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Master's Thesis

**REFORMING THE CAP - THE MAJOR REASONS AND THE IMPACT
OF THE CHANGE OF INTEREST REPRESENTATION WITHIN THE
REFORM PROCESS**



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List of abbreviations

BEUC	European Bureau of Consumers' Associations
CAP	Common Agricultural Policy
CEEC	Central and Eastern European Countries
CMO	Common Market Organization
COGECA	General Confederation of Agricultural Co-operatives
COPA	Committee of Professional Agricultural Organizations
EAFRD	European Agricultural Found for Rural Development
EAGGF	European Agricultural Guidance and Guarantee Fund
EEB	European Environmental Bureau
EEC	European Economic Community
EP	European Parliament
ERDF	European Regional Development Fund
ESF	European Social Fund
ETUC	European Trade Union Confederation
EU	European Union
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GHG	Greenhouse Gasses
GNP	Gross National Product
MCA	Monetary Compensatory Amount
MEP	Member of the European Parliament
MFF	Multi Annual Financial Framework
MS	Member State/s
MTR	Mid Term Review

OECD	Organization for Economic Cooperation and Development
QMV	Qualified Majority Voting
SFP	Single Farm Payment
SPS	Single Payment Scheme
TEC	Treaty of the European Community
TFEU	Treaty on the Functioning of the European Community
UK	United Kingdom
USA	United States of America
VAT	Value Added Tax
WTO	World Trade Organization

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Abstract

This paper contributes to the field of European policy-analysis and interest group representation. It specifically addresses the Common Agricultural Policy's reform process and the evaluation of the impact of interest groups within the EU's institutional representation. Additionally, it tries to clarify the major reasons for reform occurrence and the historical evolution of the Common Agricultural Policy whilst in connection to the main players in policy-making. As such, the case of the European Parliament, the European Commission and the Council's positions in the process of reform are analysed. Moreover, the process of reforming is investigated under the perspective of certain selected theories of interest group politics. The paper is useful for the thorough research of the policy chosen in that it provides complex information from a four point outlook: historical, economical, theoretical and analytical. Not the least, the latest reform known as the 'Greening of CAP' is presented, analysed and criticised accordingly to the latest information available.

Keywords/Tags: EU, European Union, Common Agricultural Policy, CAP, interest groups, reform process, lobbying, greening, European Commission, European Parliament, Council

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INTRODUCTION

The Common Agricultural Policy – MacSharry reform, Agenda 2000, Mid Term Review, Health Check, The Greening of CAP – they all had strong impact on the development of the European Union. Lately, more and more news channels and papers burst with information and criticism about what is probably considered the most debated policy of the century. Pro and con farmers' organizations and environmental groups fighting for a chance to influence Brussels' institutional arena in what appears to be a never ending battle of interests. But what exactly is the CAP, how does it function, who makes decisions and most of all what determined this policy to have been the result of such controversy throughout its reforming evolution? Better yet, **why did CAP change and to what degree have interest groups affected it?**

The paper seeks to find answers to this question while performing an in depth analysis not only of the reform process, but of the historical evolution of the policy from different perspectives. CAP entered into force in the year 1962 with a set of guiding principles, later followed by a set of elements, to be respected and used for the benefit of the entire European Community reaching for the completion and development of the common market. After being signed by the first six founding Member States, the now existent European Union of 27 Member States appears to have come a long way in developing this policy. As such, the period before the 1992 MacSharry Reform, is both presented and analysed from the consecutive reaction of the elements resulted in CAP. The context: initially following the historical and economic realities of the European Community of post WW II and succeeding – the increasing prosperous Community defined by the 'beef mountains and wine lakes' or 'butter mountains and milk lakes'. Moreover, as the farming community enjoyed the sympathy of the European society whilst being considered the 'provider of food supplies' - which Europe had been lacking severely during and since the war - it was considered necessary to both present and analyse the former's position throughout the reform process. Additionally, due to the abundance of terms known as CAP terminology, terms like cross-compliance, modulation, decoupling, Single Farm Payment are to be presented and explained in their role. Moreover, the paper seeks to find the best theories to be applied when in relation to the main factors of CAP reforming. Therefore, it has been considered, due to the high impact of lobby activity at the level of policy-making representation, that theories like pluralism and the logic of collective action should both be presented and applied. Furthermore, as the reforms post 1992 reform seemed to have followed in the same steps as the former, the theory of path dependency was considered applicable in the context. Last but not least, as the CAP has been accused many times of exhausting the budget of the European Union, such an issue has been also presented from both a historical and analytical perspectives. For a more intensive

approach, whilst presently analysing from the heart of policy making – Brussels arena – the latest news regarding CAP's newest reform are summarised in the annex together with an overview of the entire reform process and other historical happenings.

Whether or not the initial principals of the CAP still apply is to be concluded...

1. Research question and proposed debate

The paper proposes as an exercise, the analysis of the main research question: **“Why did the CAP change?”** Or, if extrapolating, **‘Did it change as a result of a different setting in the interest of powers?’** To further explain, the intention is to find the main reasons for CAP reforming from a **time-evolution perspective**. The focus is set on the major reforms in CAP period from the 1990's and up until the present time in 2013 - when the latest reform, also known as the “greening of CAP” awaits its finalization. Moreover, explanation of why the reforms' started so late will be given. Additionally, a summing analysis of the agricultural organizations' impact on the reform process will complete the previously mentioned issues. In order to perform such an analysis, the following chapter will set the theoretical base upon which the investigation will be developed.

2. Methodology

In regards to the purpose of this paper, the topic chosen was found of great interest considering the complicated and wide variety of information on the Common Agricultural Policy – which has not just once made the headline of news or academic papers. Moreover, it has been considered challenging to better understand the historical background and the implications of one of the oldest policies at Community level. Additionally, as academic sources can be lacking in recent information (in connection to the latest reform), the paper seeks to connect some of the missing links.

Brief research review: CAP - as proportionally the largest beneficiary of the EU's spending was researched by quantity of prominent researchers and became integral part of academic literature devoted to policy making in EU. This paper also approaches CAP from various perspectives and majorly refers to academic papers than solely communication and documents issued by European Institutions, with the only exception of the "Greening of CAP" or "2013 reform" where academic sources are lacking so far. Throughout sixty years of this policy, there were written thousands of academic articles and to compose source list for this paper, priority was given to more contemporary sources.

Vast majority of academic sources explains CAP from the economical or historical point of view, where emphasis is put on the EU's policy making powers. From merely economic perspective, papers by Richard Baldwin and Charles Wyplosz, 2009; Dick Leonard 2005; Mats Persson, 2012 were the most helpful in relation to understanding the economic impact of reforms and CAP's budget making. From the historical perspective were exceptionally helpful papers by Neill Nugent, 2010; Susan Senior Nello, 2012; Simon Hix and Bjorn Hoyland 2011; Isabel Garzon 2009; and Adrian Kay, 1998. Regarding the practical aspect of the CAP, Kenneth Lynggaard, 2005 and Christilla Roeder er-Rynning provided important information about inner mechanisms of CAP. From the theoretical perspective, papers by Simon Hix and Bjorn Hoyland 2011; Neil Nugent, 2010; Olson M., 2002; Moe M.T 1981; Simon Hix 2005; I. Bache, S. George, S. Bulmer, 2011, applied various theories on collective action and dynamics of interest groups. Majority of these sources aim to explain CAP in relation to policy and decision making process. Nevertheless the most outstanding source was published in 2011 by Arlindo Cunha and Alan Swinbank. Their book provided the most thorough historical development of reforms, explaining the pressures on European institutions in the reform process.. Since very vast majority of available present or regularly updated publications did not really particularly drawn attention to the role of the interest groups, this paper aims to provide analysis of influence of interest groups on CAP reforms.

Method: For what concerns the methods used, the paper has adopted the historical discourse in which the chronological order classified the issues to be debated. The former has been chosen due to the length of this policy's evolution which followed more than half a century – from its beginning in 1962 – until present moment of the latest reform of 2013. Moreover, from a theoretical approach, it has been found interesting to examine the pluralist and collective action models and their characteristics in relation to the interest groups presented. Furthermore, the concept of the 'iron triangle' initiated and presented by Hix in 2005, has become a theory considered important to be applied in the context of the institutional set-up and interest representation. The emphasis is put on dynamics of interaction between various actors on different levels and their influence on policy making process (EU institutions, interest groups, national lobbies). In addition, current communication, including official documents, has been used as sources for the analysis of the reform process within the historical discourse and beyond.

In relation to the structure of the paper and as stated earlier, historical discourse led the path to chronological order of events. As such, following the first chapters dedicated to introduction; research question; methodology and theory, the paper continues with a general introduction in CAP followed by every reform that has taken place in chronological order. Additionally, each reform has been analysed accordingly to their main characteristics and compacted by several academics' viewpoints, lastly

trailed by a sub-conclusion. The latter were meant to provide the reader a better understanding and thus help in the fluidity of the discourse. It is necessary to mention, that in-paper references are leading the reader to smaller parts – sub chapters. They are to be found in the list of contents for higher clarity. Last but not least, the ending chapter before ‘conclusions’ – was dedicated to a personal understanding and analysis of the reform process whilst pursuing the research question to be answered. Due to the complexity of research goals, the chapter entitled: ‘Why did CAP change? or What transformed the gargouille?’ has been divided in its turn in several parts, each one analysing accordingly to the sub-title given. This method was chosen for the clarity and simplification of the many angles of analysis. At last, the paper ends with a set of conclusions and future prospects, mostly referring to the latest reform to be soon implemented.

To be noted that in the annex of this paper the reader can find additional information regarding the process of reforming as well as already simplified presentation of the latest news available in the Brussels’ arena.

