



The Common Agricultural Policy

A story to be continued



A PARTNERSHIP BETWEEN EUROPE AND FARMERS



Agriculture
and Rural
Development

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Fifty years of living history

2012 marks the 50th anniversary of the Common Agricultural Policy (CAP), a cornerstone of European integration that has provided European citizens with five decades of secure food supply and a living countryside.

The CAP was created so that people could enjoy good food at affordable prices and farmers earn a fair living. Fifty years on, these aims are still valid. Down the years, the EU has adapted the CAP to the changing needs of society. This is the story of a dynamic partnership between farmers and Europe.

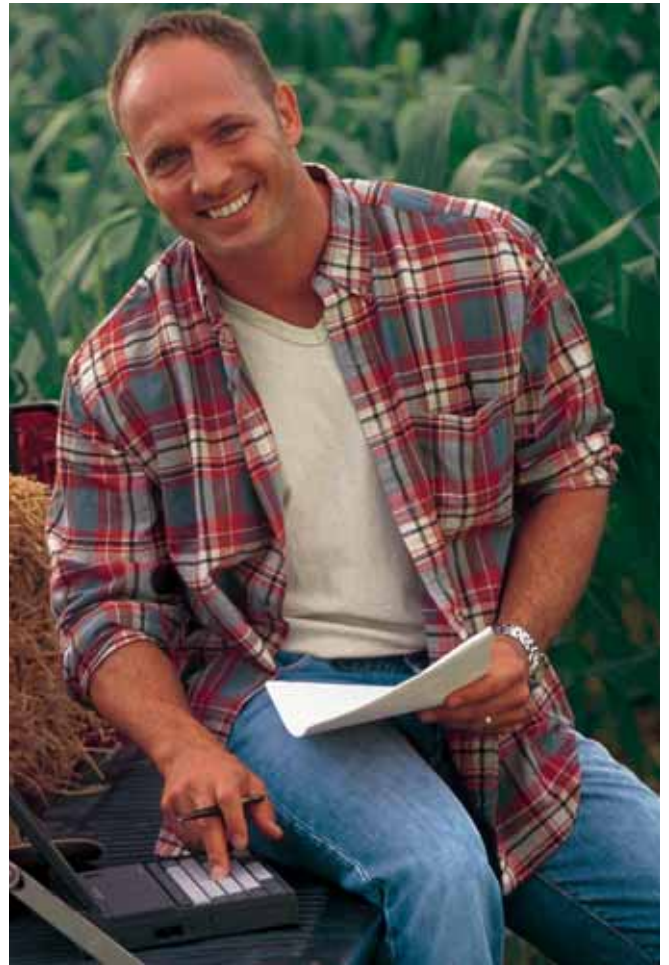
This partnership has moved with the times. The CAP has witnessed three main phases: it brought Europe from food shortage to plenty; it changed and adapted to meet new challenges linked to sustainability and the environment; and it expanded the role of farmers in rural development beyond just food production.

Three generations of farmers have worked the land and tended their animals since the CAP was set up. This is their story too. Besides feeding a continent, farmers now act on our behalf to conserve

the countryside and our natural resources. They also play a central role in revitalising rural areas and the rural economy.

Today, the policy is again being reformed; the aim is to strengthen the competitiveness and the sustainability of agriculture and rural areas across the EU. The new policy responds to the economic, environmental and territorial challenges Europe faces today.

