

## THE EUROPEAN UNION 'S COMMON AGRICULTURAL POLICY AFTER 2020

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*Abstract: The Common Agricultural Policy (CAP) is a set of principles, means and methods of action by which the general objectives of the state in the field of agriculture are achieved. The Common Agricultural Policy has undergone several reform processes during its evolution, most recently in 2003, 2009 and the 2014-2020 financial framework in 2013, followed by the post-2020 period. In this paper, the authors analyse basic statistical data in several areas related to the European Union's common agricultural policy after 2020, namely: CAP financing (CAP budget 2021-2027) and CAP expenditure are broken down by EU Member State. At the end of the paper, the authors present the main conclusions of their analysis.*

**Key words:** *Common Agricultural Policy, European Union, Romania*

### INTRODUCTION

The Common Agricultural Policy (CAP) has shaped the daily lives of millions of European farmers since its birth in 1962 [13].

With the signing of the Treaty of Rome in 1957, the Common Market and the free movement of goods and people were established within the six founding Member States (France, Germany, Italy, Belgium, the Netherlands and Luxembourg), which is 1952 set up the ECSC (Economic Community of Coal and Steel). Thus the six Member States decided to integrate agriculture into the Common Market, with **1962-1992 being the period of stimulated production** [4].

Since its creation, the CAP has contributed continuously to the development of the European Community, as it has made it possible to integrate a key sector, previously dominated by widely divergent national policies, into the European economy as a whole. [5] The European Union's Common Agricultural Policy has evolved and reformed over time to adapt to the markets, with five major reforms summarised:

**1. The 1992 Reform or the Great Change.** The CAP achieved its objectives, guaranteeing the security of food supply, then started to produce more and more surpluses, and a radical change in the CAP was needed because a vicious chain of overproduction was created: farmers got more money if they produced more, the (European) state gave them more money to produce more [15]. Thus, the system of price protection was replaced by a system of compensatory income support. Large falls in guaranteed prices for major crops were fully compensated by direct payments per hectare, and the fall in beef prices was compensated by premiums per head [6,7].

**2. Agenda 2000, a new stage complementing the 1992 reform,** which strengthened the agri-environment measure of rural development, laying the foundations for the "second pillar of the CAP"; budgetary stabilisation through a strict financial framework established for the period **2000-2006** [3].

**3. The 2003 reform** aimed at moving towards a **Common Agricultural Policy based on decoupled aid and the introduction of the Single Area Payment Scheme**, independent of production. CAP principles and mechanisms introduced in 2003: decoupling of aid in relation to the volume produced ("single farm payment"); cross-compliance - single payments are conditional on compliance with environmental and

public health criteria; compatibility with World Trade Organisation rules, insofar as the final objective of decoupling aid is to include the single payment scheme in the "green box"); public redistribution of payment entitlements granted to farms according to historical references, using two mechanisms: **modulation** and **possible application of a regional decoupling model**; financial discipline, (the budget of the first pillar of the CAP was frozen and mandatory annual ceilings were imposed); in 2007, **the Single Common Market Organisation (single CMO) was established** [1].

**4. The 2009 "Health Check"** reviewed a wide range of measures implemented as a result of the 2003 CAP reform: strengthening full decoupling of support by phasing out the last coupled payments and integrating them into the single farm payment scheme; partially redirecting funds from Pillar I to Pillar II - rural development by increasing the rate of modulation of direct aid; ensuring flexibility of public intervention and supply control rules so as not to prevent farmers from reacting to market signals [2].

**5. The 2013 reform aimed at a more comprehensive and integrated approach to the CAP, such as:** transforming decoupled support into a multifunctional support system; strengthening the two pillars of the CAP; reinforcing the single CMO instruments as a protective measure, to be used only in case of price crisis and market disruption; a more integrated approach with clearer and regionally focused objectives for rural development [10].

These successive reforms of the Common Agricultural Policy have allowed the adaptation of some of the mechanisms used to achieve the objectives that were set out in the Treaty. The CAP reforms have mainly aimed at simplifying the way subsidies are granted, making them more efficient and reducing budgetary costs, moving from an agricultural policy that initially provided support for the development of production (coupled production payments), to a policy geared to market requirements, focusing on quality, environmental and food safety parameters (decoupled production payments), with an emphasis on the efficient and sustainable use of resources [14].

## MATERIALS AND METHODS

The research methods and scientific tools used in the elaboration of the work are varied and appropriate to the field under investigation, their alternation being subordinated to the objectives pursued by the authors in one approach or another. The main method used is content analysis. The work begins with a study carried out through scientific documentation and goes through several stages: information on sources, data collection, study of documentary sources, their processing and grouping, their evaluation and in-depth study to achieve the objective of knowledge of the field studied.

## RESEARCH RESULTS

The Common Agricultural Policy is still built on the two basic pillars: Common Market Organisations (common measures to regulate the functioning of agricultural product markets) and Rural Development - structural measures aimed at the balanced development of rural areas.