3. Main Theories of Interest group politics

Accordingly to Truman 1951, pluralism is considered to be the prototypal model when referring to the politics of interest groups in democratic systems. The main idea behind the functioning of this model/prototype is that both – potent state officials and certain interest groups – can be checked against by the intended interest groups through the open access that the latter have to policy makers. (Truman 1951 in Hix 2005) In addition, there is the positive view of both sides of the coin in the sense that there is a certain balance between the opposing views or groups, which counterbalance themselves through what Lipset 1959 considered to be the main assumption – for every group that has a certain opinion, interest or making certain pressures there will always be an opposing group with opposing views or interest, pressing from the other side. Moreover, ‘multiple oppositions’ will help in the case of eventual opposing social divisions – therefore eliminating the possibility of monopoly of the political process due to different existing and pressing interests (Lipset 1959 in Hix 2005), or, a ‘countervailing power’ always assuring the path to social equilibrium (Bentley, 1967 in Hix, 2005). Due to the resulting requirement of this model – opposing groups of interest having equal access to the political process and state officials acting as arbitrators in the ‘interest group game’ – a false assumption was nevertheless made by pluralists. The latter have ‘naively’ assumed that the previously mentioned groups of interests actually have equal access to power (Galbraith, 1953; Schattschneider, 1960 in Hix 2005). Explanation of why exactly this happens can be found in the writings of Mancur Olson (1965, p.127-128 in Hix, 2005). If summarising helps understanding, the notion of asymmetrical political struggle of the various

groups of interest in society should be taken into consideration. This comes as a result of the uneven competition and success that the groups reach due to their size. Although apparently simplistic, the size comes as an important issue due to the actual capability of the members involved in a certain group to act in accordance to the interests of the whole group or even better, of the society, (small groups seeking less but concentrated interests while large groups struggle with a multitude of different requests). Therefore, smaller groups have usually the tendency to win over the larger groups – contrary to what democracy should expect. The capability and level of involvement of the small groups is also higher than its counterpart's – thus – giving way for the wrong interests to be achieved at the political level resulting in the previously mentioned - lack of democratic model - (for example, some small 'oligopolistic' industry in need for a tax reduction will achieve its goal despite the opposing vast majority). Therefore, it can be resulted that far more important than numerical superiority is the capability of organising and being active – thus – privileged as a group in order to win.

Similarly in Olson and Wilson 1980, another important issue related to the benefits that a smaller group would enjoy over a larger one, is the 'logic of collective action' referring to the intention of certain individuals to join a smaller group that seeks to achieve the limited interests of the group itself, the 'private interests', unlike its counterpart seeking to achieve the interests of many others – usually of the society, public interests. The tendency usually revolves around the personal goals – and so will the need of belonging to 'what benefits me the most'. It is not surprising that many have been choosing smaller yet more active groups in favour of the ones fighting for the actual social interests. Explaining what benefits can come from the different interest groups, 'free ride' on public interests proved to be one of them. In such a case an environmentalist group for example, was used as an excuse to 'get ahead' while, on the other hand, it has not received in return support for properly lobbying the government. Summing all of the above mentioned, it can be affirmed that while 'concentrated interests' (referring to particular producer interests) are far more capable of organising than the 'diffuse interests' (referring to the ones belonging to the whole society), will eventually result in what Wilson 1980, categorised in three groups of result: an uneven access to the political power, the access and interest of some state officials accordingly to the specific groups they belong to and that have the most resources, and finally achievements that would favour specific interests at the cost of the entire society.

The unfair results of the pluralist model have been answered with some three alternatives related to the existing models of interest groups. The implication of the state is highly important in all three cases as it 'actively promotes' a certain setup of interest group politics aiming at bringing equilibrium at both - political representation and results level. In Schmitter 1974, Schmitter and Lehmbruch, 1979 – the corporatist model – as a principal division accordingly to state, incorporates: capitalists/business

on the one hand and workers/labour on the other hand. (Schmitter 1974, Schmitter and Lehmbruch, 1979 in Hix 2005). In achieving the equal balance of power between the two mentioned sides, the state introduced a new method by certifying licenses and granting 'representational monopolies' to the 'social partners' (referring to both parts of the division of the class). 'Closed tripartite meetings' are promoted with state representatives alternatively to the open policy system for the trade union movement and the business community superiors. In the eventuality that a common agreement can be reached, it is assumed that also the policy results will further represent the social demand. (Hix, 2005)

The consociational system differs from corporatism - which favours class interests, in that, as a system of 'interest intermediation', it favours cultural divisions like religion, language and nationality (Lijphart, 1968, 1977 in Hix 2005) If usually regarded as a gathering of 'formal constitutional practices' (eg: coalition government and proportional representation), aiming at achieving and encouraging social harmony in societies fragmented by a multitude of different cultures; consociationalism may also be regarded as a 'system of interest intermediation'. (ibid) The reason of such description can be found in Lehmbruch, 1967, who explains that there is a connection between the 'practices of equal participation, representation and veto' belonging to every single linguistic group and bureaucracy. (Lehmbruch, 1967 in Hix, 2005) In addition, Hix underlines how this model, dominant in Belgium and Switzerland, is also extremely relevant for the EU context, in the sense that social division in the latter's case happens between the nation states existing within it. (Hix, 2005) Neo-pluralism comes as a different system from the previous mentioned. The main difference between Neo-pluralism – consociationalism and corporatism is that the previous does not include favouritism towards a certain group of social interests. Neo-pluralists have argued that the solution to the main negative tendencies in pluralism is for state leaders to cease being 'neutral arbiters' (Dunleavy and O'Leary, 1987; Petracca, 1984 in Hix 2005). Accordingly to Lindblom 1987 bureaucrats would intentionally search and help through financial incentives and open access certain public interests that were underrepresented (Lindblom, 1987 in Hix 2005) - thus the state will promote the group that stands for particular public interests that are important at the given time and in a particular policy. Therefore, an environmentalist group for example, would be required to respect and give proof of certain industrial standards, trade unions to give information on policies of the labour market etc. Despite all of the above mentioned, each system proved to be problematic. The corporatist and consociationalist systems promoted certain interest groups over others – thus, excluding the latter. (Hix, 2005) This, of course, proved to be inefficient in the context of evolving societies and the introduction of new groups (environmentalist, women's, consumer) – as a result of new social movements. (Dalton, 1990 in Hix, 2005) Additionally, the corporatist system, did not take into account the fact that while both big business and industrial labour groups have the

same or similar 'producer interests', those will also be promoted causing loss for the representatives of 'diffuse interests' (the consumers and the taxpayers).(ibid) The consent needed from both sides of the industry did not make things easier for the policy makers. Neither did the need for consent from all of the different cultural/national interests. Both issues, have contributed to slowing down the potential process of policy change. The case of neo-pluralism - 'the best seemed to be so far', has not managed though, to achieve the balance required. The reason may be labelled as 'human greed' or just the human nature seeking its own interests, but the result may speak for itself: while state funds were given to certain public interest groups, a 'perverse incentive' arose for groups to focus on how to organise in order to secure the incentives for their organisations instead of focusing on delivering the policy views of the members. (Hix, 2005; Olson, 1965 in Hix 2005) While opposing this critique, Baker 1983, argues for the benefits of pluralism. On the one hand, although it may be true, the fact that some interest groups are more favoured than others in the process of policy making, even if a group loses, the incentives for the latter to engage in an active opposition to those policies will rise – thus - motivating the group to become more organised and finally preventing policy-makers to favour and offer benefits only to concentrated interests. In other words, equilibrium will be established in the balance of interests. Additionally, the access granted by political-makers to certain interest groups based on their effort and good organisation, will eventually benefit the policy in its making process due to the information that the interest groups will provide in return. The information most valuable is considered to be the one coming from group that represent diffuse rather than concentrated interests due to the high costs involved in the former's case when gathering or providing this information. (Austen-Smith, 1993; Lohmann, 1998 in Hix, 2005) Contrary to the classic criticism of pluralism which assumes that there is no encouragement for 'counteractive lobbying', due to the much higher returns coming as a result of lobbying policy-makers with completely different views than with similar ones, the result is quite the opposite. (Baumgartner and Leech, 1996 in Hix 2005)

If analysing all of the above mentioned and as noted by Hix 2005, it can be affirmed that perfection is far from defining a certain model of interest group – thus – the latter doesn't exist. Moreover, the interest group politics functions within a certain policy area based on a structure built up from the nature of incentives and the interests of the main players involved (interest groups, policy-makers).

When referring to the types of interest group, Mazey and Richardson 1999, presented a classification of seven groups which was later developed in the writings of I.Bache, S.George, S.Bulmer in 2011:

1. "European associations
2. National associations

3. Individual firms
4. Lobbying consultancy firms
5. Public bodies
6. Ad hoc coalitions for single issues
7. Organizations of experts and epistemic communities “ (Mazey and Richardson, 1999, p.108)

Accordingly to I.Bache, S.George, S.Bulmer 2011, each of the previous mentioned organizations has increased in their size since the 1980's and each one is free to represent interests of their own choice in the same moment in time. Among the most representative - both due to their size as in regards to their importance for the scope of this paper - business interests set a very good example in connection to the previous affirmation. In Brussels, business representation can be found organized in individual companies, collective national organisations and collective European organisations. (ibid) Additionally, as business interests had their representation in Brussels since the 1958, with the creation of CAP shortly after, encouraged the development and growth of interest groups from the previous mentioned category in the 1960's. Unlike the situation of those times - in which such interests had limited or none counteractive groups - the situation in Brussels has changed starting with the 1990's. Therefore, interest groups like trade unions, consumer groups or environmentalists are known to oppose business interests. Among the most important European interest organizations the same authors mention the following: BUSINESSEUROPE; the European Round Table of Industrialists; the European Trade Union Confederation or ETUC; the Committee of Professional Agricultural Organizations (COPA) and the General Confederation of Agricultural Co-operatives (COGECA) and the European Women's Lobby.

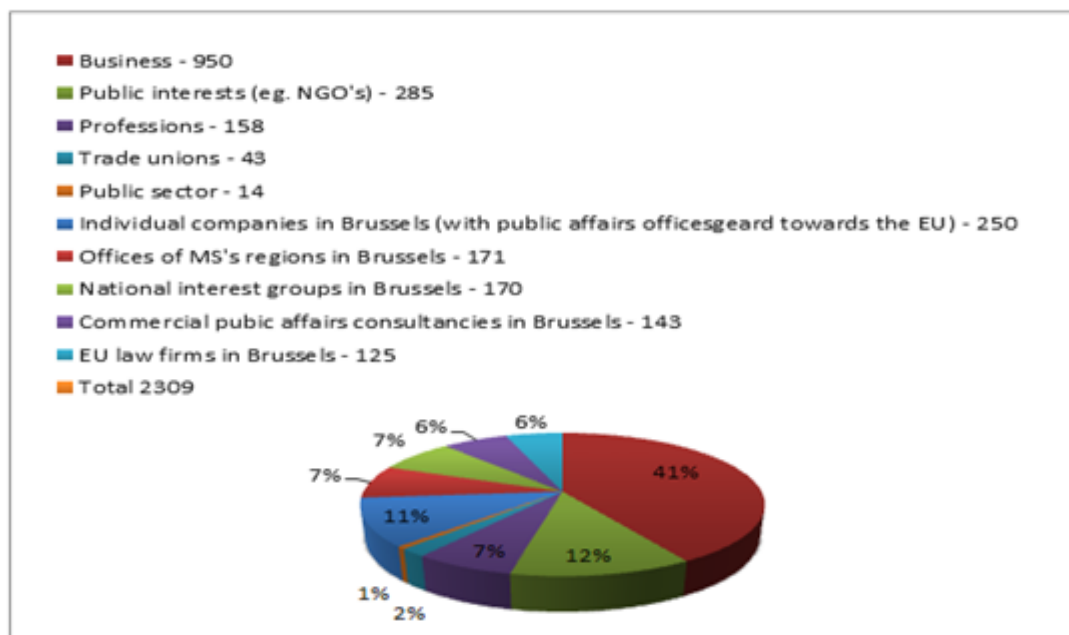
3.1. The interest groups and their influence in EU policy-making – facts and data

It is well known the fact that the general interest towards the potential influence in the EU's policy making has increased since the 1980 - when the first incentives appeared along with the rising awareness of the population. It was less expected though, that the increase would be such a dramatic one (Greenwood, 1992; Wessels, 1997; Greenwood and Aspinwall, 1998; Pedlar, 2002 in Hix 2005). To be more exact, from 500 interest groups with offices in Brussels until the middle of the 1980's (Butt Philip, 1985) , the number tripled by the middle of 1990's. (Greenwood, 1997 in Hix 2005). The end of the 1990's was to be characterised by “a dense European lobbying

system... which now exhibits many of the features of interest group intermediation systems long familiar in Western Europe” (Mazey and Richardson 1999, p.105 in I.Bache, S.George, S.Bulmer , 2011, p. 332).

