PART V

Sectoral policies
THE COMMON AGRICULTURAL POLICY

Common dynamics of policy change in an uncommon policy domain

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Introduction

Agriculture is one of the first fully integrated policy domains in the European Union (EU). The Common Agricultural Policy (CAP) is a significant field of study, both in practical and scientific terms. It is of practical and empirical importance if only due to the sheer size of its budget, which is still over 40 per cent of the overall EU budget. Scientifically, the study of the CAP – from its foundations and its reforms through time to the interactions with non-agricultural issues – has made significant contributions to the debate on the dynamics of EU policy change.

The chapter is structured as follows. The first section will describe how the CAP works and how the policy has changed during its fifty-year existence, while the second section will introduce the key actors involved in the policy process and their interests and explain why CAP reform tends to be difficult to achieve. In the third section, we will engage with the scientific debate on policy change in the CAP. This includes a critical discussion on the concept of (paradigmatic) policy change and an explanation of the factors which are considered decisive in facilitating reform. The fourth section focuses on important questions that remain and which the scientific literature so far has not, or only partially, engaged with. In the final section we will discuss the challenges the CAP is currently facing and how these are likely to affect future policies and debates, as well as the continued importance of the CAP in the EU.

The CAP: 1962–present

The aims of the CAP are enshrined in Article 39 of the Treaty on the European Economic Community (1957) and remain unchanged in Article 39 of the Treaty on the Functioning of the European Union (TFEU) (see Box 22.1). Although the official objectives remain unaltered, not all objectives have received a similar emphasis in actual policies throughout the existence of the CAP.
Box 22.1 The objectives of the CAP (Art. 39 TFEU, ex Art. 33 TEC)

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 ensure the availability of supplies;
e to ensure that supplies reach consumers at reasonable prices.

Three main principles underpinned the CAP: market unity, community preference and financial solidarity. A common market was established for agricultural products: these products could flow freely within EU borders. Farmers received guaranteed prices for their products – at a level that was relatively high in comparison to prices on the world market – to secure their income. If supply and demand resulted in downward pressure in agricultural prices, intervention agencies would intervene and buy up surplus production in order to stabilise the internal price. This surplus production was either released on the European market at a later date or sold on the world market at world market prices (which were usually lower than the guaranteed prices in the EU). Producers and traders were compensated for these lower prices by means of export refunds (also known as export subsidies). In order to secure so-called community preference, a system of variable levies was put in place to tax imports from third countries. The rate of these levies was such that no products entered the EU market at a price below the internal price, securing the competitiveness of European farmers on the EU market and thus ‘community preference’. Finally, the principle of financial solidarity stipulated that agricultural support was financed from a common EU budget instead of national budgets. This ensured that similar rules applied to all farmers and it discouraged preferential treatment by member states for their domestic agricultural sectors.

The three underlying principles of the CAP particularly contributed to the first, second and fourth of the CAP objectives: high guaranteed prices stimulated modernisation and production (thereby, securing farm income). However, these principles also resulted in surpluses, increasing the cost of maintaining the CAP and causing conflict with external trading partners. Therefore, new policy instruments were developed in the 1980s – production controls (quota) and ‘stabilisers’ – to balance supply and demand. The 1992 MacSharry reform introduced another new policy instrument: direct income payments. Guaranteed prices were cut and farmers were given direct income payments. The 1992 reform thus started a shift in focus from price and market intervention (eventually paid for by consumers through high prices for agricultural produce) to direct income support (paid directly from the EU budget). These payments became an increasing share of farmers’ incomes compared to income gained from selling their produce on the agricultural market. The shift was developed further in the Agenda 2000 (1999) and Fischler (2003) reforms, by increasingly decoupling the direct income support from farmers’ production (capacity), thus making CAP support less market-distorting. These reforms fit with the European Commission’s goals of a more market-oriented agricultural policy.
Meanwhile, new themes were integrated in the CAP. The Agenda 2000 reform separated the CAP in two pillars: one for the existing market and income support and one new pillar for policy objectives focusing on ‘rural development’. The second pillar, amongst others, contained the so-called agri-environmental measures (introduced as an accompanying measure in the 1992 reform), which enabled member states to enhance environmentally friendly farming. ‘Cross-compliance’ further allowed member states to make direct income payments conditional on meeting environmental criteria. Thereby Agenda 2000 contributed to integrating environmental considerations in the CAP. The Fischler reform continued this process by making cross-compliance compulsory and introducing ‘modulation’, which enabled member states to shift funds from market and income support (pillar 1) to rural development (pillar 2). The CAP Health Check in 2008 increased the rate of compulsory modulation. Nevertheless, the overall budget for the second pillar remained relatively small compared to the budget for the first pillar. The most recent CAP reform of 2013 sought to ‘green’ the first pillar by introducing three greening measures going beyond the cross-compliance criteria: farmers must meet these measures in order to get 30 per cent of the direct payments.