Milestones of the common agricultural policy



- 1957** **The Treaty of Rome creates the European Economic Community** (a precursor of today's EU), between six western European countries. CAP is foreseen as a common policy, with the objectives to provide affordable food for EU citizens and a fair standard of living for farmers.
- 1962** **The common agricultural policy (CAP) is born!** The essence of the policy is good prices for farmers. With every passing year, farmers produce more food. The shops are full of food at affordable prices. The first objective – food security – has been met.
- 1970s-1980s** **Supply management.** Farms are so productive that they are producing more food than is needed. The surpluses are stored and lead to 'food mountains'. Specific measures are put in place to align production with market needs.
- 1992** **The CAP shifts from market support to producer support.** Price support is scaled down, and replaced with direct aid payments to farmers. They are encouraged to be more environmentally-friendly. The reform coincides with the 1992 Rio Earth Summit which launches the principle of sustainable development.
- Mid 1990s** **The CAP focuses more on food quality.** The policy introduces new measures to support farm investment, training, improved processing and marketing. Steps are taken to protect traditional and regional foods. The first European legislation on organic farming is implemented.
- 2000** **The CAP centres on Rural Development.** The CAP puts more focus on the economic, social and cultural development of rural Europe. At the same time, the reforms started in the 1990s are continued in order to make farmers more market-oriented.
- 2003** **A CAP reform cuts the link between subsidies and production.** Farmers are more market oriented and, in view of the specific constraints on European agriculture, they receive an income aid. In exchange, they have to respect strict food safety, environmental and animal welfare standards.
- Mid 2000s** **The CAP opens to the world.** The EU becomes the world's largest importer of agricultural products from developing countries, importing more than the US, Japan, Australia and Canada combined. Under the 'everything but arms' agreement, the EU has given free market access to all least developed countries. No other developed country gives such openness, commitment, and real market access to developing country farmers.
- 2007** **The EU farming population doubles, following the 2004 and 2007 enlargements,** with 12 new countries. Eighteen years after the fall of the Berlin wall, the European Union numbers 27 member states and over 500 million citizens. EU's agricultural and rural landscape changes as well.
- 2011** **A new CAP reform seeks to strengthen the economic and ecological competitiveness** of the agricultural sector, to promote innovation, to combat climate change and to support employment and growth in rural areas.

Quality for **citizens** and fairness for **farmers**

Six countries create the EEC (forerunner of the EU) in 1957. From its start in 1962, the CAP begins to restore Europe's capacity to feed itself. But 'plenty' becomes 'too much' and surpluses result. Production control measures begin in the 1980s. The CAP refocuses on quality, safety and affordability of food and on becoming greener, fairer and more efficient. The EU's role as the world's biggest trader in farm goods gives it additional responsibilities.

The Treaty of Rome

The European Union was built from the rubble and ashes of war. The six countries who signed the Treaty

of Rome in 1957 vowed that the hunger and starvation experienced in post-war Europe would not happen again. Although shortages had eased, some basic items of

food remained rationed in some west European countries into the 1950s. It is hard to believe now, but this was the daily reality for many of our parents and grandparents.



A model for others

The CAP was the EU's first and, for many years, only fully integrated policy. It paved the way for the EU single market 30 years later in 1992. Its system of single prices required the CAP to create its own currency, the 'unit of account' (UA) a distant precursor of the euro. When introduced in 1962, one UA was worth one US dollar.