As presented in the chart below, related to the interest groups by type and number interested at influencing the EU’s policy making (at the moment of 2001), it can be affirmed that business interests occupy the first place in terms of representation at EU level. The table presents the information as it was calculated by Greenwood in 2003 and from reliable sources. Hix 2005, proposes the previous mentioned information to be considered for analysis despite other sources (such as Marks or McAdam, 1999), whom, regardless of quoting figures way above the ones presented here – are mostly based on ‘educated guesses’ and not careful selected sources. (ibd) (see fig. 1)

Fig1. Interest groups at the European level, 2001



Source: Calculated using the data from Greenwood 2003 in Hix 2005

Further information on the statistics of interest group growth was analysed by Greenwood 1997 also in relation to the number of individuals involved in lobbying. Therefore, the Commission’s data informs that by the middle of the 1990’s there were 3000 interest groups present in Brussels amounting to almost 10,000 individuals. (Greenwood, 1997, p.3) As explained before (from Hix, 2005) and as also found in Greenwood 2007, finding exact statistics on either interest groups organisations or individuals is rather difficult. For example Sim Kallas, the Commissioner for Administrative Affairs in 2005, in his attempt to classify lobbyists, gave information of

15,000 existing lobbyists, but the evidence of such a number as much as the definition used for describing the occupation of lobbying were unclear. Contrasting information came from the European Parliament in April 2006, which offered access to the buildings through a number of 4,435 passes offered to lobbyists. Nevertheless, as Greenwood noted, this figure cannot be accurate due to the fact that some lobbyists do not register to get a pass. (Greenwood 2007, p.11, in I.Bache, S.George, S.Bulmer , 2011, p. 332).

As presented above, a lesson should be learned when dealing with the statistics of interest groups: and that is that such a topic should be treated with extreme caution whilst sources should be numerous and properly checked. Nevertheless, the fact that such numbers have increased significantly since the 1980's and especially from the mid 1990's is clear. The question remains as to - why such an increasing number of individuals/organisations became more and more encouraged in the lobbying of EU institutions?

There are several reasons for the development and establishment of direct representation at the EU level. For what concerns the organized interests, such a representation comes in addition to their strategy of influencing the policy of the EU - primarily attempted through the national governments. I.Bache, S.George and S.Bulmer propose the following factors to be considered when such a strategy involves the "Brussel end" – the European institutions:

- "the growing policy competence of the EU;
- changes in the formal rules of decision making;
- the receptiveness of EU officials to interest-group representation;
- the 'snowballing' effect of groups following the lead of others, so as not to risk being disadvantaged;
- the Commission's support for a wider engagement of European civil society, particularly in the period following its 2001 White Paper on Governance, in which it committed itself to trying to ensure that the policy process was not biased towards certain interests (European Commission 2001)" . (I.Bache, S.George, S.Bulmer , 2011, p. 332) On the other hand, Van der Zee wrote in 1997 that the Commission financed some of the Euro-groups amongst which, apart from producers; consumers and environmentalists also benefitted; additionally Mahoney noted in 2004 that 'EU institutions have influenced the interest group community through direct subsidy of interest groups' (Mahoney, 2004, p.462) (in A. Cunha and A. Swinbank, 2011)

Accordingly to Wallace and Young 1997, the so called easy access - given by the EU to those interested in the process of influencing the European decision making - offers "part of the explanation for the intensity of participation in the process by so wide a

range of political and economic actors” (Wallace and Young 1997, p.250 in I.Bache, S.George, S.Bulmer , 2011, p. 332) Furthermore, Mazey and Richardson, noted that the “specialised expertise” of the interest groups is highly important for both the making and the “implementation” of public policy. (Mazey and Richardson 1999, p.106) Moreover, “from the bureaucratic perspective”, the voting “support is vital to the long-term survival of bureaucracies”. (I.Bache, S.George, S.Bulmer , 2011, p. 332)

Since the main target of this paper resides more in the impact of agricultural interest groups on the CAP’s reform process, further exemplification about the influence of the latter in the agricultural policy making has been found of great substance in the writings of A. Cunha and A. Swinbank from 2011. Apart from the previous mentioned reasons for lobbying the institutions, moreover when in direct connection to the concentrated orientation towards the European Commission, the academics previously mentioned have associated the existence of agricultural Euro-groups with ‘a rent-seeking activity’ – as resulted from the impressive sums of public resources oriented towards the agricultural sector through CAP. As a result, farmers were given motivation for collective lobbying. As explained previously in this chapter the focus resides in the agricultural interest groups, among which COPA/COGECA had the loudest voice in lobbying the institutions (more details about the organisations can be found in chapter six and three). Therefore, accordingly to the typology of Van der Zee from 1997, COPA/COGECA is considered to be an umbrella organization*having ‘an encompassing and horizontal nature.../...mainly concerned with professional and institutional representation and political pressure’ whilst specialized organizations are usually interested in ‘professional or institutional representation and political pressure’ (Van der Zee 1997, p.203 in A. Cunha and A. Swinbank, 2011). Furthermore, as an umbrella organization representing mainly production, the above named organizations are considered essential. COPA as representative of farmers and COGECA as representative of agricultural cooperatives; both are sharing a presidium and a secretariat which are responsible primarily of the lobbying activity in Brussels. Even though COPA/COGECA has often disagreed to Commission’s position in reforming the CAP, the former is known to have been the primer facilitator of dialogue between the farmers and the Commission, ‘so that it is legitimate to speak of a strategic complicity between them’.(A. Cunha and A. Swinbank, 2011, p.48)

3.2. Pluralism and the ‘collective action’ theory

As mentioned before, a perfect theory of interest groups is hard to establish, nonetheless, further discussion should be revolving around Olson’s model of ‘collective action’. In order to best present the features of this model, further detailing of what or how interest groups are defined is to be presented.

Accordingly to Terry M. Moe 1981, the debate about the nature of interest groups has been focusing mostly around the theoretical perspective of traditional pluralism and Olson's model of collective action. The resulting disparate views concerning the fundamentals of group politics refer to the pluralist perspective - of people's interest in joining groups in order to pursue the group's goals, and Olson's counteractive perspective of people joining groups as a result/response of some particular interests which are non-political. (Moe, M.T., May 1981, pp.531-543)

As the classical theory of interest groups, pluralism (period of 1950's, 1960's) is represented by scholars such as David Truman (1913-2003). Following Truman's definition, interest group can be considered any group, organized or not, that shares a common association in pursuit of certain goals. Pluralists envisioned groups chasing their goals and competing whilst in a strong connection with the government, being able to strongly influence the latter through honest competition and thus improving the political ideas. Apart from the open political system, pluralists believed that since resources are not evenly shared, new groups will diminish the potential of already-existing dominant group.

Scholars such as E. E. Schattschneider (1892-1971) and Mancur Olson (1932-1998) argued for different views. E. E. Schattschneider and his followers have found, contradictory to the pluralist statements of a well-adjusted group system, that in most cases business interests prevail: "The flaw in the pluralist heaven is that the heavenly chorus sings with a strong upper-class accent" (Schattschneider 1960, p. 35). Olson argues that interest groups usually pursue to obtain public goods. As such, non-members are completely entitled to enjoy such goods when the group successfully managed to provide them. 'If a business group is successful in obtaining business-friendly regulation of an industry, all firms in the industry will benefit'. Additionally, there is a mention of the insignificant importance of the individual in large groups in relation to his contribution for the achievement of the group's goals. Basically, if considering this idea, the group does not depend in any way on the individual within it. 'According to this logic, it is surprising that interest groups exist at all.' (Darity, J. W., 2009, p.82-83)

Olson's model of collective action has formed the basis of numerous further writings due to its complex and possibly 'still available' feature (at least to some point) across time-evolution of interest groups. Since it was first presented by the theoretician in the late 60's and later developed in his further writings in the 80's, the main idea of this model refers to the individual within either a small or a big group driven primarily by his personal interests/gains. The further success of the group as a whole - being a merely outcome of the many (in the case of big groups) or few (in the case of small groups) individuals that pursue their own goals. Therefore, whenever economic incentives exist, so does the immediate interests of the individuals themselves or as

part of any type of group. As part of the same theory, a clear distinction is made by Olson between small and big groups. Although, small groups may be more honest in their intentions as regard to the group's interests, there is also a higher chance that the latter will be overwhelmed by the bigger groups and thus fail in their initial goal: "In the sharing of the costs of efforts to achieve a common goal in small groups, there is however a surprising tendency for the "exploitation" of the great by the small." (M. Olson, 2002, p.3)

4. Hypothesis

The following formulations have been chosen to be considered for hypothesis:

☐ Can the greening of the CAP be explained by the shift of the interest of powers within the EU? or

☐ CAP changed because the balance of power of interest groups changed.

