

# CAP Legislation and SPA

Area 3 – Social and Economic Aspects

Lesson 10 – Policy and Management

Sequence ID – 32

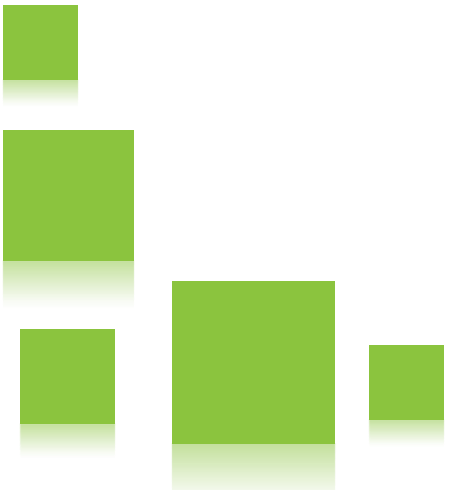
AUTH



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## DISCLAIMER

### A3.L10.T1 CAP Legislation and SPA

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# Agriculture Singularity and CAP

- Agriculture, a sector with singularities that has attracted the attention of policy makers and scholars about the need and the degree of support;
- In scientific literature, the so-called “Farm Problem” refers to the situation where the agricultural sector runs into low and unstable incomes, with low rates of returns on farm resources
- The farm problem, along with many other social and economic issues related to agriculture, called for the formation of agricultural support policies, either in the direction of farm income support or the support of rural areas’ development.
- In 1962, the framework of the European Economic Community lead to the formation of the Common Agricultural Policies (CAP).



# CAP Formation



## The need for a Common Policy for Agriculture in the EU

- The European Economic Community (EEC) with the Treaty of Rome (1957) was set up in 1962 with issues as a Common Market, Market Unity, Community Preference, and Financial Solidarity in mind, the Common Agricultural Policy was established.
- To meet specific challenges of the industries related to the agricultural sector, the need for the formation of a Common Agricultural Policy arose.
- Challenges such as the productivity of the agricultural sector, the standard of living of farmers, the stabilisation of the markets, the availability of food supplies with reasonable prices, and others comprise the initial objectives of CAP, set by article 39 of the Treaty on the Functioning of the European Union.

# Initial CAP Objectives



*Article 39*  
*(ex Article 33 TEC)*

1. The objectives of the common agricultural policy shall be:
  - a) to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, in particular labour;
  - b) thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture;
  - c) to stabilise markets;
  - d) to assure the availability of supplies;
  - e) to ensure that supplies reach consumers at reasonable prices.
2. In working out the common agricultural policy and the special methods for its application, account shall be taken of:
  - a) the particular nature of agricultural activity, which results from the social structure of agriculture and from structural and natural disparities between the various agricultural regions;
  - b) the need to effect the appropriate adjustments by degrees;
  - c) the fact that in the Member States agriculture constitutes a sector closely linked with the economy as a whole.

# CAP Evolution and Major Reforms

Year	Reform Objectives
1957	With the Treaty of Rome, the European Economic Community (EEC) is founded; six countries initially
1962	The launch of CAP
1984	The so-called "food mountains" are a fact; farmers become very productive and produce more food than needed, leading to huge surpluses. Specific measures are introduced to control production and supply to meet market demand.



# CAP Evolution and Major Reforms

Year	Reform Objectives
1992	The MacSharry reform takes place. The CAP shifts from market support to producer support, direct aid payments to farmers are introduced. More environment friendly measures are initiated, and the sustainable development term is introduced.
2000	The Agenda 2000, which is considered as a radical and integrated reform, brings agriculture's competitiveness into focus; alongside food quality, and environment and safety protection. On the other hand, the most important element of Agenda 2000 is the establishment of the Rural Development policy with the initiation of the second pillar, with principles related to the multifunctional character of agriculture, a sectoral integration, flexibility, and transparency.



# CAP evolution and major reforms

Year	Reform Objectives
2003	Decoupled payments are introduced; the 2003 reform cuts the link between subsidies and farm production. The farmers receive a direct income payment with obligations to follow good farming conditions and take care of the environment, animals welfare, and food safety standards. Measures are grouped in three categories regarding Pillar I, Pillar II and public health and food safety.
2013	The latest reform measures are directed to both Pillar I and Pillar II, aiming to reinforce the competitiveness of the sector, to promote sustainable farming and innovation and support development and employment in rural areas.
After 2020	CAP after 2020 aims to have a smarter, contemporary and viable agriculture.