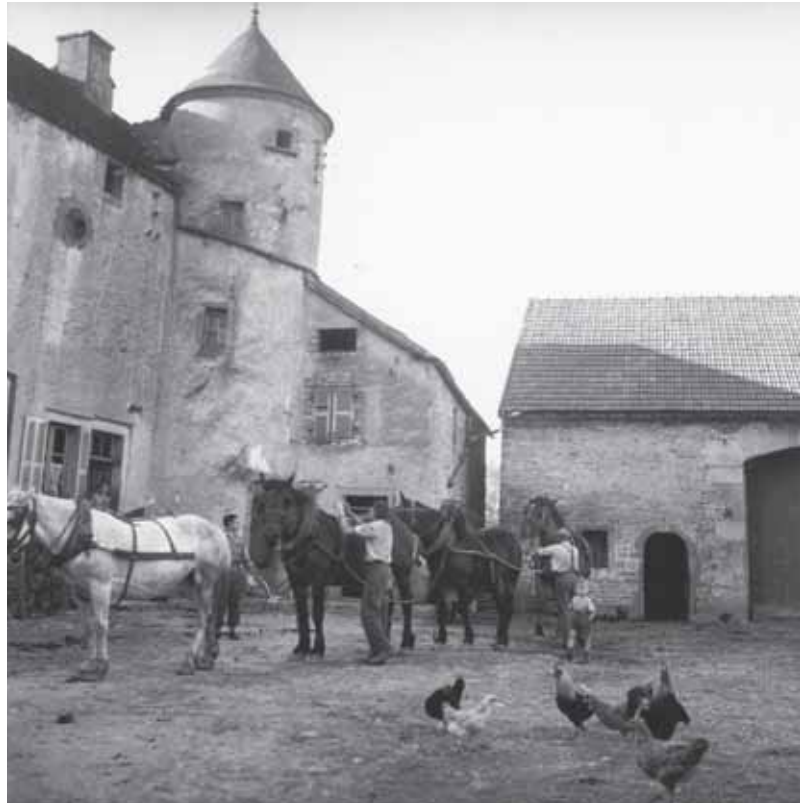


Sicco Mansholt: father of the CAP

Sicco Mansholt was a Dutch farmer and politician and principal architect of Europe's farm policy. He piloted its key elements, based on guaranteed prices and shared funding among member countries, through marathon negotiations concluded by 1962. Far-sighted, Mansholt issued a wake-up call in 1968 warning of coming surpluses and of the need for swift action to modernise farming and raise efficiency.

The first CAP generation

When the CAP began, many small farmers of the post-war generation still milked cows by hand and mowed hay with scythes. For them, as for the rest of society, memories of shortages and food queues were still fresh. Subsidies from the CAP helped them to buy equipment, renovate farm buildings and obtain better seeds and fertiliser. With higher earnings they could borrow from banks to develop their businesses. Food production rose. But country life was still hard. Farmers grew older and their children were not too keen to follow in their footsteps.



Supply management

Supported by guaranteed minimum prices, farmers reached the point in the 1970s where they were producing more food than needed. The result was costly and politically-embarrassing surpluses. Measures were introduced from the early 1980s to bring production closer to market demand. In 1984, quota limits are imposed on dairy production as first step to cut surpluses. In 1992, in a major overhaul of the policy, the EU decides to move from market support to producer support.



Animal welfare standards

Safe food can only come from healthy and well-kept animals. EU animal welfare standards have been introduced to avoid inflicting pain and suffering on farm animals both in the way they are reared on the farm and moved from farm to market. Farmed livestock and poultry must have a minimum living space, and farmers are encouraged to revert to methods where animals are free to move about in a natural setting.



Going for quality

The CAP also refocused on quality. It now applies the highest quality and production standards, rigorous plant and animal health controls. As a result, the EU's 500 million citizens enjoy the safest food in the world and continuous traceability procedure from farm to fork. Steps have been taken to protect and promote traditional and regional foods. Organic farming is encouraged. The CAP has helped keep our food affordable. An average family spends 15% of income on food today, compared with 30% fifty years ago. This fall is the result of rising incomes; but it is also partly due to farmers who have become more competitive and more efficient.