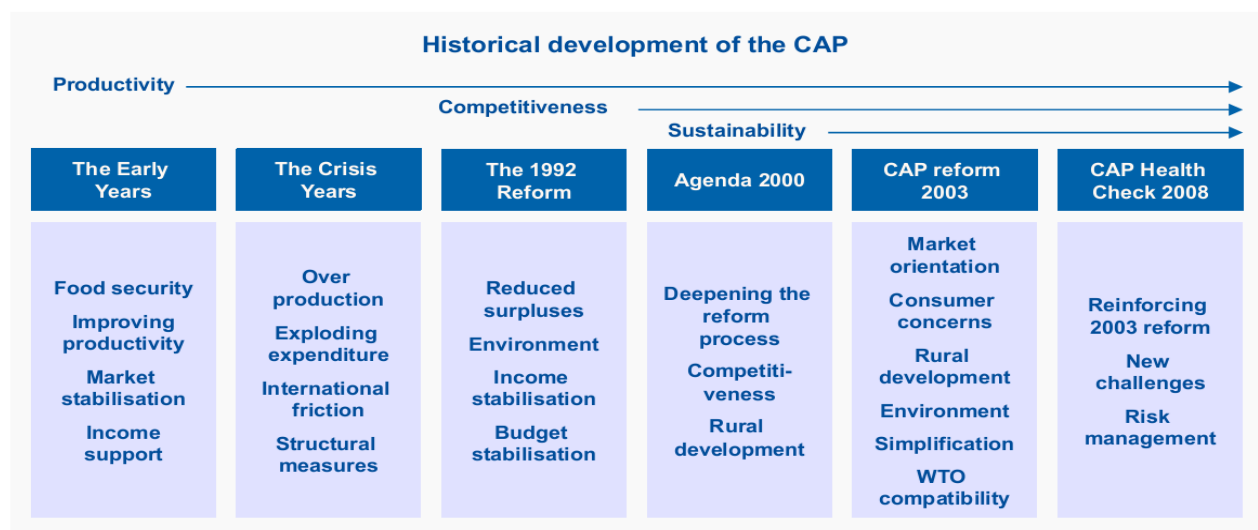
The discussion revolves around the motives for reforming the CAP both before and after the 1990's and understanding why change started so late (the previous decades being characterised by quite a static/traditional policy-making).

Considering the much-awaited latest reform of CAP – namely the “greening of CAP” of 2013, the assumption is made that such a reform/change at the agricultural policy making level, was also a result of the impact and transformation of interest groups. It is assumed that the shift in the interest of powers, implicitly of interest groups' evolution (with new expectations - new groups emerged) or as a result of international pressures; all this caused a shift in the way the CAP was perceived at the EU level. Consequently, the reform process of CAP took the shape of a much more transparent and 'green' policy when objectives are concerned, aligning the CAP to the competitive objectives of the global market.

5. Introduction in the Common Agricultural Policy

As one of the most controversial policies of the European Union, the Common Agricultural Policy (CAP) was created with the initial purpose of increasing the agricultural productivity and of assuring the availability of food supplies which Europe had been lacking as a result of the WWII. Following certain consequences that arose from these initial good intentions, mostly related to CAP's high budgetary expenditures, different efforts of reforming the CAP have aimed at reducing its costs but with little significant success. The CAP aims now to help develop European Union's agriculture and the countryside accordingly to new environmentally friendly and rural-development measures. Further on the paper overviews the historical evolution of the CAP, from its beginnings - major reforms – and up to its present format. It is interesting to observe this policy's changes in order to have a better view of the foundation on which the actual/present reasons for the latest reform- 'the greening of Cap'- are based upon, and whether or not they are in accordance with its initial purpose, followed the natural course of evolution, or if they have become the product of a different set of interests at Community level.

Fig.2



Source: European Commission, History of the CAP

The figure presented above is a guide in the search for understanding and observing the development of the CAP from a historical perspective and throughout the major changes of this policy – the main reforms. Therefore, as presented above, it can be determined that the early years of the Common Agricultural Policy were defined by what was also established to be the main objectives of the CAP. In other words, the need of ensuring the existence of food supplies; the improvement of productivity; the further need to stabilise the markets or the availability of reasonable prices for the products within the community – have been the main reasons for this policy. Their

solutions have been sought while following a three principle pattern comprised of: market unity, community preference and financial solidarity (see page 3-4).

5.1. Incursion in the history of CAP

The CAP entered into force in the year of 1962, at the proposal of the European Commission in 1960 and after being adopted by the first six founding Member States (Belgium, France, Italy, Luxemburg and West Germany). But, its origins are linked with the Treaty of Rome (1957) – which established the Common Market and defined the major objectives of CAP.

Major objectives of CAP according to article 33 of the TEC:

- (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.”

!! It is important to observe that at this particular, important time of CAP creation, there is no mention of the environment, food safety or rural development.

5.2. The main elements/principles of the CAP

Apart from the five major objectives, three main principles were defined in 1962 characterising - both the common agricultural market - and the common market organisations.

These principles are:

- Market unity
- Community preference
- Financial solidarity.

Whilst combining generous price support with technological innovation and thus increasing the production and the productivity, the CAP had an important role in the development of the EU's agriculture. Even though, the CAP has managed to help accomplish the first four objectives, it was not without sacrificing the fifth - as it has been often proven that the EU farm support prices are much higher than the world prices. Therefore, a budget mostly dedicated to farm support was helped built up by the EU consumer who basically was paying higher prices and taxes in order to support the success of the farming sector. (Dick Leonard, 2005, p.152). This "classic version" of the CAP was "a system of market support based on guaranteed prices within the Community, and import levies and export subsidies vis-à-vis the rest of the world" (Roederer-Rynning, 2010, pp.182 - 183).

As noted by I.Blanche, S.George and S.Bulmer in 2011, France was one of the MS which had a special interest in agriculture. If history is considered for exemplification, it is important to note that the French agreed with the participation in the common market in industrial goods with the condition of certain privileges of agricultural nature to be met. Such privileges included subsidization for the costs related to the maintenance of small farmers and a guarantee oriented towards the protection of French exports – in other words in a protected market. The core of such an interest was represented by the many small French farmers whom enjoyed the consideration of the French population and were thus highly taken into account at the decision-making level being extremely important from a political point of view.

5.2.1. Market unity

Can be explained or referred to as a single market for the farm goods or to the way in which the agricultural products move inside the Community whilst being in congruent conditions to the ones present in an internal market. This was done by abolishing all restrictions considered detrimental to the Community's trade activities, such as the quantitative restrictions (quotas, import monopolies...) or other duties, taxes and measures that would have the same effect. Market unity also includes common agricultural prices throughout the EU. Article 40 TFEU (ex article 34 TEC), stipulates that "any common price policy shall be based on common criteria and uniform methods of calculation...", moreover, Article 43 TFEU (ex Article 37 TEC) specifies that "the Council, on a proposal from the Commission, shall adopt measures on fixing prices, levies, aid and quantitative limitations and on the fixing and allocation of fishing opportunities." (Moussis, 2011). As a very important step/decision taken under the market unity principle towards the formation of the single market was the establishment of the Common Market Organisations (CMOs). The

functioning of the CMO's was based on the idea of permitting free trade within the Community whilst creating favourable conditions for the European farmers through different support measures that many times proved to be barriers for the outside world (E.Fouilleux,2010). To demonstrate the previous affirmations, Article 40 TFEU (ex Article 34 TEC) on CMO's specifies: "1....This organisation shall take one of the following forms, depending on the product concerned: (a) common rules on competition; (b) compulsory coordination of the various national market organisations; (c) a European market organisation. 2. The common organisation...may include all measures required to attain the objectives set out in Article 39, in particular regulation of prices, aids for the production and marketing of the various products, storage and carryover arrangements and common machinery for stabilising imports or exports..."

5.2.2. Monetary Compensation Amounts (MCAs)

While the common prices were introduced to support the principal farm products (1962 - 1967), the exchange rate modifications that followed, put pressure on the Community which employed the 'green currencies'. This was done so that the common price structure would be maintained. Therefore, the difference in value between those currencies and the real ones - for the main product groups - was covered by MCAs which were applied on trade within the Community or with third countries. Basically, the prices paid to farmers from countries which had a positive MCA were higher than those paid to farmers from countries with a negative MCA. The introduction of the Euro had a highly positive impact in regards to the consolidation of the market unity; moreover, the European Monetary System stabilized most exchange rates in the later years. In addition, the decline in the importance of MCAs is linked to the same reason, and therefore - this has affected positively also the farm prices which varied less and less from one country to another during the 1970's. By 1996 the MCAs represented only a small part of the budget of the CAP following their complete abolishment by 1999 - with the introduction of the Euro. (Dick Leonard ,2005; Moussis, 2011).

5.2.3. Community (European) preference

It refers to the preference given to European products (of European origin) in spite of the imported ones. The reason is to help protect the common market from imports based on lower prices and other fluctuations in world prices. Import and export measures are practiced by the EU, following the principle mentioned above - which has been actually spread throughout the world, in order to align the prices of the

imported products to those practised in the common market. **Import levies** were introduced exactly with the purpose of covering the price gap between other products of the world market and the minimum guaranteed price in the EU (import levies were replaced by fixed custom duties after the GATT Uruguay Round (Moussis, 2011)).

5.2.4. Financial solidarity

It refers to the financial responsibility that all MS have as members of the common market. Defined by the Declaration of Stressa in 1958, European solidarity (related to farming) was first expressed in the financing of the CAP: “In the name of financial solidarity, all the member countries of the EEC take part in the financing of the burdens of the Community such as guaranteed prices for farmers, the export of surpluses or even the policy of aid and improvement of structures. All the costs engendered by the CAP must be borne in common.” On 30 June 1960, the principle became one of the six axes that helped to build up the CAP, as presented in the proposal of the President of the Commission, Walter Hallstein, and Vice-President Sicco Mansholt in the Council of Ministers. (Nadege Chambon, 2011)

Financial consequences were faced through an intermediary named the European Agricultural Guidance and Guarantee Fund (EAGGF). Although the EAGGF supports all expenditures requested by the CMOs, it did come with a reverse side of the medal in the sense that the custom duties raised at the Union’s borders and coming from imports from third countries were not redistributed amongst the paying MS’s budgets, but became a source of profit for the budget of the Union. The EAGGF is known to have been the topic of many controversial debates within the CAP. Accordingly to A.Cunha and A. Swinbank 2011, despite the existence and purpose of the EAGGF, the increase usage of the export subsidies was finally supported in the form of resulted market prices by the taxpayers. Moreover, the expenditure of the guidance section aimed at funding policies with the purpose of restructuring, modernization and funding the agriculture was insufficiently developed. (ibid). Accounting for less than 10 per cent of the total in 2005, the guidance section of this fund – responsible for the payments for improvement and modernisation – has met little opposition in the later years, but it has absorbed a tremendous share of all expenditures in past times, gravely affecting the finances of the Union. Its central purpose is to support the main EU’s agricultural products’ prices and to ensure the maintenance of the incomes of the farmers. (Dick Leonard, 2005, p.156)

The consequences of this system which remained unchanged until the 1980’s, turned out to be both positive and negative. Although, the European Economic Community (EEC), became one of the world’s leading agricultural powers due to the extremely

high costs of its functioning, it managed to create aversion whilst having an abnormal economical impact on both EU's agriculture and the world's agricultural markets, becoming unrealistic and absurd for what the consumers and the taxpayers of Europe had expected. (Roederer-Rynning, 2010)

