The reform of the common agricultural policy (CAP)

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The reform of the common agricultural policy (CAP)

The common agricultural policy (CAP), in force since 1962, was based on three principles: a single market, Community preference and financial solidarity between the Member States of the Community. This framework offered farmers guaranteed prices for their produce, protected them against competition from imported products and subsidised exports. It also had the beneficial effect of strongly boosting agricultural production and giving the Community self-sufficiency as regards food. With time, however, disadvantages became apparent. Guaranteed prices led to overproduction, subsidised exports and the accumulation of stocks financed by the Community budget. This situation benefited, above all, bigger farms, whilst farm incomes remained, on average, lower than in other sectors.

Partial measures had been taken to limit surplus production. In 1984, the production quota system, already applied to sugar, was extended to milk. The system of ‘maximum guaranteed quantities’ was applied to rape and sunflower in 1987 and to cereals in 1988. That same year, the European Council restricted the increase in agricultural expenditure. These measures, however, proved inadequate (in 1991, butter stocks amounted to 500 000 tonnes, cereals to more than 15 million tonnes). On the other hand, the trade negotiations at the GATT Uruguay Round made a reduction in European agricultural aid inevitable.

On 1 February 1991, the Commission proposed drastic measures to reduce production, but this met with sharp opposition from farmers. On 30 June 1992, after fierce debate, the Council adopted the regulations for the reform of the CAP. Although the basic principles of the CAP were retained (single pricing, Community preference and financial solidarity), corrective measures were introduced to restrict production and budgetary expenditure.

Guaranteed prices were lowered by 29 % over three years for cereals in order to allow them to compete on the internal market with animal feedstuffs imported duty-free and to increase exports without refunds. The lowering of cereals prices was offset by a direct aid payment unrelated to production variations but linked to former levels of aid, i.e. a sort of allowance granted on the premise that farmers set aside some of their land in order to limit production. With regard to the other agricultural sectors, lower prices and a continuation of the quota system (for milk, beef, etc.) were to be applied.

Lastly, structural measures were established, such as early retirement incentives, afforestation grants, aid payments conditional on environmentally friendly practices, the promotion of quality products, etc.

The fundamental changes made to the way the CAP was financed involved a shift from price support to direct support via the European budget and a move away from a system of unlimited guaranteed prices to one of quantitative limits on production and income compensation for farmers. Likewise, the final agreement at the Uruguay Round (15 April 1994) established a reduction in internal aid for agriculture and agricultural export subsidies.