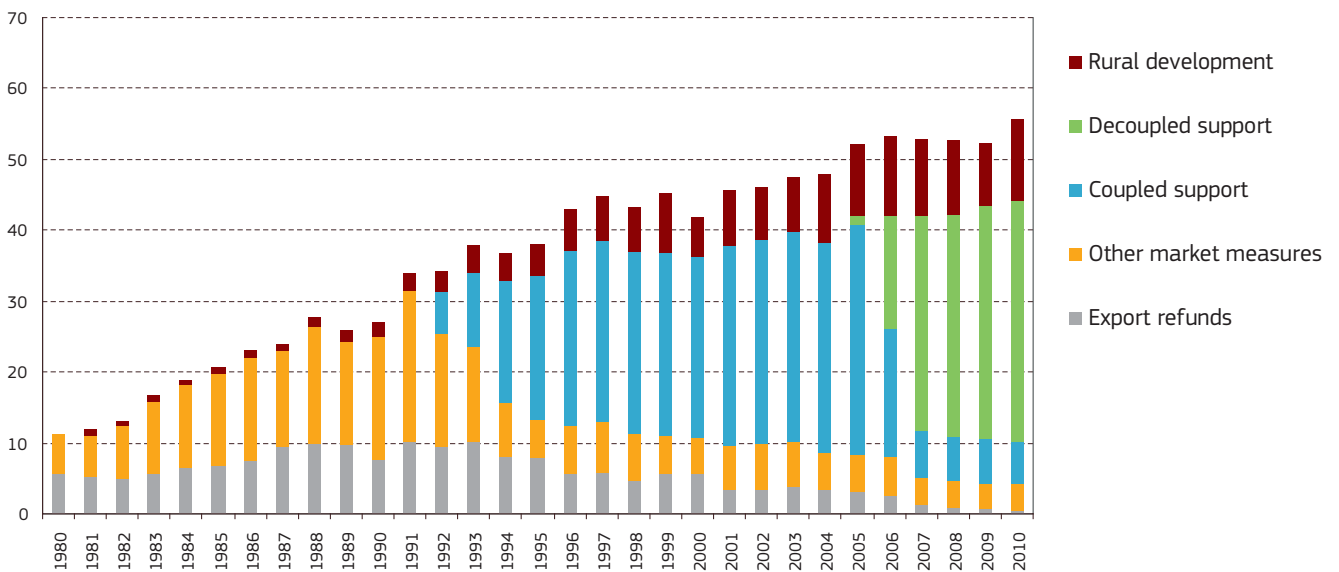


The cost of the CAP

As an integrated common policy, the CAP is funded through the EU's annual budget. In contrast, other policy areas like health care and education are financed largely by the national governments of EU members. At its launch 50 years ago, the CAP was the biggest item in a very small EU budget. Today, annual spending on agriculture and rural development together is running at about €55 billion, around 45% of the total EU budget. CAP spending peaked at 72% of the EU budget in 1984 and has fallen steadily since then. This downward trend is set to continue.

The path of CAP expenditure 1980-2010

billion EUR (current prices)



Using natural resources **responsibly** and **sustainably**

A big CAP reform package in 1992 requires farmers to assume responsibility for environment protection and sustainable agriculture. Farmers provide public goods for us all like maintaining beautiful landscapes and caring for our rural heritage. Farmers join the frontline in the fight against climate change. They also enlist technology to support ecology and to enhance their competitiveness.

A balanced approach

With global food demand set to rise 40% by 2050, Europe needs to produce more, but not at any price. The 1992 reform gave farmers responsibility for looking after the countryside and its biodiversity and for using prudently our natural resources, soil, air and water. This would be translated into practical measures like crop diversification, the maintenance of permanent pastures and less-intensive production.



Second CAP generation

For the second CAP generation, farmer's life was different – but it wasn't easier. Those who took over from their parents faced a new reality. Farmers were producing too much, creating surpluses. A reform process was launched to balance supply and demand. In the 90's, food quality, food safety and animal welfare were high on the agenda. It was also a time when farmers became more aware of other responsibilities like protecting the environment and using natural resources prudently and sustainably.



The challenge of sustainable farming

The principle of sustainable development was adopted at the 1992 Earth Summit in Rio de Janeiro. It has since been incorporated into all EU policy areas, including agriculture. This imposed new duties on farmers to provide public goods in the interests of us all in the form of a well-tended countryside, thriving biodiversity, the prudent use of natural resources and conservation of cultural sites and objects. Farmers cannot pass on the cost of supplying these public goods in their prices. To remunerate farmers for this service to the society as a whole, the EU provides farmers with income support.