The CAP's attribute as "controversial" seemed to have grown more and more over time, from the first enlargement in 1970 – up to the present Europe of 27 Member States (MS), alongside with the increasing need for further reforms. UK's accession in 1973 for example, encouraged the need for a CAP reform from inside whilst giving priority to new issues of the policy on the EU's agenda. At the level of CAP budgetary priorities, the year 1986 brought, with the enlargement of Spain and Portugal, a new dimension: a shift away from the focus on northern products such as milk or cereals, towards a new era in which budgetary redistribution was highly needed. This was done by doubling the structural funds and thus –meeting the requirements of new members. (ibid)

5.3. The Mansholt Plan – 1968

Agriculture is known to have changed the most in the Community all throughout the 1960s and 1970s. Whilst production and productivity increased unexpectedly, the number of land workers fell in the same manner: (from 15.2 mil. in 1960 to 5.8 mil. in 1984 in the original six MS). The Mansholt Plan, named after Dr Sicco Mansholt – the European Commissioner for agriculture and later president of the Commission, was not adopted. Although the plan introduced in 1968 had good intentions towards the modernisation and improvement of the competitiveness of the agricultural sector, it would have done it via abounding financial incentives meant to increase the size of holdings, the use of mechanical instruments for performing farming operations and by taking the poorer land (around 5 m ha) from cultivation – therefore, it would not have solved the existing problems, but rather maximise them. In 1972, a restrained version of the programme was approved by the Council of Ministers, yet with no success in resolving the increasing problem of structural surpluses or the Community's burden of the high costs for the guarantees for production that were deeply affecting its funds (Lynggaard, 2005; Dick Leonard, 2005,).

Accordingly to A. Cunha and A. Swinbank 2011, the report presented in 1968 by Sicco Manshold, proved to be successful in foreseeing the surpluses in cereals and milk and a progressive increase in the budget costs which actually rose four times more between 1960 and 1968. Unfortunately, the measures proposed – presented above – proved to be too radical for the general acceptance of farmers' interests at the time. Therefore, following a 'violent and dramatic' reaction of farmers' organizations (one person died in a large protest in Brussels in March 1971 in which 250,000 farmers were involved), the plan was reduced to only three directives. (A. Cunha and A. Swinbank 2011, p.7)

5.4. Summary of the 1950's, 1960's and the 1970's in the evolution of the CAP

After the CAP emerged in the 1960's as a policy regime based on what the EC6 have decided at the Stresa Conference in June 1958 to be the major guidelines, intergovernmental negotiations that followed in the next years changed the CAP's former course. Accordingly to Roederer-Rynning CAP's essence can be encapsulated in three main points:

1. a policy which was based on price support – guaranteeing European farmers high prices for what they were producing while the world competitors were safely kept away due to the eventual high costs and low incomes that would have emerged from imports with the Community. In other words, the world kept away due to the applied system which was using variable import levies and export subsidies, all these being decided through intergovernmental deals from the 1962 and 1964.
2. a degradation of structural policy – structural policy was functioning in a limited way, mostly at the national level, exception making some modest measures, after the failure of Mansholt's 68's plan.
3. a fortification of CAP guarantee expenditure – agriculture guarantee expenditure for market support becomes binding expenditure by a decision in the 1970's. "(i.e.: expenditure necessarily resulting from the treaties or from acts adopted in relation with them), de facto removed the new agricultural policy budget from the purview of the EP" (ChristillaRoederer-Rynning, 2010, pp.185)

5.5. Minor reforms of the 1980's

The mandate of 30 May 1980

On 30 May 1980, the Commission was given by the Council a mandate to come with proposals on future structural changes. The former reported on 24 June 1981, and made suggestions for further reforms for CAP that would not alter its basic principles.

The introduction of the milk quota - 1984

In 1984, the production quota system that had already been applied to sugar was extended to milk, following the Commission proposals of July 1983. The goal was to limit the production surplus from the Community. The system was important as it was considered to be the "first binding control on production" (Roederer-Rynning, 2010, p.191, table 8.1) and as having market the beginning of the old CAP's latest period due

to the introduction of the individual production rights' limiting measures. Moreover, due to the huge financial costs caused by the milk surpluses – almost 40 per cent of the EAGGF expenditure in 1980, an individual quota was applied. The latter was “determined by the historical level of production” and as such was decided for every country. (as quoted by A. Cunha and A. Swinbank, 2011)

The Green Paper – 1985

In January 1985, a consultative document named “the green paper” was released by the new Commission following a decision to launch a general debate on the perspectives of the CAP. Its conclusions were presented at the end of 1985.

The introduction of budget stabilisers in 1988

In 1988, a limit for the CAP budget was set by the budgetary guidelines and was based on: 'stabilisers'. The stabilisers were used to limit the quantities that were guaranteed to receive support payments and were considered important and highly necessary, in other words: “a new approach to Community structural policy that favoured a more effective, global strategy for rural and less favoured areas and a closer coordination between the Guidance Section and other Structural Funds.”(European Commission, History of the CAP, 2012) To further explain, the agreement reached in 1988 consisted of a legal limit on agricultural price support for that year and conditioned eventual increases above the agreed level at 74 per cent maximum per year of the increase in Community's GDP. Additionally, in case of breaking the previous mentioned limit, automatic price cuts would be imposed for the relevant products in following years until limits would be respected again. (I.Bache, S.George, S.Bulmer, 2011)

6. The main players and the CAP decision making process

The decision-making process and powers within the CAP can be shortly summarised as:

Accordingly to Alan Matthews 2008, initially, the Commission proposed, the Council disposed, the Parliament advised and the Court ruled. Nevertheless, following the Treaty of Maastricht and the Treaty of Amsterdam, the Parliament powers have been raised through the co-decision procedure. Despite that, regarding the agricultural sector, the Council could still proceed without the Parliament's agreement after consultation. Exception was made in the case of the impacts on the public health, where, with the Treaty of Amsterdam, the Parliament was given co-decision power. MS and other lobby groups could impact the process whilst formalised through 'management and advisory committees' – known as 'comitology'. Moreover, if in past years the annual price review was the main nucleus of agricultural policy-making, its

importance lost priority. The main reasons were the price decisions which were taken in relation to medium-term plans (eg. MacSharry's reform or Agenda 2000) or the increase in the Commission's powers to manage markets (decided under the Financial Perspective arrangements and the further need to respect the WTO rules). (Alan Matthews, 2008). Considering the formal decision-making process within the CAP, it should be mentioned that the main actors are the European Commission which drafts legislation and the Agricultural Council which takes decisions. Before the ratification of the Lisbon Treaty, the Parliament had still a limited role and influence in the CAP, despite its sharing decision-making with the Council – expressed through consultation. (Fouilleux, 2010)

6.1. The process of decision making

Completing the previous mentioned idea, the decision making process begins with the Commission making a proposal based on an explanatory request from the European Council or on its own initiative. The European Commission consults with its advisory groups – composed of representatives chosen by different national organisations. Upon its formulation, the proposal is submitted to the EP and the Council of agriculture ministers for decision. The Court of Auditors has the role of supervising the expenditure. (European Commission c) For the same purpose of consultation, the proposal is also transmitted to the Committee of Agricultural Organisations (COPA) – as the principal interest group for European farmers, and to other institutions if the case requires (eg: Committee of the Regions – as the representative of regional interests, the Economic and Social Committee). The Agricultural Council is a very important player in the process as it may reject or ask for modifications of the Commission's proposal, accompanied by negotiations of the Commission's response – finally ending in a decision. (For more detailed information about the main players in the process of decision making, pre and post Lisbon Treaty, please see Annex 5)

6.2. Interest groups

In 1960 there were 100 agricultural groups within European Community. Nowadays they are app. 130. (Nugent, 2010; Copa Cogeca Website, 2012) Most of these groups influence domestic and Community policy. Some of the strong domestic groups, such as National Farmers Union in England and Fédération Nationale des Syndicats d'Exploitants d'Agricoles (FNSEA) in France grew in strength and shelter many smaller organisations. Despite the falling number of employment in agriculture between the period of 1960 - 2000, noting the drop from 25 per cent to only 5 per cent, agricultural lobby still remains one of the strongest. The most powerful and influential group belongs COPA/COGECA, which was established in 1958. However, position of this

group declined in mid-eighties by decision of European Commission to reform agricultural sector, implementing changes against the will of traditionalist farmers. (Hix, 2005, p.285)

On the European level is the most influential group already mentioned Confederation of Professional Agricultural Organization (COPA) and General Committee for Agricultural Cooperation in the European Union (COGECA). Former one was established in year 1958, whereas the latter in year 1959. They merged in the year 1962. COPA started as umbrella-organisation of 13 organizations from six constituent countries of European Communities. Now COPA covers 60 EU MS' organizations and 36 non-EU, European organizations. Similarly raised the number of COGECA's members - from six to current thirty five full members. (Copa Cogeca Website, 2012)

In regard to policy-making in Common Agricultural Policy there are mentions of "iron triangle". (Hix, 2005, p.285) The "iron triangle" is represented by three levels of decision makers - ministers of agriculture of member states, agriculture officials in the European Commission and farming interest groups. Key role plays Agriculture Council, gathering national agriculture ministers which many times come from political parties already representing home farming lobby. "Stronghold" of agriculture ministers is supported by Special Committee of Agriculture composed of members picked by agriculture ministers. Concerning the decision making procedure, CAP legislation was matter of consultation procedure where role of European Parliament was constrained until the Lisbon Treaty. Thus, position of both, COREPER and European Parliament was limited. Disputes about the budget and especially budget-cuts are held between agriculture and finance ministers, but the final outcome on European level was usually influenced by the Agriculture Commissioner who is regularly coming from the "farming state" or agriculture lobby. Moreover, the smaller committees are staffed by national experts, who are in most cases nominated by Member State's agriculture ministries. (ibid) The Agriculture and Rural Development DG in the Commission is the widest DG composed mainly by officials representing the major farming MS. The smaller committees, representing agriculture, veterinary and food safety, ensures the management of CAP. In regards to farming interest groups – two levels are visible. At the national level, the close interaction between farmers' associations and agriculture ministries guarantees farmers a strong position in the making of national agricultural policy. At the European level, COPA is considered the best organized, resourced and staffed of all other supranational associations. (Hix and Bjorn, 2011)

Iron triangle and its power are fuelled by major member states such as France and Germany, spearheading most of their agendas right into the Commission. Nevertheless, throughout the years, importance of agriculture within Community and Union dropped. Several factors contributed to this occurrence. Firstly, it was plunge

of agriculture employees in Europe and with governance of socialist parties in nineties, agricultural agenda bundled with rising demands for environmental protection, sustainability and quality production. Secondly, external factors headlined by General Agreement on Tariffs and Trade's (GATT) negotiations in the Uruguay Round. EU's CAP market was heavily subsidized and non-EU GATT signatory states opposed EU's trade liberalization. Dispute was concluded by taking new CAP reform package affecting also non-EU states within MacSharry reform. (Hix, 2005, p.303)

Another major external factor that influenced the power of iron triangle was represented by the EU enlargements in 2004 and 2007 which significantly enlarged agricultural area and number of agricultural employees. However, the anticipated decrease in influence of major agricultural players (Germany, France) on behalf of Poland or Romania did not occur. (Hix, 2005, p.304) These new Member States are significant players, however their say in COPA COGEA or lobbying in European institutions does not considerably lower the position of Germany or France. Strong position of the iron triangle and requirements for reform movement come more from groups representing related fields, mostly trade and industry. Interconnectivity of CAP policies with trade and industrial policies forces the decision makers to reform CAP simultaneously with development in related fields. (ibid)

The rule for success in farm lobbying is being the "loudest voice" in pursuance of interests. Single small groups from detached regions without support of Member States, non-EU based companies and single researchers can also use different ways of lobbying – for example through consulting and private agencies located in Brussels. Of course, in these cases the collective action increases the chances for success.