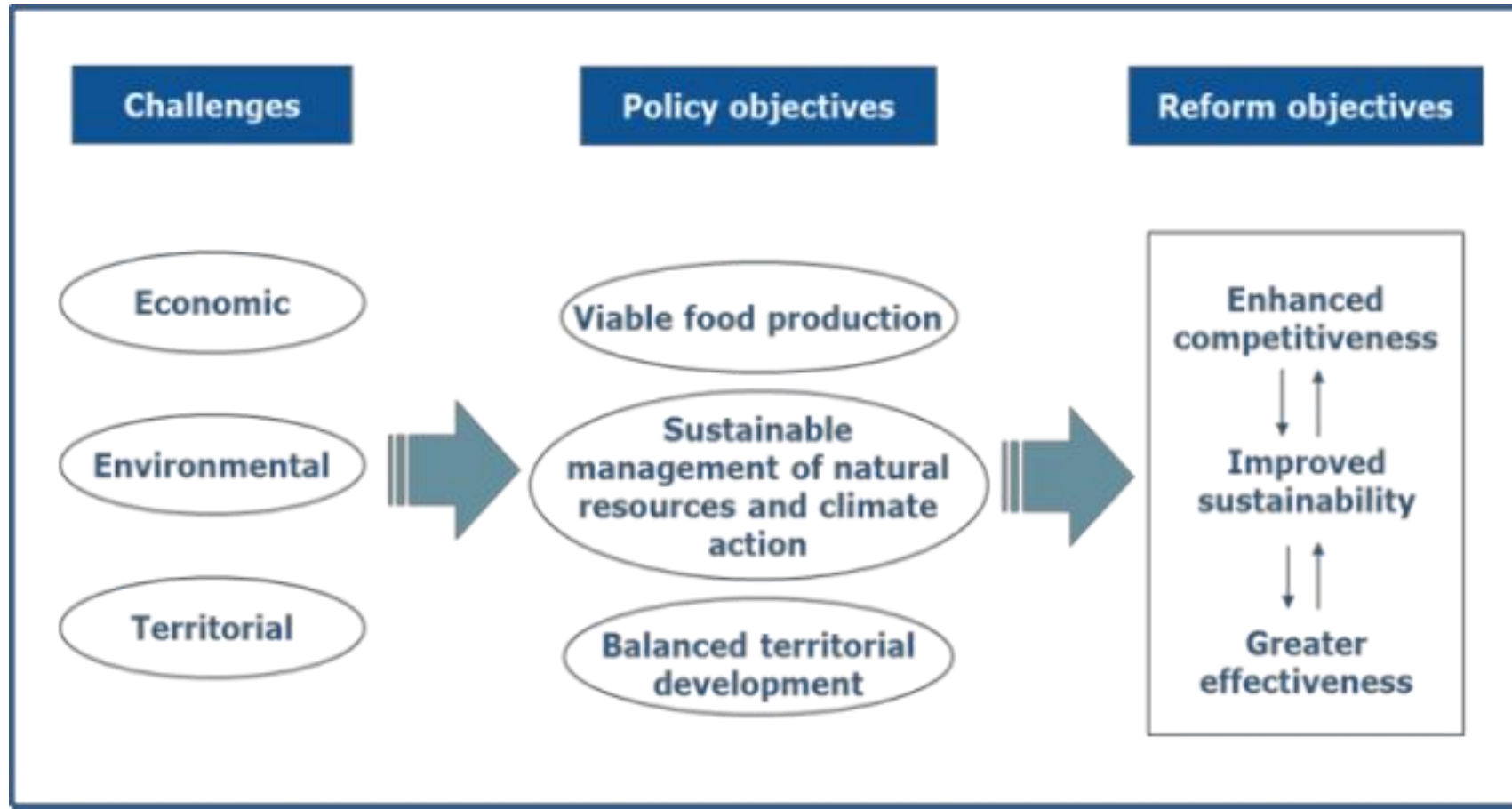
# Historical Development of CAP

## Historical development of the CAP (1962 →)



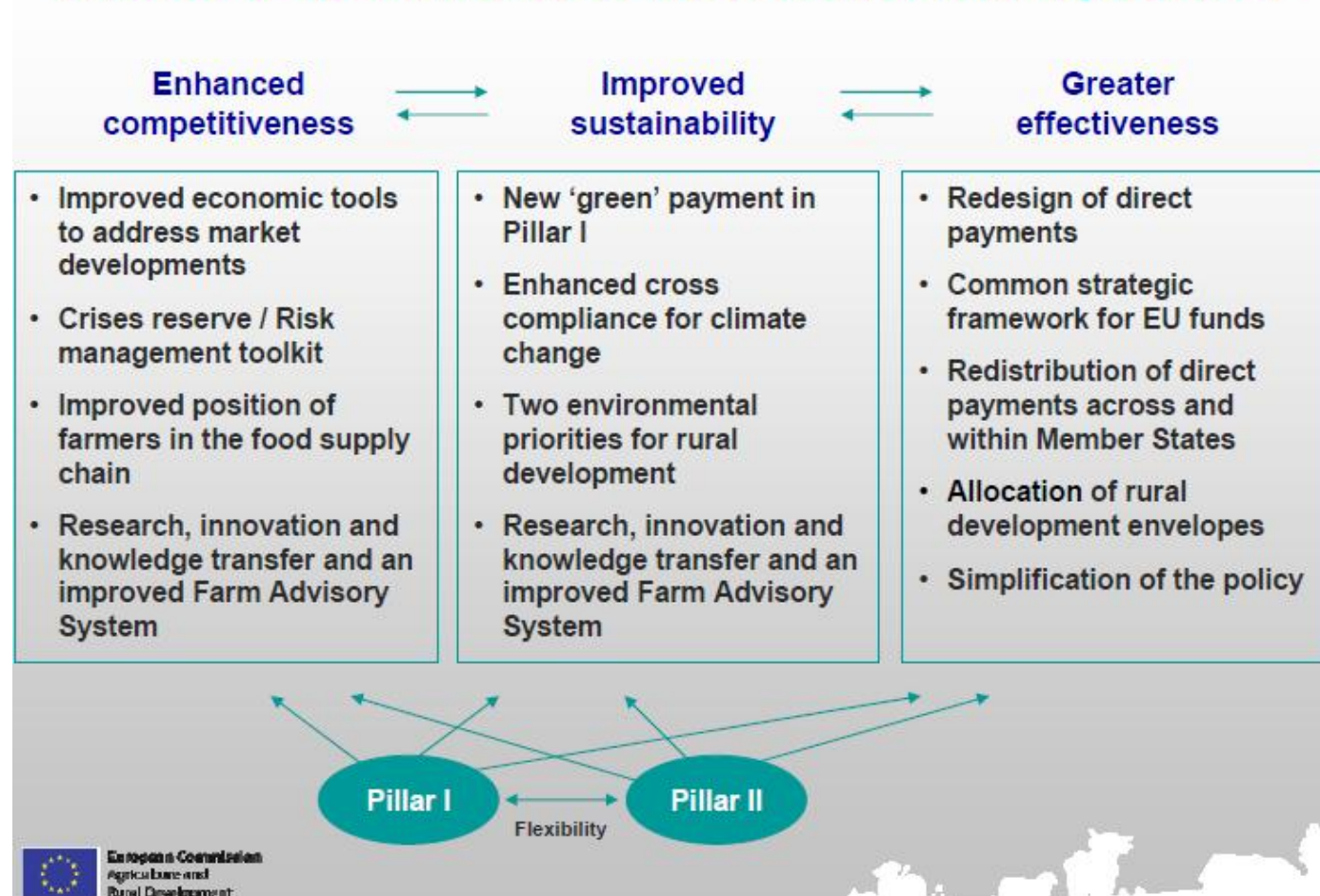
The Early Years (60s)	The Crisis Years (70s/80s)	THE 1992 REFORM	Agenda 2000	CAP REFORM 2003	CAP Health Check 2008	CAP REFORM Post-2013
Price support Productivity improvement Market stabilisation	Over production Exploding expenditure International frictions Supply controls	Price cuts and compensatory payments Surplus reduction Income and budget stabilisation	Deepening the reform process  Rural development	Market orientation Decoupling Cross compliance Consumer concerns Environment Enlargement	Reinforcing 2003 Reform  Dairy quotas	Greening Targeting Redistribution End of production constraints Food chain Research & Innovation