Farmers and climate change

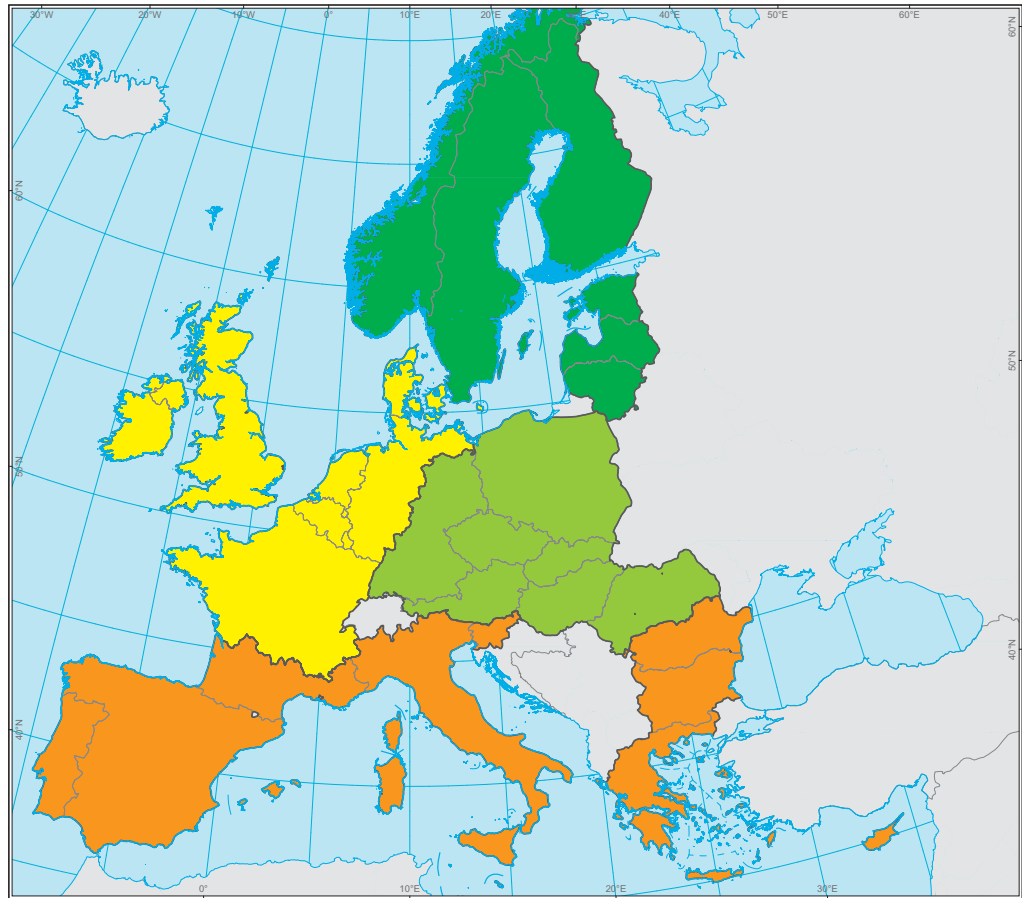
The impact of climate change brought home the realisation that what seemed distant threats were already upon us. Farming needs to adapt to changing weather patterns and growing seasons and more frequent natural calamities. Through grants, farmers are helped to reduce greenhouse gas emissions by changing livestock diets, developing renewable energies in the form of biomass fuel, using by-products and residues. They are part of the global fight to mitigate climate change.

Science and technology

As in other sectors of the European economy, research and development are a vital component of the future CAP. Laboratories produce new plant strains adapted to changing growing conditions. Greater efficiency ensures a better use of limited resources. Farmers apply the latest satellite and mobile technology to forecast the weather. Computers help them prepare inputs, keeping the use of chemical pesticides to a minimum. Smart metering and management systems make most efficient use of electricity generated by wind power both on the farm and when transmitting it to the regional or national distribution grid. To produce more, with less, and better, the European Commission is proposing to double the budget for agricultural research and innovation, including a new type of innovation partnership. These funds will support research projects relevant to farmers and rural life, bridging the gap between the research laboratory and the farmer's field.



Climate change – Possible impacts on EU agriculture



Source: DG Agriculture and Rural Development, based on EEA reports, JRC and MS academic studies.

Cartography: DG AGRI GIS-Team 09/2007
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Climatic zones in Europe

West and Atlantic Areas

- ▲ Floods risk
- ▲ Hotter and drier summers
- ▲ Sea levels
- ▲ Risk crop pests, diseases
- ▲ Crop, forage yields
- ▼ Animal health, welfare

South and South-East regions

- ▼ Water availability
- ▲ Risk drought, heat spells
- ▲ Risk soil erosion
- ▼ Growing season, crop yields
- ▼ Optimal crop areas

Northern Areas

- ▼ Summer rainfall
- ▲ Winter storms, floods
- ▲ Length growing season, yields
- ▲ Suitable farmland
- ▲ Pests, diseases risks

Central Europe

- ▲ Winter rainfall, floods
- ▼ Summer rainfall
- ▲ Risk drought, water stress
- ▲ Soil erosion risk
- ▲ Yields, range of crops

Vibrant **rural life** and **economy**

Farmers have always been an essential part of rural life, making a big contribution to the local economy. Rural development is incorporated into the CAP in 2000. The focus is on the economic, social and cultural development of rural Europe. At stake is the survival of the countryside as a place to live, work and enjoy.