6.3. Describing farm-lobbying in the EU – How do agricultural organisations pursue their interests – Reaching policy-makers

As described by Nugent 2010, there are two levels to be considered when approaching this factor – the national level and the EU level. The success of reaching the desired goals/interests at the national level resides in the relationship and implicitly in the influence with governments – also considered to be 'vital' due to the latter's both - control of national policies and ability to easily reach the Council of Ministers. (Nugent, 2010, p.356-357) In their turn, national governments are interested and accessible engaging in immediate consultations on issues that are considered important. As to why governments are so accessible, there are assumptions regarding different interests such as: the gaining of a better view – from the core of the agricultural world; a better future implementation of policy, and not the least, political support – which may result from the mutual help, or at least from the 'good intentions' and support together with the creation of a common image. There may

also be the case of an already established empathy for the opinions of such organisations.

At the EU level - the first institution 'hunted' by agricultural interests has always been the European Commission. The latter has nevertheless encouraged the creation of 'Euro-agric groups' and has done its best in order to be as much available as to be of help. Why has it done as such, it is again a matter of the simple mutual help: interest/agricultural groups will be heard in their problems; demands; expectations and the Commission will have a better view of the actual effects of the policy, on how it can be improved and will be able to legitimise itself before the EP and the Council - as a policy-maker. Additionally, the latter has a better chance to explain certain measures and decisions taken at policy level and thus, through mutual understanding and sympathy for each other's concerns and goals, diminish the gap and suppositions as to the inability or unprofessionalism to which it may be associated when the agricultural sector is concerned. (ibid)

Another factor that has contributed to the success of agricultural organizations, has been the lack of an equal opposing competitor in terms of strength. Even though, present in their form, consumers and environmentalists are far from being as strong and 'concentrated' groups as farmers. A clear reason for this major difference, was the fact that whilst farmers always represented a very clear and major part of the European society pursuing a common identifiable interest, the previous mentioned groups, lack such a group awareness, are much more widely scattered and thus are difficult to steer and organize. The European Bureau of Consumers' Associations - BEUC - is known to be the largest consumer group at European level, yet with around only twenty members - significantly smaller than most agricultural associations. In addition, since BEUC addresses most European policies, the time left for the agricultural sector is limited. Moreover, agricultural lobby is clearly preferred at the institutional level by policy/decision-makers. As being a much older group than the others, the agricultural organisations know much better the rules of the game; have the economic means at hand; a ministry to support them; the necessary tools to 'trade' with the Commission or the EP; shortly- the political and economic means that others do not possess. (ibid)

Adding to the list of factors in favour of agricultural organisations' evolution and influence, other beneficiaries from the CAP should be mentioned. The owners of land had a lot to gain; amongst them enumerating: 'investment institutions, banks, financiers, industrial corporations or private landlords' (Nugent, 2010, p.358), all gaining from the increasing cost of land branched to CAP. Such type of interests has always had the necessary financial power to both invest and become a part in the political system - thus favouring agricultural interests. (ibid)

Unity is another factor described by Nugent. Nevertheless, after the 1980's the situation changed. Not only that competition increased among agricultural organisations, but other aspects became important at policy making level; the former losing more and more from their influence and capacity to organise - as new MS

forced them to disperse on a larger territory. In addition, since the previous mentioned period, although strong contact has been kept with the Commission, the latter has been less influenced by the agricultural lobby – a main reason being the need for reform at CAP level and the Commission trying to adapt to new internal/external pressures and expectation, while certain organisations (eg. COPA/COGECA), militated for the preservation of the old regime. (ibd)

Taking into consideration the above mentioned, it should be noted that the process of lobbying the institutions mainly revolved around the European Commission – as the initiator of CAP legislative proposals. It is not to affirm that the Commission has been the only targeted institution but definitely it has occupied the top of the list. Moreover, since it has encouraged interest groups in pursuing their goals through lobbying, further exemplification of such repercussions will be offered later in the paper. Another aspect resulted from all of the above is that at the level of agricultural interest groups the COPA COGECA organizations prevailed as the most influential and well organised throughout time.

7. Budgeting the CAP

The CAP was not only the first common policy implemented but also the “only common policy/..for a long time/.. that the Community was able to implement.” (Dick Leonard, 2005, p.152)

Although considered a great success by the farmers of Europe, the popularity enjoyed by this policy came with no fewer problems. First and foremost, the CAP has limited/annulled the development of other policies due to consuming a high part of the EU budget. Second, the subsidised export of some products has increased surpluses tremendously and has led to the distortion of world trade. Thus, conflicting situations emerged in many non-European states – from the United States and several other habitual food exporters, to the developing countries which feared getting their agricultural economies affected by such exports. (ibd)

If the initial budget of the Community, as established by the Rome Treaties, was completely dependent upon MS contributions, later on, as it couldn't sustain the large costs of some of the Community's policies – CAP in particular – it confronted with a pressing need of an independent financial basis of the Community to emerge. As presented earlier in this paper, the attempt of Walter Hallstein, President of the European Commission in the 1960's, at providing a stronger financial basis for the CAP - was countered by Charles de Gaulle – French president at the time – whilst determining the empty chair crisis from the 1965. (Annex 1)

The national contributions were abolished in April 1970, while a system of own resources would continue to “feed” the Community’s revenues. The aim was to provide the Community with the income needed for the policies administered by the Commission. (Alasdair Blair, 2006, p46)

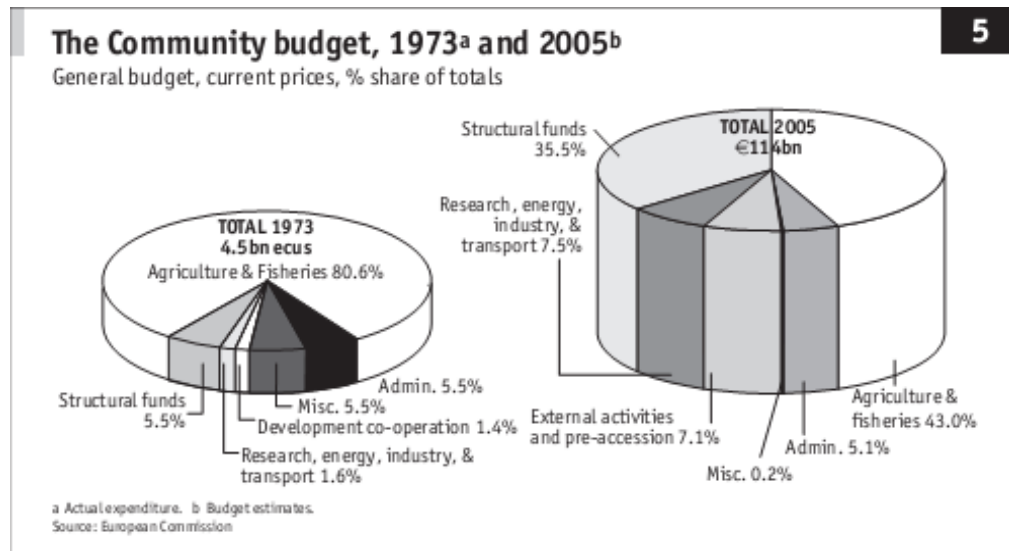
The funding needed was reached through a combination of:

- agricultural levies - charged on products coming from the import from third countries;
- customs duties - gathered from the industrial products which were imported into the Community;
- VAT resources - a percentage collected by the EU from all the MS from their own VAT revenues (small amount that would not exceed 1 per cent of the revenues a member state would obtain in its turn from VAT. (ibid)

In practice, the contributions to the Community’s budget were higher when coming from countries which imported more than others – i.e. Germany’s case which imported generous quantities of agricultural and industrial goods. On the other hand, Britain received far less back in terms of CAP funding as it already had a dynamic agricultural sector but had to pay important sums to the budget of the Community. Therefore, as proved to be ineffective due to its inability to work in the context of the expansion of policies at Community level and be the cause of the British budget problem, this funding was followed by several reforms to the budget over the next years such as:

- in 1984 the Fontainebleau European Council which accomplished the British budget problem.
- in 1988 Delors I package increased the overall budget and thus made it easier to cope with other policies introduced in the Single European Act (SEA). The budget for the period 1988-1992 was increased by 7.6 per cent, but on the other hand the size of the EU budget was limited to 1.15 per cent of EU GNP.
- in 1992 Delors II package extended both the 1999 budget by 22 per cent and the limit on the size of the EU budget 1.2 per cent of EU GNP.
- in 1999 the inter-institutional agreement increased the 2000–2006 budget by 15.9 per cent and the limit on the size of the EU budget to 1.27 per cent of EU GNP.
- in 2005 an agreement was reached regarding the 2007-2013 EU budget and an engagement by the UK to cede a percentage of the deduction that it received from the budget; moreover, a pledge by some member states, for example France, to raise their contributions to the budget so as to align themselves with UK in terms of the latter’s payments.(ibid) (seeFig3.)

Fig. 3



Source: Dick Leonard, 2005, pag.97

7.1. A look on the cost of the CAP in dates and numbers

As presented above, the budget problem had been a continuous reason for controversy at CAP level. But what did this mean in practical terms? The aim of this sub-chapter is to briefly present what was the actual cost of the CAP apart from the resulting disputes among MS.

