future agricultural policy of the Six: unity of the market, Community preference and financial solidarity. The Member States also sought to counterbalance the Commission's power to propose legislation in such a crucial economic sector. The Conference led to the establishment of a Committee of Professional Agricultural Organisations in the European Community (COPA). After the conference, the Commissioner for Agriculture, Sicco Mansholt, was asked to draw up detailed proposals. The Commission submitted its first series of proposals in November 1959. Those proposals were revised in June 1960 but failed to secure the unanimous agreement of the Member States.

Sicco Mansholt, father of the CAP

The conflict of national interests with regard to agriculture forced the negotiators to play a tight game when drawing up the implementing procedures for the Treaty establishing the European Economic Community (EEC). In 1958, the President of the Commission, Walter Hallstein, called together a team of experts led by the Commissioner for Agriculture, Sicco Mansholt, in order to implement the common agricultural policy (CAP).

The fact that Mansholt, the former Netherlands Minister of Agriculture, was both Commissioner with special responsibility for Agriculture and Vice-President of the Commission illustrated the importance of his position. The CAP actually constituted a test of Commission's ability to organise a common policy. However, Mansholt's task was an arduous one: he not only had to face up to national resistance, he also had to establish trade within the Community where it had thus far been non-existent. Despite those difficulties, he nevertheless succeeded in implementing the plans for an agricultural common market acceptable to all the Member States. Accordingly, the CAP emerged as one of the successes of the first phase of the common market.

The Commission's proposals

On 30 June 1960, the Commission, under President Walter Hallstein and Vice-President Sicco Mansholt, submitted proposals to the Council of Ministers:

– to establish unity of the market based on the free movement of agricultural produce;
– to organise markets by product with prices being progressively unified and guaranteed;
– to ensure Community preference;

– to enable common intervention;
– to set up a European Agricultural Guidance and Guarantee Fund (EAGGF);
– to establish financial solidarity.

Barriers to trade, such as customs duties, taxes and national subsidies, were abolished. The principle of freedom of movement was applied to agricultural products: products exported by each Member State in the European Economic Community (EEC) therefore moved under the same conditions as national products. Administrative, health and veterinary regulations might no longer hamper free trade. Their harmonisation thus became essential Consumers had to have free access to products available on the market and enjoy the same prices throughout the Community. At the same time, exchange rates had to remain relatively stable so that they could be determined in European Currency Units before being converted into national currencies.

In theory and in practice, the Member States decided, henceforth, to give preference to products from the European Community. The primary aim was to satisfy internal demand and, where possible, to avoid having to resort to imports from third countries. In this way, the common agricultural policy (CAP) protected European producers from cheaper imports. That principle was contradictory to the spirit of the General Agreement on Tariffs and Trade (GATT) and the refund policy. For example, it involved the Federal Republic of Germany (FRG) giving up trading German machinery for Latin American bananas because it had to give preference to bananas grown in the French West Indies, which constituted part of Community territory. The Community levied duties on products imported from third countries if the price of the imported product was less than the common price applied in the Community. Revenue was subsequently used to help finance exports by reducing Community prices in relation to world market prices.

In order to implement financial solidarity, all the Member States of the EEC jointly financed costs incurred by the Community such as guaranteed prices for farmers, the export of surplus products as well as the policy to support improved structures. All expenditure arising from the application of the CAP has to be borne jointly by all Member States. The Community body responsible for managing the budget of the common agricultural policy (CAP) is the EAGGF, which was established on 14 January 1962. At Member State level, national bodies act as a link between the EAGGF and the farmers. It is those bodies which intervene to buy or to store surplus products or which levy the funds designed to finance CAP expenditure.

The CAP seeks to adjust supply and demand on European agricultural markets. The bodies of the EEC buy in surplus products in order to restrict supply and, hence, stabilise prices. The CAP is very protectionist in nature. Protection measures restrict imports from third countries and prevent the Community market from becoming inundated with products sold at lower prices on the world market. The prices paid to European farmers are actually higher than prices on the world market. In this way, Community farmers are protected from third-country competition. In the case of a serious marketing crisis, a safeguard clause allows for the temporary closure of the Community's external frontiers. This system therefore enables any imports whatsoever of a particular agricultural product to be suspended, although strict application of that principle breaches the GATT agreements.

Agricultural products have been divided into three sectors which are entitled to a fairly significant level of protection:

– the first group of products is entitled to the highest level of protection. The protection measures for this sector apply to 70 % of agricultural production including most cereals, milk and dairy products, olive oil, sugar and beef and veal. The intervention procedures vary according to the product involved. The intervention bodies buy in surplus products in the event of overproduction;

– the second group of products is entitled to a lower level of protection. The protection measures for this sector apply to around 25 % of production including poultrymeat, eggs, pigmeat and wine. For these products, the CAP is restricted mainly to the collection of customs duties and levies on imports. Community bodies intervene in accordance with specific procedures for each product;

– the third group includes all other agricultural products of marginal significance on European farmers' income. This sector includes rapeseed, hemp, flax and sunflower seed. These products are entitled at best to a very low level of protection.

The decisions of the Council of Ministers

The replacement of the national agricultural policy with a common agricultural policy posed a problem for some Member States. It required several meetings before the agricultural sector was finally entrusted to Community administration. In December 1961, once the Council of Ministers had adopted the principles of the free movement of agricultural products and the fixing of common prices, the Commission could finally start drawing up the first regulations. Initially, the Commission intended to introduce a common market for the main agricultural products within six years. As it was, implementation of this ambitious programme proved extremely difficult, and it took eight years for it to be successfully introduced.

On 14 January 1962, following the first marathon negotiations on European agriculture, the Council of Ministers approved the following Commission proposals:

— the organisation of six common agricultural markets (cereals, pigmeat, eggs, poultrymeat, fruit and vegetables and wine);
— the introduction of rules on competition;
— the establishment of a schedule for dairy products, beef and veal, sugar and other measures to assist intra-Community trade.

On the same day, the Council of Ministers, acting on a proposal from the Commission, decided to establish the European Agricultural Guidance and Guarantee Fund (EAGGF) to finance the operations of the common agricultural policy (CAP). This Fund has two sections which meet two distinct functions:

— the Guarantee Section (prices);
— the Guidance Section (structural measures).

The Guarantee Section funds the mechanisms for controlling the Community's agricultural markets. The Guidance Section covers the modernisation and diversification of agricultural holdings, facilities for the processing of agricultural products, installation assistance and the reorganisation of distribution networks for agricultural products. EAGGF expenditure accounts for almost 60 % of the Community budget.

The first marathon negotiations on agriculture concluded with the Council's decision to move on to the second stage of the transitional period, i.e. to the establishment of a customs union and the application of an initial set of agricultural measures.