The third CAP generation

Today's generation of farmers combines the roles of farmer, steward of the countryside and entrepreneur. The reforms made farmers more market-oriented. Some of them process food on the farm and sell it locally, boosting the rural economy. Farmers support their communities through rural tourism, new business creation and cultural activities. In the process they help secure the future for coming generations of farmers.

A future for young farmers

Two thirds of EU farmers today are older than 55. The hand-over to the next generation needs to be organised. Otherwise the alternative is stark: rural exodus, a rapidly aging population and not enough young people entering the sector. Conscious of the importance of continuity, the CAP provides training and funding to encourage young people to get involved in farming activities.



Farmers as entrepreneurs

Today's CAP specifically encourages farmers to become entrepreneurs, selling their goods directly to the market and responding to market signals of supply and demand. They are free to decide what to produce on the basis of their own business plan and what they think consumers will buy. They can start new activities, with support from the CAP, such as farm shops, crafts and cultural

activities or projects to renovate villages and rural infrastructure and create local jobs. These need not be directly linked to farming.

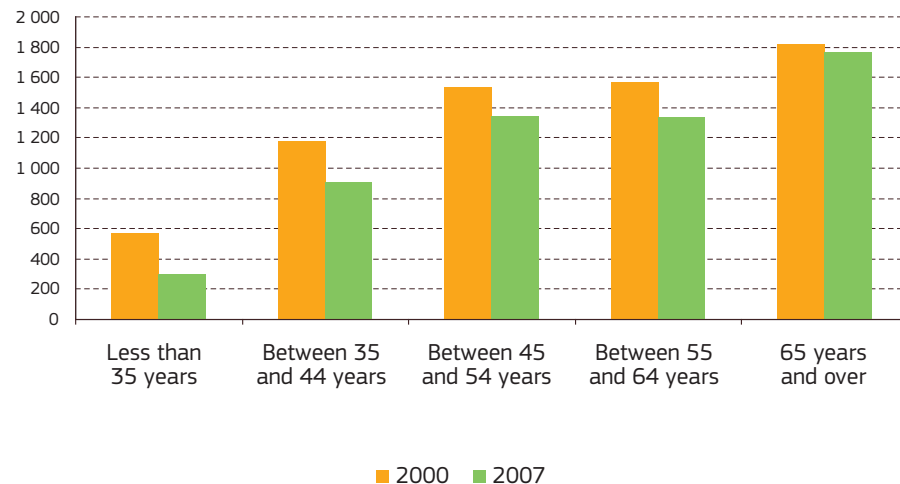
The countryside belongs to everyone: rural tourism

Their huge diversity and sheer beauty make Europe's countryside and landscapes a favorite place for recreation and leisure. Rural holidays allow city folk to reconnect

with lost rural traditions, including a clean environment and fresh food straight from the farm. Many farms offer comfortable family accommodation in renovated barns and a range of activities linked to the farm.

Number of holdings by category of age of the managers in EU-15 – 2000 and 2007

(1000 holdings)





Help for small farmers

Small farmers make up a third of the EU's agricultural population. Although they account for only 3% of its farmed land, they face much of the same red tape as bigger farmers. One aim of the

proposed CAP reform is to simplify administrative and payments procedures for small farmers so that they can do more farming and less paperwork. Farmers represent the first link in the supply chain which puts food on our table. But they are often less well organised

than the food processors and distributors down the line and have less bargaining power. The future CAP is aiming at helping farmers organise into groups so that they can jointly negotiate a bigger share in the final price we pay for their produce.