As presented in I.Bache, S.George, S.Bulmer 2011, the cost of this policy rose by no less than 23 per cent between 1974 and 1979 – which was two times higher than the rate of increase of incomes. Following a short period of equilibrium (between 1980 and 1982), the cost escalated again by 30 per cent in 1983. At this point the EC exhausted its own resources allocated for expenditures in the sector. As also explained before, the unanimous agreement needed to raise the limit for resources was heavily opposed by the British, whom conditioned for agreement to be satisfied in return of concrete measures to be taken for hindering the cost of CAP. This resulted in the previous mentioned dairy quota from 1984 and in a system of budgetary discipline. This system was characterised by the fixing of a maximum limit to the budget's size – which would be done annually before the starting of negotiations on agricultural prices. As a result, the Ministers of Agriculture would negotiate within stable limits and as for any potential budgetary overstepping; this would result into further costs for the following years. Unfortunately, the previous mentioned system was not successful due to the

lack of an existing mechanism that would automatically adjust the costs in the years which would follow a potential failure. The next period, brought another increase in CAP's cost. To be more precise, between 1985 and 1987 – increase was measured at 18 per cent per annum. As resulted a deficit of around 4 million to 5 million ecus was estimated by 1987; moreover the problem was further prolonged since the whole issue was concealed by 'creative accountancy'. (ibid)

If considering all of the above, including the previous mentioned under this chapter, it can be affirmed that the cost of the CAP was characterised by an unstoppable rise even despite the attempts at reforming or improving the mechanism responsible for its budgeting. Consequently, the 'small reforms' from the 1980's have had quite an impact on marking the beginning of a new era in the evolution of CAP – away from the old system of direct support. Unfortunately, this still proved to be insufficient and thus – the need for a more drastic reform became both clear and unavoidable.

7.2. Disputes in funding the budget

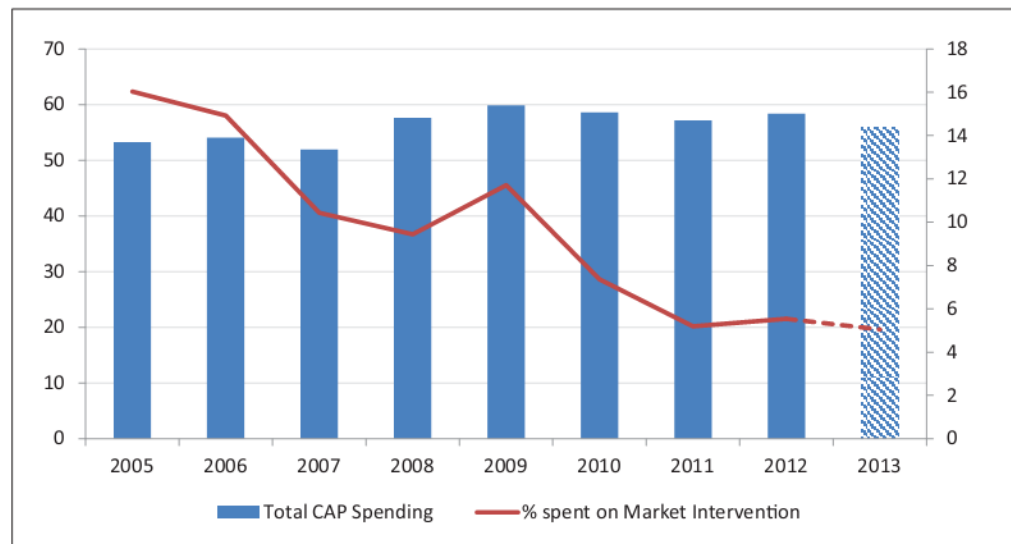
When referring to the disputes related to the funding of the budget in relation to the Common Agricultural Policy, "controversy" is probably the best characteristic. According to Alasdair Blair, the main reason was the unwillingness of the MS' governments to agree due to concerns related to the eventual bad reactions from their domestic electorate. The UK proved to be impenetrable when it came to its need for a reduction from the budget's contributions (late 1970s, early 1980s). France is known to have repeatedly objected to a reform of the budget fearing that it will affect the CAP – which had been benefitting France the most. Therefore, a common agreement between the MS' governments when it came to the interlinking of CAP spending and the budget has been quite a challenging and complex task, especially in a more and more larger Europe. To sustain this argument a look on the 2007–13 budget at the December 2005 Brussels European Council may be found self-explanatory. This budget was created in period when MS were still unable to find a common solution to CAP funding, postponing it for a further review for 2008.

Blair clarifies it by pointing to the fact that - if even in the case of the total budget sum being relatively small "(just over 1 per cent of EU GDP)", the budget debates continue to be prolonged - this "means that member state governments are regularly distracted from the real issues that are of relevance to European integration. This includes, for instance, the need to complete the Single Market."(Alasdair Blair, 2006) (see fig 3,4 and 5)

Fig4.

Total EU spending in 2012: €58.4bn (€399.3bn over seven years)

Proposed savings in 2012: €23.9bn (€165.2bn over seven years)

Graph 5: Spending on the CAP 2005 – 2013 (€bn)

Source: EU Commission, Open Europe Calculations

According to the European Commission, the CAP is characterised as being the “biggest single item in the EU budget, accounting for around 55 bn a year, or 40 percent over the current 2007 -2013 EU budgetary framework period”. (Pawel Swidlicki, Anna Kullmann, Mats Persson, 2012,p12)

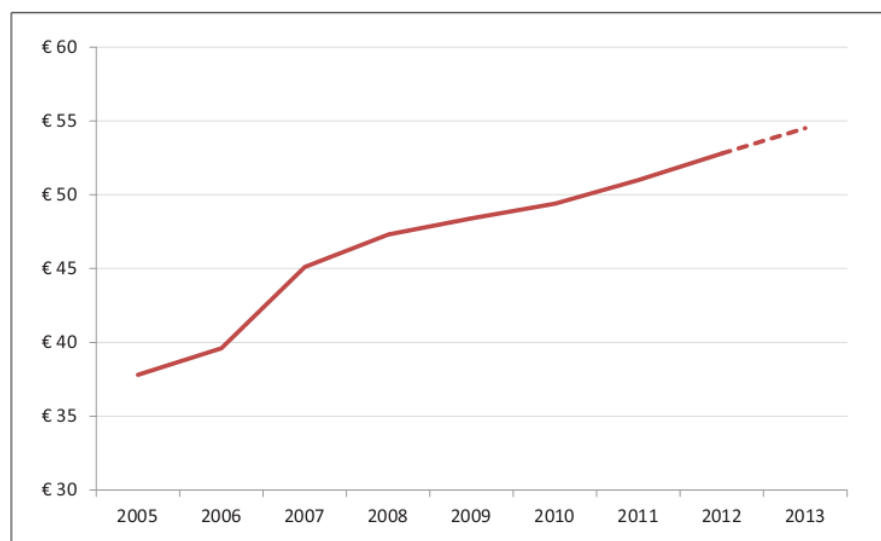
In regard to spending priorities, the CAP faced a decline from its share of the total EU spending – from 68 per cent in 1985 to just over 42 per cent in 2006 – when was still a dominant share. The proportions allocated to structural funds from the budget were somehow linked with the decrease in the importance of agriculture. Structural funds were considered more important due to their purpose of financing regional and social policies which were created in order to solve eventual unemployment issues raising its levels and reduce the discrepancies in wealth between different EU regions. (Alasdair Blair, 2006)

Fig5

Total EU spending in 2012: €52.8bn (€348.4bn over seven years)

Proposed savings in 2012: €21bn (€147.2bn over seven years)

Graph 6: Spending on Structural and Cohesion Funds 2005 – 2013 (€bn)



Source: EU Commission

According to the European Commission, the EU's Structural and Cohesion Funds aim at reducing discrepancies between poorer and richer regions of the EU by helping the former ones to catch up. Moreover, these funds cover other side objectives such as: 'social cohesion', competitiveness accordingly to the Lisbon Agenda, and the protection of the environment. The structural funds can be divided as follows: the European Regional Development Fund (ERDF) and the European Social Fund (ESF) – the separate Cohesion Fund is limited to member states which have a national income below 90 per cent of the EU average. As a group, the funds represent the second widest component in the EU budget, accounting approximately one third of total expenditure, € 348.4 bn over the current MFF. (Pawel Swidlicki, Anna Kullmann, Mats Persson, 2012, p.14)

7.3. CAP's most controversial elements

As presented in the previous sub-chapters from both the history part and the budgeting part, the Common Agricultural Policy went through a number of changes leading towards a reform that would satisfy both the producer and the consumer.

History has proven unfortunately, that at least from an economic point of view the attempts at reforming the CAP were not so successful, at least until the 90's – (further reforms are presented in the next chapters). Among the many controversial aspects of this policy, two elements were highly criticised.

One is the **guaranteed price system** and the other **export subsidies**.

7.3.1. The guaranteed price system

Forming the core of the CAP, this system has been the major cause of overproduction and accumulation of stocks of different products – famous throughout the history under the name of 'butter mountains and wine lakes'. The EU farm ministers were responsible for setting the prices each year – while being under the constant pressure from their own farming communities expecting them to set prices at the highest level possible. As mentioned above, overproduction was generated rapidly together with the cost of storing and disposing - thus – adding an extra burden on the fund.

The biggest surpluses came from the dairy farmers, absorbing 43 per cent of the guarantee fund in the year 1980. What made everything even more unjustifiable was the fact that milk products aggregated to less than 20 per cent of the total agricultural production. Cereals and sugar followed also with exaggerated expenses: cereals 15.85 per cent; sugar 10.2 per cent. By the year of 2002, the share of those products was already down by a lot, after the harsh treatment applied in the annual price fixing exercises.

The sudden rise in expenditure on cereals – 40.5 per cent - was a result of the compensatory payments to farmers which were renouncing their activity in the industry or the productive land. (Dick Leonard, 2005, p.156)

Table 1 EAGGF guarantee appropriation by product group, 2004 (per cent of total)

Arable crops	43.9
Beef, sheep-meat, goat-meat & pig-meat	24.3
Fruit & vegetables, wine, tobacco	9.3
Milk & milk products	6.4
Sugar	3.8
Olive oil	5.9
Other sectors	4.9
Other expenditure	1.1

Source: European Commission in D.Leonard 2005

7.3.2. Export subsidies

Also known as “restitutions” or refunds, this second controversial element of CAP, was paid to European farmers in order to enable their competing in the world markets. The way it worked was quite simple. Basically, the exporters were refunded the difference between the purchase price – that was always higher – and the price at which they were selling -usually lower on the world market. In numbers, an exemplification of the negative effects of these export subsidies is visible for the 1986, when the cost of export restitutions counted 8,600 mil. Ecus – which meant 40 per cent of the total expenditure of the guarantee fund; luckily, by 1994 the proportion had fallen to less than one-quarter. Heavy protests came from other important competing exporters like the United States; Argentina; Australia and New Zealand. The impact on the world market was thus a negative one and EU was regarded as being dangerous in the international sphere whenever the context of international commerce with agricultural products emerged. “There is also a widespread feeling that subsidised sales, and even EU gifts of food aid to poorer developing countries, inhibit those countries from developing their agricultural economies.” (Dick Leonard, 2005, p.157)

If summing all of the above, it can be notated that the 1980's were defined, by the previously mentioned budget problem. Nevertheless if considering the annex under ‘Environmental Policy emerging within the European Community’, then we can add to the previously mentioned the increasing concern about the environment (as resulted from the 1970's) and implicitly CAP's connection in relation to its damaging effects. But what did this mean for the farmers' side? The question is asked in relation to the latter's effects on CAP reforming process which will later be analysed.