Over the fifty years of its existence, the CAP has thus witnessed a shift in emphasis on price and market intervention to direct income payments, which are increasingly conditional on meeting environmental criteria. The reforms over the last twenty-five years have also made the CAP increasingly complex, causing member states and implementing agencies to lament the ‘red tape’ involved in administering the policy. Over time, market intervention mechanisms decreased in importance and are now considered ‘safety nets’ to be used in exceptional circumstances. These reforms have certainly made the CAP more market-oriented, but it is important to note that the agricultural sector remains a sector in which governments still intervene to a relatively large degree, albeit by means of different policy instruments.

The main actors and the (new) rules of the game

As in most other areas where the EU has strong competence, the Commission plays a key role in proposing new legislation. In the case of the CAP this often means taking the initiative for reform. While the Commission had a reputation of being closer to farm interests as compared to other interests (Cunha & Swinbank, 2011) and was kept on a short leash by the Council of Ministers (Roederer-Rynning, 2015, p. 203), the Commission has started placing changes on the political agenda since the late 1970s.

During the latest CAP reform, the Commission launched a broad public debate on the future of the CAP, which reflected its increasing concern for a broader legitimation of the CAP and the need to consider a broader range of interests in relation to agriculture. This broader focus is also reflected in the involvement of other Directorates Generals (DGs) in the policy formulation stage. While the lead in the Commission is still taken by DG Agriculture and Rural Development, other parts of the Commission gained a say over the CAP. Where in the past, DGs Health and Trade played an important role in the policy formulation stage, it is argued that during the most recent 2013 CAP reform, DGs Environment, Climate Action and Competition played an important role (Knops & Swinnen, 2014).

The Commission also plays a role in facilitating agreement within and between the different institutions, which was reflected, for instance, in former Commissioner Cioloş’s (according to many NGOs too) pragmatic position on the latest CAP reform, making clear that changes to the CAP could not be too radical because of vested interests (Zwaan & Alons, 2015, p. 169). In the past, Commission proposals for reform have often been weakened by the Council. Net-beneficiaries of the CAP have been strong supporters of the existing system and acted as
guardians of the status quo. Even today, the electoral weight of farmers remains significant in several member states and there are often close relationships between producers and agricultural decision makers. And while several member states are in favour of reducing the overall CAP budget and reforming it more radically, all of the member states seek their fair share in the end.

For a long time, the European Parliament (EP) could only play a limited role in the policy making process. Under the consultation procedure, it had to rely largely on informal means to influence policy outcomes (Garzon, 2006). The Treaty of Lisbon, however, extended the co-decision procedure to the CAP, as well as to its budget. As a result, the EP is now placed on equal footing with the Council in taking decisions on CAP reforms and its annual budget.

The new rules led to various expectations about changes in the position of the EP and in particular its Committee on Agriculture and Rural Development (COMAGRI). The latter is known for its conservative stance and representation of farm interests. There were hopes that co-decision would strengthen the potential for CAP reform by bringing in other interests in the COMAGRI as well as worries that maintaining the status quo would be given legitimacy as a result of the EP’s involvement (see Knops & Swinnen, 2014, for a discussion on the new rules). One analysis of the impact of the new co-decision rules revealed that COMAGRI’s agenda has so far not significantly changed and that the plenary largely followed COMAGRI’s position (Knops & Swinnen, 2014). The plenary did introduce some changes, however, which allowed for bringing the position of the EP closer to that of the Commission and allowed for various significant changes to the CAP (Zwaan & Alons, 2015, p. 172).

The latest CAP reform has shown that the EP has seized power over the CAP at the expense of the Council and Commission. More than half of the amendments proposed by the EP on the most sensitive issues of the latest CAP reform were accepted (Knops & Swinnen, 2014). It is too early to tell in what way the EP exactly affects the inter-institutional balance between the Commission, Council and Parliament. The latest reform showed that depending on the specific issue, the EP worked either with the Council or the Commission, with important roles being played by individual actors, such as the Irish Presidency (Knops & Swinnen, 2014). Moreover, an important role was played by the European Council during the latest CAP reform, as it linked several CAP issues to the Multi-Annual Financial Framework (MFF), which was negotiated simultaneously.