European diversity

The EU farming population doubled with the entry of 12 new members in 2004-2007. The CAP helps all 27 EU countries to maintain farming activities adapted to their

climatic or geographic situation. Farming conditions range from the near-Arctic in the north, with its short growing period, to the sub-tropical in the south where water is scarce. It can be hard to earn a living in dry, remote or

mountainous regions. The CAP needs to adapt not only to the changing needs of society, but also to the changing face of rural life, allowing all types of agriculture to thrive, including in areas with natural handicaps.



Looking to the future

The CAP is once more undergoing serious reforms. The aim is to make it fit for 2020 and beyond. The key objectives are to have a policy that is greener, fairer and more efficient. European farming needs to increase its competitiveness, both from an economic and ecological point of view.



The Ten-Point CAP Reform Plan Proposed by the European Commission on 12 October 2011

1) Better targeted income support in order to stimulate growth and employment

To better develop the agricultural potential of the EU, the Commission is proposing to support farmers' income in a fairer, better targeted and simpler way. Basic income support will cover only active farmers. It will be degressive from € 150 000 per holding and capped beyond € 300 000, taking into account the number of jobs created. It will also be distributed more equitably between farmers, between regions and between Member States.

2) Tools to address crisis management which are more responsive and better suited to meet new economic challenges

Price volatility is a threat to the long-term competitiveness of the agricultural sector. The Commission is proposing safety nets (intervention and private storage) which are more effective and more responsive for the sectors most exposed and to promote the creation of insurance and mutual funds.

3) A 'Green' payment for preserving long-term productivity and ecosystems

To strengthen the environmental sustainability of agriculture and enhance the efforts of farmers, the Commission is proposing to spend 30% of direct payments specifically for the improved use of natural resources. These measures – crop diversification, maintenance of permanent pasture, the preservation of environmental reservoirs and landscapes – are practical, simple to implement and will have a genuine ecological effect.

4) Additional investment in research and innovation

To produce more, with less, and better, the Commission is proposing to double the budget for agricultural research and innovation, including through a new European Innovation Partnership. These funds, including through a new European

Innovation Partnership, will support research projects relevant to farmers, encourage closer cooperation between scientists and farmers and the quicker transfer of positive results from the laboratory to the field, and provide better information and advice to farmers.

5) A more competitive and balanced food chain

Agriculture plays a vital role as the first step in the food supply chain, but the sector is highly fragmented and unstructured, and its added value is not recognized. To strengthen the position of farmers, the Commission is proposing to support producer organizations, develop inter-professional organizations, and to develop direct sales between producers and consumers. Sugar quotas, which have lost their relevance, will not be extended beyond 2015.

6) Encouraging agri-environmental initiatives

The specificities of each territory should be taken into account and environmental initiatives will be encouraged at national, regional and local level. For this, the Commission is proposing two specific Rural Development policy priorities for restoring, preserving and enhancing ecosystems and for resource efficiency and the fight against climate change.

7) Facilitating the establishment of young farmers

Two thirds of farmers are over 55 years. To help the younger generation to get involved in the agricultural sector, the Commission is proposing to create a new

installation aid available to farmers under forty years old, during the first five years of their project.

8) Stimulating rural employment and entrepreneurship

To promote employment and entrepreneurship, the Commission is proposing a series of measures to stimulate economic activity in rural areas and encourage local development initiatives. For example, a “starter kit” will be created to support micro-enterprise projects with funding up to € 70 000 over five years. The LEADER local action groups will be strengthened.

9) Better addressing fragile areas

To prevent desertification and preserve the richness of our land, the Commission is providing an opportunity for Member States to further help farmers in areas with natural handicaps, with additional support. This is in addition to other aid already available under the rural development policy.

10) A simpler and more efficient CAP

To avoid unnecessary administrative burdens, the Commission is proposing to simplify several administrative mechanisms of the CAP, including the rules of conditionality and control systems, without losing efficiency. Moreover, aid to small farmers will also be simplified. For the latter, a flat rate of € 500 to € 1 000 per farm per year will be created. The sale of land by small farmers who cease agricultural activity to other farms willing to restructure their farms will be encouraged.



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