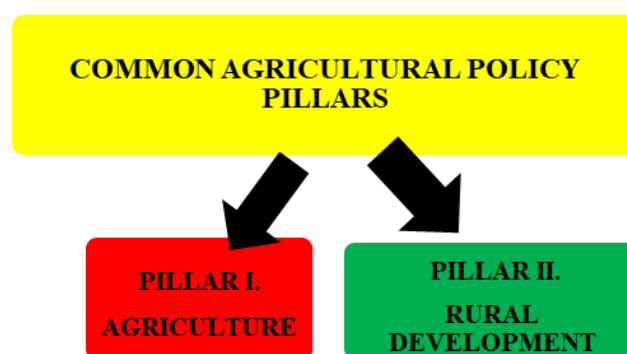


Figure 1. Pillars of the Common Agricultural Policy

After 2020 and in the future, the EU's agricultural policy must be able to meet the challenges ahead for rural communities and agriculture in particular.

The new CAP provisions will encourage and help the use of the latest current and modern technologies and innovations. **There will be a greater emphasis on the environment and climate**, and more controls will be required to ensure that farmers and EU member states meet their obligations [12].

The main elements of the new CAP are: a simplified and modernised policy; a better rebalancing of responsibilities between the EU Member States and Brussels; targeting support on performance and outcome; fairer distribution of direct payments and better climate and environmental outcomes.

The European institutions have started the process of reforming the CAP after 2020, setting out legislative proposals for the Common Agricultural Policy post-2020, as well as the proposal for the Multiannual Financial Framework 2021-2027, which was then adopted in December 2020.

Table 1.

EU-27 CAP budget

Commitment appropriations billion EURO in current prices)	Multiannual Financial Framework 2021-2027 (MFF) adopted on 17.12.2020	% (B)
1) PILLAR 1 OF THE CAP Direct payments (DP) and measures in agricultural markets	258.6	76.8 %
2) PILLAR 2 OF THE CAP 2. a) Rural Development Measures (RD) in the MFF	77.8	23.2 %
2. b) Additional rural development measures under the NGEU (Temporary Recovery Instrument)	7.5	-
3) TOTAL CAP 2021-2027 EU – 27 [1) + 2a)]	336.4	100 %
4) TOTAL EU COMMITMENT APPROPRIATIONS (EU budget)	1 074.3	-
5) % CAP in EU Budget [3) / 4)]	31.3 %	-
6) TOTAL CAP: MFF 2021-2027 +NGEU 2021-2022 [1) + 2.a) + 2.b)]	343.9	-
7) MFF 2021-2027 + NGEU 2021-2022 (Total EU Budget)	1418.2	-
8) % Total CAP in Total EU Budget [6 / 7]	24.2 %	-

Source: own processing after <https://www.europarl.europa.eu/factsheets/ro/sheet/104/politica-agricola-comuna-in-cifre> [8]

The share of agricultural expenditure in the EU budget has been steadily decreasing for several years. While the CAP accounted for 66% of the EU budget at the beginning of the 1980s, expenditure on this policy amounted to only 37.8% in the

period 2014-2020 and will account for only **31.3% in the period 2021-2027, i.e. €336.4 billion** (in current prices). **CAP rural development measures** will benefit from the additional resources of the Next Generation EU (NGEU) programme to finance economic and social recovery from the COVID-19 crisis (**€7.5 billion**). Total CAP commitments for 2021-2027 are set at €343.9 billion.

The first pillar retains its supremacy in the period 2021-2027 - the European Agricultural Guarantee Fund (EAGF), with allocations of EUR 258.6 billion, which represents 76.8% of the CAP, albeit reduced by 10% compared to 2014-2020, while the biggest loss is for rural development, the European Agricultural Fund for Rural Development (EAFRD), with allocations of EUR 77.8 billion, down 19% compared to 2014-2020.

**Table 2.**

**CAP expenditure by Member State, EU-28, 2019**

million EUR

Breakdown by Member State - Direct aids/markets and other measures 2018 / rural development 2019				
Member State	a. Direct aid (first pillar - EAGF)	b. Total (first pillar - EAGF) including (a.)	c. Total EAFRD (second pillar)	(b+c) % of EU total
Belgium	488.3	553.9	78.9	1.1%
Bulgaria	785.3	805.4	308.6	2.0%
Croatia	278.85	288.2	299.6	1.0%
Czech Republic	854.3	875.3	393.8	2.3%
Denmark	822.3	833.3	101.1	1.7%
Germany	4 794.3	4 910	1 273.6	11.2%
Estonia	133	134.2	124.9	0.4%
Greece	1 982.3	2 038.7	411.4	4.4%
Spain	5 101.4	5 690.7	1 165.6	12.4%
France	6 935	7 480.3	2 063.5	17.3%
Ireland	1 200.4	1 198.2	324.0	2.7%
Italy	3 633.6	4 273	1 449.1	10.4%
Cyprus	48.5	55.1	20.9	0.1%
Latvia	252.6	254.0	206.5	0.8%
Lithuania	468.9	469.3	181.2	1.1%
Luxemburg	32.9	33.4	14.4	0.1%
Hungary	1 265.2	1 303	511.3	3.3%
Malta	5.1	5.7	19.4	0.0%
Netherlands	679.5	703.8	90.4	1.4%
Austria	691.1	716.4	538.1	2.2%
Poland	3 387.3	3 415.6	1 092.2	8.1%
Portugal	671.3	775.1	523	2.3%
Romania	1 847.4	1 889.8	967	5.2%
Slovenia	134.7	142.1	120.1	0.5%
Slovakia	445.1	456.3	209.3	1.2%
Finland	523.1	528.4	351.1	1.6%
Sweden	687.5	709.2	226.3	1.7%
M. Great Britain	3 186.2	3 228.7	773.9	7.2%
EU-27 (without the UK)	38 149.4	40 733.7	13 066.1	—
EU-28	41 335.6	43 962.4	13 840	100.0