The new role of the EP does lead to questions about the special status of agriculture in EU policy making. For a long time, agricultural policy was made in relative isolation from other sectors in both the Commission and the Council. Over the last decade, the closed policy networks, with much involvement of farmer interest groups were opened up and agricultural policy making was no longer, automatically, shielded from other interests. Whereas there were hopes that the EP co-decision would lead to a broader range of interest groups to mobilise themselves, this happened only to a very limited extent. So, for example, environmental organisations were unable to influence the discussion on the CAP via the EP.

The CAP as a case of policy change

The debate on policy change in the CAP

Since the CAP was founded such a long time ago and has evolved over time, with reforms taking place on average every five years since the 1980s, it is an outstanding case for studying policy change within the EU. A wealth of literature is therefore available conceptualising and explaining policy change in the CAP.
Hall (1993) introduced an oft-applied conceptualisation of policy change, distinguishing between three orders of change: a) a change in policy settings; b) a change in policy instruments; and c) a shift in underlying policy goals. Only in the case of a shift in underlying policy goals does Hall conceive policy change as ‘paradigmatic’: the policy shifting from one policy paradigm to another.

The concept of policy paradigms is also applied to the CAP. Generally speaking, three paradigms are distinguished with respect to the goals of agricultural policy. The dependent agriculture paradigm emphasises that the price mechanism is a suboptimal means of achieving an efficient and productive agricultural sector and that farmers therefore warrant special treatment since farming is a unique and hazardous enterprise (Coleman, 1998; Daugbjerg & Swinbank, 2009). The competitive market paradigm takes issue with the assumed ‘specialness’ of the agricultural sector and argues that market forces should take precedence over state intervention. Finally, the multifunctional agriculture paradigm focuses on the multiple environmental and social functions of farming for which farmers are not rewarded by the market. The granting of public money to farmers can be justified to safeguard the multiple functions the agricultural sector provides (Coleman, Grant & Josling, 2004).

Although authors agree that until the 1980s the dependent agriculture paradigm was dominant in the EU and legitimated an interventionist CAP based on price support and export subsidies, there is debate as to whether or not the 1992 MacSharry reform signalled the rise of the multifunctional paradigm in the CAP and constituted a true break with the dependent agriculture paradigm (Daugbjerg & Swinbank, 2009; Garzon, 2006). While the European Commission has increasingly applied a neoliberal discourse in its reform efforts over the last decade, matching a competitive paradigm, this change in words does not coincide with the policy content, which is in line with the multifunctional paradigm. The food price hikes and current concerns for food security have even resulted, more recently, in a renewed recourse to a productivist dependent agriculture discourse (Alons & Zwaan, 2016; Erjavec & Erjavec, 2015).

The use of the concept of ‘paradigmatic change’ caused scholars to criticise its usefulness in relation to the CAP, both with regard to gauging the extent and content of policy change and to explaining policy change. Instead Kay and Ackrill (2010) developed a more fine-grained conceptualisation of different types of policy change – defining three different levels of policy ends and policy means – that allows for a better tracking of (more subtle) changes in the CAP through time. Clearly, the development of the CAP does not show single moments of paradigmatic change but is rather characterised by incremental change, with a number of reforms together establishing the type of change that could possibly be considered paradigmatic (Garzon, 2006). As a case of incremental policy change, the CAP has been very instrumental in developing a more historical institutionalist perspective on EU policy change, specifying the factors and conditions that lead to processes of path-dependency, as well as processes of layering and conversion, which may lead to different forms of policy change (Daugbjerg, 2003; Kay, 2003; Daugbjerg & Swinbank, 2015).

Factors enabling CAP reform

Besides specific decision-making procedures, there are five factors or issues that – separately or combined – have contributed to CAP reform in the last few decades: budget, trade, environment, enlargement and red tape. We will discuss each of these issues in turn and explain how they affected the preferences and interests of the actors involved in the policy making process and what type of reform they elicited.
Budget

Budgetary considerations have been a constant instigator of CAP reform since the 1980s. Originally as a consequence of the cost entailed with production surpluses, but later also due to the debate on the appropriate CAP spending as a share of total EU spending. The European Commission has been the main instigator of reform underpinned by budgetary considerations, supported by member states who are ‘net-contributors’ to the EU budget.