# The CAP 2014-20 challenges and objectives



# Reform objectives and CAP instruments 2014-2020

## What CAP instruments to meet the reform objectives?



# Proposed finance of CAP

Commission proposals on Multi-Annual Financial Framework for 2014-2020



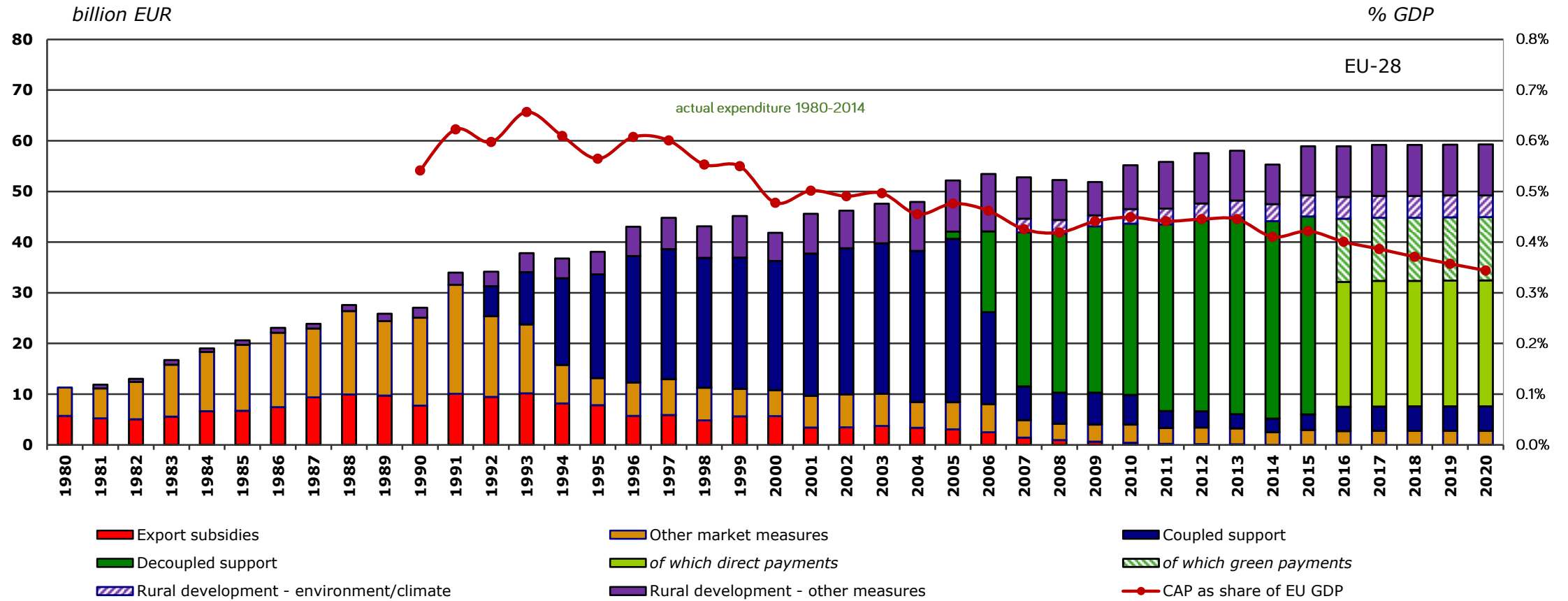
*in billion EUR*

*Current prices*

- Pillar I - Direct payments and market-related expenditure	317.2
- Pillar II - Rural development	101.2
<b>Total Pillar I and II</b>	<b>418.4</b>
- Food safety	2.5
- Most deprived persons	2.8
- Reserve for crises in the agricultural sector	3.9
- European Globalisation Fund	Up to 2.8
- Research and innovation on food security, the bio-economy and sustainable agriculture	5.1
<b>Total additional amounts</b>	<b>Up to 17.1</b>
<b>Total proposed amounts for the period 2014-2020</b>	<b>Up to 435.5</b>

# CAP reforms and CAP budget

1980-2020



# Future CAP (after 2020)



- On June 1<sup>st</sup> 2018, the European Commission presented legislative proposals for the CAP beyond 2020.
- The proposals aim to make the CAP more responsive to current and future challenges such as climate change, while continuing to support European farmers for a sustainable and competitive agricultural sector.



# Future CAP (after 2020)

Based on 9 objectives, the future CAP will continue to ensure access to high-quality food and strong support for the unique European farming model.





# CAP and Precision Agriculture



- Since its establishment, the CAP went through many reforms in order to meet various challenges.
- Amid the era of digitalization, CAP objectives should focus on smart and precision technologies to address current global challenges related to: sustainable and efficient agricultural production, population growth, climate change and environment degradation, demand for energy, resource shortages, dietary changes and food safety, abandonment of rural areas in developed countries, increased competition on world markets, etc.
- PA has many potentials to develop and address many of the new challenges with “smart” policy measures through the CAP.



## Further Reading

- ❖ [https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/cap-glance\\_en](https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/cap-glance_en)
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