

Discovering Farming and the EU

The Common Agricultural Policy (CAP)

Farming in Britain is shaped by our membership of the European Union (EU). All the 27 countries that make up the EU have to operate by the same set of rules for farming known as the Common Agricultural Policy. Types of farming vary across the EU, from those in the arctic in Sweden and Finland to those in Greece and Spain where summer droughts can be a problem, so finding a policy which suits farmers everywhere is quite a challenge.

The Common Agricultural Policy was created in 1958 for the first 6 members of the then European Economic Community. The UK joined in 1973. It accounts for almost half of the EU's total budget, but this has been more in the past.

The aims of the CAP have changed over the years as can be seen below:

1958 to 2003

After World War 2 Europe's population was short of food (rationing carried on in Britain until 1954). Agriculture was the biggest industry and had huge political and social influence. By 1958 when the Treaty of Rome was signed creating the then EEC, food supply was no longer such a problem and other industries were flourishing. But memories of food shortages were fresh in the minds of the "fathers of Europe" and farming's voice was still powerful. It was agreed that agriculture could not be treated like any other industry – the Common Agricultural Policy was born.

The main original objectives of the CAP were:

- To increase agricultural productivity
- To ensure a fair standard of living for those employed in the agricultural community.
- To stabilise agricultural markets
- To assure the availability of food supplies
- To ensure that the consumers pay a fair price for their food.

The CAP subsidised food production by EU farmers with direct payments on cattle, sheep and most arable crops. 'Less favoured' areas (uplands in Britain) have received additional support. These are arguably social payments, not for food production but to keep rural populations in the most difficult areas. CAP has also supported and stabilised farmers' prices by taking produce off the market when prices are low and (in theory) putting them back on the market when prices rise. In practice there has been little of the latter leading to the beef and butter 'mountains' and wine lakes and the consequential disposal of surpluses at low prices on world markets. EU prices have been further protected by tariffs on imported foods.

In milk production there is a different system – quotas. Excess production led to the introduction, in 1984, of milk quotas by which farmers are penalised for producing more milk than their quota allows. More recently the quota system was extended to beef and sheep enterprises.

2003 – The Mid Term Review – serious reform!

The 2003 reforms arising from the Mid Term Review have set the framework for the CAP for the next 10 years. The aim is to make farming more competitive on world markets, but also to reward farmers for their work in looking after the landscape and the environment from which we all benefit. Another motivation is that the CAP budget cannot be allowed to increase any further.

The main change is “decoupling”. Each farm business now gets a single annual payment linked to the area they farm and completely separate from the food they produce. This has the aim of encouraging them to be more business-like and to market their produce better. Receiving the Single Farm Payments is conditional on farmers complying with standards of good practice regarding the environment, animal welfare and food safety – called “cross compliance”.

The amount the farmer receives is also “modulated” so that those receiving over €5,000 in payments will have to pay back a percentage which then goes to fund Rural Development Schemes. This percentage increases over the next few years and will effectively reduce Single Farm Payments by 20% by 2010. This hits British farmers harder than any others in Europe as our farms tend to be are larger than those in the rest of Europe and so we will have a lower proportion below the level at which modulation kicks in.

Further information:

www.europa.eu.int Website for all the European Institutions

www.europa.eu.int/comm/agriculture European Commission's Agriculture department

www.cec.org.uk London office of European Commission

www.wto.org World Trade Organisation

www.wto.org/english/tratop_e/agric_e/agric_e.htm WTO agriculture negotiations pages.

Updated by Alan Spedding, 06 September 2007