More recently, the financial and economic crisis has strongly affected the debate on the EU’s MFF and resulted in budget cuts (in real terms) for agriculture. In the last two decades reforms have not so much introduced new instruments specifically aimed at stabilising the budget, but budgetary considerations have mainly resulted in ceilings being installed with respect to different parts of CAP spending. Reforms specifically related to budgetary considerations are the milk quota introduced in 1984 and the ‘stabilisers’ of 1989. While the decrease in intervention prices and introduction of direct income payments in the MacSharry reform of 1992 did not alleviate budgetary constraints directly, the assumption was that the income payments would be reduced in due course and ultimately save on CAP spending. The shift in policy instruments from price support to direct income support made the spending on support more transparent and visible. As a consequence, consumer and taxpayer interests increasingly are an issue in the political debate in which ‘getting value for money’ is part of the discourse of reform proponents.

Trade

The selling of EU agricultural produce on the world market, supported by export subsidies, caused tensions with the EU’s trading partners, particularly the United States. These opponents argued that the EU was ‘dumping’ its surpluses on the world market, to the detriment of producers who had to compete without having recourse to export subsidies (Davis, 2003). The first time such trade-related issues were a genuine instigator of CAP reform was during the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) negotiations between 1986 and 1993. The United States had insisted on including agriculture in this negotiating round and wanted a phase-out of all trade-distorting agricultural policies. By 1990 it was clear that the issue of agriculture was blocking progress in these negotiations, for which the EU was blamed by its negotiating partners. This instigated the European Commission to propose CAP reforms, resulting in the MacSharry reform of 1992.

The main component of this reform, the introduction of direct income payments in exchange for a substantial decrease in support prices, was directly related to the trade debate, because this support instrument was considered non-trade distorting and was therefore not subject to reductions. Subsequent reforms in 1999 and 2003 focused on further decoupling the direct income support from production, in anticipation of stricter trade rules to be negotiated in the Doha Round of the World Trade Organization (WTO) launched in 2001. While the Doha Round is currently blocked at the time of this writing, the EU is now involved in bilateral trade negotiations – such as those with the United States on a Transatlantic Trade and Investment Partnership (TTIP). Josling (2015) convincingly argues that TTIP negotiations did not have an impact on the 2013 reform, because the main agriculture-related issues in TTIP – regulatory issues focusing on food safety and plant hygiene and Geographical Indications (related to the use of place names for food products) – were not an issue in the 2013 reform. If agreement is reached on these issues in TTIP, however, they will subsequently impact the related EU policies. Nevertheless, with the surge in societal opposition to TTIP in the EU and the election of Donald Trump as President in the US, the future of the TTIP negotiations has become very uncertain.
Environment

The environmental degradation caused by intensive agriculture became an issue in the debate on the CAP in the 1980s. Since then, environmental considerations have played an increasing role in the discourse of policy makers aiming for CAP reform, with an increasing emphasis on the impact of agriculture on climate change. This brought new actors to the fore in the debate on agricultural policy, ranging from environmental groups to consumers and citizens favouring environmentally friendly produced products. The Commission has now included such actors in their consultation processes before tabling reform proposals. Whether this development has resulted in a high degree of genuine environmental policy integration in the CAP, however, remains an issue of debate.

That environmental concerns affected certain aspects of the CAP is clear though: they resulted in voluntary agri-environmental measures in 1992, the introduction of the ‘rural development’ pillar in 1999 and the cross-compliance requirement. Also, increasingly, a ‘multi-functionality’ discourse (later a ‘public goods’ discourse) has developed among policy makers since the 1990s, emphasising the environmental role of farming. Both scientists and environmental groups have claimed, though, that such arguments are merely used as rhetoric to legitimate support to farmers (Hart, 2015).

Enlargement

The CAP was developed at a time that the EU consisted of only six member states. Over time this membership expanded, which also affected (the distribution of) CAP spending. This particularly became an issue with the accession of ten new member states in 2004. These states are incrementally integrated in the CAP regime as a result of which they did not immediately enjoy the same agricultural support as the old member states. The new situation of a very diverse group of member states with a great variety in agricultural structures provided incentives to allow for greater flexibility in the distribution of CAP payments. While ‘modulation’ enabled member states to shift funds from pillar 1 to pillar 2, member states also gained the opportunity to work with national envelopes, which allowed them to take decisions on the national (and even sub-national) level on the distribution of pillar 1 money. In the meantime, the new member states were discontented about the fact that the CAP payments for the old member states were far higher and argued for a fairer distribution. This issue was picked up in the 2013 CAP reform, which resulted in additional changes to the calculation system for direct income payments and the possibility of reversed-modulation: shifting spending within a member state from pillar 2 to pillar 1.