Source: own processing after: <https://www.europarl.europa.eu/factsheets/ro/sheet/104/politica-agricola-comuna-in-cifre /8/>

At the heart of the reform is the CAP's result-oriented and subsidiarity-driven delivery model, giving the Member States a much greater role in delivering agricultural interventions. In future, the European Union should set the key parameters (CAP

objectives, basic requirements, main types of intervention in the first and second pillar), while the Member States should design the multi-annual strategic plans to achieve the agreed specific and quantitative objectives.

For the period 2021-2027, the Common Agricultural Policy (CAP) initially focused on nine main objectives. These focused on social, economic and environmental issues and served as the basis for the CAP strategic plans of EU countries [11].

GENERAL OBJECTIVES		
PROMOTING A RESILIENT AGRICULTURAL SECTOR	ENVIRONMENTAL AND CLIMATE SUPPORT	STRENGTHENING RURAL NETWORKS
SPECIFIC OBJECTIVES		
Economic	Environment & climate	Social
<ul style="list-style-type: none"> <li>Ensuring a fair income</li> <li>Increasing competitiveness</li> <li>Rebalancing power in food chains</li> </ul>	<ul style="list-style-type: none"> <li>Action on climate change</li> <li>Caring for the environment</li> <li>Landscapes and biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>Generational renewal</li> <li>Vibrant rural areas</li> <li>Food and health quality</li> </ul>
CROSS-CUTTING OBJECTIVES		
Sustainability	Modernisation	Simplification

Figure 2. The new architecture of the CAP objectives 2021-2027

The CAP for the period 2023-2027 focuses on ten objectives (one objective has been added to the nine), reflecting its functionality on several levels: economic, environmental and socio-territorial.



Figure 3. Common objectives of the CAP, 2023-2027

Source: [https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/new-cap-2023-27/key-policy-objectives-new-cap\\_ro\[9\]](https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/new-cap-2023-27/key-policy-objectives-new-cap_ro[9])

It would maintain its two pillars and two agricultural funds to support national programmes according to a set of measures chosen based on an integrated approach. In any case, direct payments would remain the priority element of the new CAP. In addition to the new governance of the CAP, the other important points of the reform proposal are as follows:

As regards the first pillar, the redistribution of direct support gets a new impetus: the Commission has proposed a reduction of payments from €60,000 and a compulsory ceiling for amounts above €100,000 per farm. In addition, sectoral intervention programmes are transferred from the Common Market Organisation (CMO) to the new National Strategic Plans;

The new environmental architecture is much more flexible in its design and management, which is entrusted to national authorities. It would have three aspects: the new cross-compliance (compulsory but more flexible in detail); the environmental and climate programmes (to be funded by the EAGF and replace the existing green payment) and the agri-environment and climate measures (funded by the EAFRD);

Concerning the second pillar: EAFRD is no longer a structural fund in the common cohesion policy framework; the co-financing rate is reduced by 10 percentage points; the Commission concentrates interventions in the interest of simplification; finally, the rules of the Leader programme fall within the scope of cohesion policy, even though its funding is provided from the agricultural budget.

## CONCLUSIONS

**The EU's future CAP will put more emphasis on supporting small and medium-sized family farms**, and in particular on encouraging young farmers to move into farming.

Farmers already play a particularly important role in protecting the environment and preserving landscapes, fighting climate change, and protecting biodiversity. Farmers will be helped to go beyond the mandatory requirements of their agri-environment and/or climate commitments. All direct payments are conditional on environmental and climate improvements.

In line with the EU's ambitious environmental and climate objectives, the mandatory requirements farmers have to respect will be further strengthened.

All member countries will develop ecosystems to support and/or encourage farmers to follow climate and environmentally beneficial farming practices.

Knowledge and innovation for a smart and sustainable agricultural sector are of paramount importance. The agricultural policy of the future encourages both. To this end, **a specific budget of €10 billion from the *Horizon Europe programme*** will be set aside for research and innovation in food, agriculture, bio-economy and rural development.

**Encouraging the digitisation of rural life**, on farms (e.g. through precision farming techniques) and in wider communities (**through improved connectivity**).

This will include working towards the implementation of an EU-wide platform for risk management to help farmers run their businesses.

**The EU CAP for 2021-2027 will be a fairer, greener and more performance-based policy.**

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