Simplification

With each CAP reform new instruments seem to be introduced alongside existing instruments, making the CAP increasingly complex. This has gone hand in hand with a surge in administrative pressure for member states, implementing agencies and for farmers. One of the current Commission goals, therefore, is to reduce administrative pressures (see their ‘Better Regulation’ initiative for example). In the debate on CAP reform during the last decade the Commission, member states and interest groups have advocated for administrative simplification. In the end, however, it is questionable whether the actual reform – the outcome of the political process – has really reduced administrative pressure. If we look at the greening criteria introduced in 2013, for example, these seem to have increased administrative pressure rather than reducing it. It is for this reason that the new AGRI Commissioner Hogan is charged to review the possibilities for simplification, amongst other reforms in relation to direct payments and greening.
New frontiers

Although a host of research studies have been conducted on the CAP, several issues continue to be understudied in the scientific debate. Here, we wish to draw the attention to two of those issues: the legitimation and the implementation of the CAP.

From the debate described in the previous section it became clear that the usefulness of the paradigm concept to gauge and explain CAP policy change is limited. However, in debates on the legitimation of and public support for the CAP the concept of paradigms and associated discourses remains useful. Drawing on these concepts, several studies, for example, have indicated shifts in discourse and the use of several discursive strategies, depending on the specific audience, to legitimate the CAP (Fouilleux, 2004; Zwaan & Alons, 2015). However, in the existing debate on legitimation and policy discourses the focus is usually at the EU level only – most of the time specifically focused on the European Commission – without focusing on other EU institutions let alone member states (Erjavec & Erjavec, 2009; Potter & Tilzey, 2007). This provides only a partial insight into the ‘legitimation-game’ surrounding the CAP. More in-depth research is needed if we wish to understand the interrelationship between the justification of policy reform at the EU level and its acceptability at the member state level (Alons & Zwaan, 2016).

A focus on the member state level also seems justified given the increasing flexibility of the CAP. While still a common policy in name, increasing room for manoeuvering is given to the member states to implement the CAP (Greer, 2005). Besides increasing possibilities to transfer money between the two pillars (as discussed above), member states, for example, have also been given room to implement their own greening measures, making use of methods that are equivalent to those proposed by the Commission. Several scholars have argued that this flexibility is the hallmark of the latest CAP reform (e.g., Roederer-Rynning, 2014). The increasing flexibility that is given to member states will make the implementation phase a much more important policy stage for the CAP. So far, little research (its rural development policy being an exception) has been conducted on the implementation of the CAP (Treib, 2014). The possible adverse effects on market unity and a level playing field for producers from all member states, will make implementation a topic that deserves increasing attention.

New challenges

The CAP has been undergoing constant reform since the late 1980s. While there is some reform fatigue, various changes can be expected with a mid-term review of the MFF, several built-in reviews of CAP provisions and a Commissioner committed to make the CAP simpler. Many of the factors that played a role in changing the CAP in the past, moreover, will continue to do so.

As environmental concerns and climate change will continue to be on the public and political agenda, greening of direct payment is likely to remain one of the many issues on the agricultural agenda. While the flexibility regarding greening allows member states to deal with specific conditions, there is an obvious risk that insufficient measures will be taken. Moreover, the effectiveness of the Commission’s own standards for greening has been criticised as well. While allowing for a mainstreaming of environmental measures, by linking them to direct payments, many doubt the effectiveness of greening measures to reduce agriculture’s impact on climate change or enhance biodiversity (e.g., Pe’er et al., 2014). A built-in review of greening measures may lead to new changes, although there are doubts as to member states’ willingness to do so. Failing to ensure effective greening measures, however, will pose a serious challenge to the rationale of direct payments and the legitimacy of the CAP as a whole.
The latest CAP reforms have shown that concerns for biodiversity and climate change can easily be undermined by high and volatile food prices, bringing the issue of food security high on the agenda. During the latest reform, this led several farmer organisations to argue for re-introducing a more interventionist policy. The Commission, by contrast, used the food security issue to justify its continued market liberalisation, although it, at the same time, also justified the existing direct payments as a ‘safety net’ to protect farmers against price volatility (Swinnen, 2015, p. 471). While the food security issue is likely to remain a core issue on the agenda, it remains to be seen how the issue is seized and will affect future CAP reforms.

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Clearly, CAP reform has been difficult to achieve, but over time – adding all reforms together – the CAP nowadays is significantly different from the CAP in the 1960s. Perhaps, the only feature that has been constant over its fifty years of existence is the CAP’s continuous and incremental change to meet changing demands. Together with the recent changes in its constitutive rules, this makes the CAP an exciting policy area to study.

References