8. Farmers' position endangered in the context of increasing environmental concerns

As presented in the first chapters of this paper, the farmers have been the main beneficiaries of CAP; to be more precise, the large farmers who – as in I.Bache, S.George, S.Bulmer 2011, managed to face the high prices by maximizing their produce. In order to do so, they increased the use of fertilizers for the land and hormones for animals. What did this mean at CAP level? As explained by the authors mentioned before, the rise of environmentalism narrowed down the general public's sympathy for the European farmers and thus – gave chance for further reform measures. Additionally, the late 1980's and early 1990's provided more reasons for the public's discontent with the modern farming. The main concerns were related to the safety of food which reached their peak in 1992 with the famous epidemic of ‘mad cow disease’ (bovine spongiform encephalopathy) or BSE in the United Kingdom. Intensive farming was considered to have been the major cause as it influenced concentration on

methods for farming whilst ignoring the animals. Although food safety might not be strictly linked with the concerns about the damage of the environment, it is nevertheless related and was considered connected by the European society. Furthermore, as also in Lynggaard 2007, by 1992 intensive farming was considered to have been the cause of both agricultural surplus and environmental depletion – concept already entrenched among all institutions and groups which were in strong connection with it. (I.Bache, S.George, S.Bulmer 2011)

9. The MacSherry reform

9.1. The 92' MacSherry Reform – main reasons and characteristics

Summing all of the above mentioned, moreover, as accordingly to Hix 2005, Nugent 2010, Fouilleux 2010, Kay 1998, Garzon 2006, Lynggaard 2005, Roederer-Rynning 2010, the CAP found itself in a 'still-reform-needed situation' even after the changes that occurred in the 1980's and beginning of 1990's. As a huge spending mechanism, CAP was accounting for more than 60 per cent from the EU budget in the late 1980's – allocated to CAP and the 'waste' caused by the agricultural overproduction (Nugent,2010). The redistribution of CAP's resources lead to the division of some 'better-off' farmers and some 'better-off than other sections of the society' (Hix,2005). Additionally, there was increasing pressure on the European Community, (especially from the USA - to liberalise trade and thus cease the distortion caused by European agricultural policy on global agricultural markets). All the previous mentioned problems, following long and intensive negotiations and deliberations, led to the agreement of the first major reforms of the CAP based on two important aspects: a decrease in prices and a switch of the price support with income support (Nugent 2010). The normatively instituted problems in regard to environmental depletion and the society's preference for a 'Green Europe', the modernisation of agriculture accompanied by a certain preference for technological progress at institutional level, the Community's increasing enlargement have proved to be the major concerns related to CAP before and after the 1992 reform. (K. Lynggaard, 2005)

The European Commission took the opportunity to reform the CAP after the 1990 crisis by using its right to initiative and submitting the reformed proposal on CAP to the Agricultural Council in February 1991. Amongst the personalities of the time involved in this reform, Helmut Kohl and Francois Mitterand – have taken the first political decision to implement what was considered a radical reform. The two nations had a double interest: in the finalization of the Uruguay Round (thoroughly explained in the annex under 'The context prior to the MacSherry reform, CAP's consequences on the internal market'), and the positive finalization of their own internal pressures: Germany – from the industrial policy community and France from the more developed cereal growers (price decreases would have given French the 'upper-hand' in EU's

animal food market – thus counterbalancing for the US' big and cheap imports of substitutes for cereals) (Fouilleux, 2010).

After being negotiated and drafted in the Agriculture Council by the Irish Commissioner for agriculture at the time, Ray MacSharry, the Plan which incorporated four important changes to the CAP was agreed by the MS in 1992 (Hix 2005). The reform was based on the proposals from July 1991, and in some aspects managed to exceed the required changes from the Draft Final Act.¹ (Kay 1998). The first change was the cut in prices from certain sectors. The guaranteed prices until then for cereals were reduced by 29 percent over a period of three years. Beef, pork and butter followed with a decline of 15 percent for the beef and pork and 5 percent for butter. MacSharry's affirmation at the time of the reform's enactment as to the fact that export subsidies would rather be eliminated than reduced as it was stated under the Draft Final Act, referred to the previous mentioned decrease in the internal support which was expected to automatically generate the decrease in the need for the majority of surpluses related with export by 1996-1997 (Kay 1998). Price cuts regarding the fruits and the vegetables were also introduced later. The second change introduced was a system providing direct income support for farmers – direct payments – that came as additional incentives to the price support, pattern that would compensate for the cuts made in prices from different farm sectors. The 'set-aside scheme' came as a third change mentioned by Hix. The system was based on the farmers' agreement to leave their land instead of cultivating crops that would eventually have to be bought by the EU. The system addressed farmers from some sectors – cereals in particular – and from specific regions. To those addressed financial recompense would be offered. Last, a set of accompanying programmes was the promotion of environmentally friendly agriculture, rural development, the cultivation of forests on some of the land used for agricultural purposes and early retirement for farmers. (Hix, 2005)

9.2. Farmers' position

The farming community is known to have been represented in the public debate by the famous already mentioned representatives COPA and COGECA; with the former heavily opposing and the latter showing flexibility. Generally, opposition characterised farmer organizations throughout the MS. COPA/COGECA went even further by accusing the European Commission of 'selling European agriculture' (Fouilleux 1996, p.32) 'to the GATT and American interests' (A. Cunha and A. Swinbank 2011,p.97) On the other hand, one organisation representing small farmers (The Confederazione Italiana Coltivatori Diretti), took a different position and supported the reform –

¹ The Draft Final Act or the Dunkel's Draft Final Act of 20 December 1991, was considered to be the most important proposal of the agriculture negotiations in the Uruguay Round - forming the platform on which the final agreement stood. In addition it was the reason which caused a difference in 1992 beginning of the MacSharry reform and 1991. The EU's official offer (post negotiations) from Brussels, 1990 differ from the Draft Final Act.

mainly represented by MacSharry's criticism related to the unequal sharing of CAP's support. (as presented from Agra Europe, 12 July 1991 in ibd) Whilst in contradiction to Commission's proposals for reform, COPA excluded any connection between the budgetary imbalance and the failure of the direct support system, moreover to the discrepancies that it caused between small and big farmers. One reason might have been the fact that at the time, COPA was mostly representing large farmers. As a counter proposal, COPA militated in 1991 for a status quo policy type underlying that 'price and market policy together with the double price system should go on as the fundamental basis to guarantee farmer incomes'. (COPA, 1991 in A. Cunha and A. Swinbank 2011,p.97) If negative results would somehow emerge for small farmers, compensatory payments should be applied. Furthermore, despite the COPA/COGECA having discussions with both the Commission and the Presidency and even organising protests (accordingly to Agra Europe, 4 October 1991, such protests took place in all MS, two almost paralysed Paris),so as to add some extra pressure on the politicians or influence the society, they did not accomplish much. On the other side of the barricade, small farmers represented by The European Farmers' Coordination, militated for the necessity of a reform whilst in agreement to Commission's proposals - otherwise considered still limited in their scope to perform a more drastic reform at CAP level. Their approach underlined the importance of an improved CAP which should try to achieve a more fair equilibrium in not only budget distribution but also in connection to numbers, income and production. Whilst pursuing to keep more farmers on the land, they supported supply controls, the improvement of quality of produce, increased respect for the environment; and militated against the intensive export policy - thus - supporting efforts for equilibrium on external markets. Additionally, they informed that in the past 2 decades 8 million farmers had left the land. Moreover, as overproduction increased, it had done it at the cost of diversity, environment and quality and not at the cost of large farmers which got increasingly richer. Besides, as prices were assured to processors rather than farmers 'a large portion of the funds goes straight into the pockets of the agri-food industry' (Agra Europe, 18 October 1991 in ibd). Nonetheless, farmers' interests were disregarded and a different reform was concluded. Farmers' influence weakened - as being represented mainly through some farm ministers among which few had a real saying in the reforming process - those who had, usually came from influential MS like France. Consequently, the reform process diminished the importance and functioning of traditionally wider farmers' organizations favouring the development of sectorial organizations (mainly representing cereals). (ibd)

9.3. Beyond MacSharry Reform – results over expectations

Whilst trying to determine the reasons as to why the 1992 reform was able to bring far more radical changes than the previous attempts have managed to, or as to why the reasons that followed, took the same path – thus – following the 92'reform model (Garzon,2006), historical determinism should be avoided (Kay,1998). The financial situation in which CAP found itself is not considered the main or only reason for the reform – furthermore, it would be wrong to consider that the process of decision-making in the EU is just a 'black box' (Kay 1998 in Garzon 2006), independent in its decisions from the advice or implication of other political actors, institutions or stakeholders but in strict connection to those developments that proved to be mostly material (Garzon,2006).

As presented before, one of the main changes of the 92'reform was the introduction of a set of measures supporting, amongst other things, environmentally friendly agriculture (Hix, 2005). Also, accordingly to Garzon, the agri-environmental measures were the main innovation that took place at EU level. If before, some of these schemes existed in some of the MS, with the 92 reform it became compulsory that all of the MS should introduce and help develop them on their own territory whilst contributing to EU co-financing (Garzon, 2006, chapter 5).

It was often considered that the result of the 92 reform didn't prove to be as substantial and positive as hoped. One reason was the fact that some changes were not in the best interest of smaller farmers, due to the fact that 'compensation' had not been modulated as in the Commission's first 91 proposals, meaning that only a partial compensation would be paid regardless the size of the farm (before, small farmers would be compensated in full). Another reason was determined by the costs at the EU budget level for the CAP being still high – therefore – the reform did not manage to reduce CAP's costs as expected. Nonetheless, MacSharry's Reform, concluded on 21 May 1992, was regarded in many aspects as historic (Fouilleux, 2010).

10. The 1999 Berlin Agreement and the Agenda 2000

The Context: Following the MacSharry 92's reform, further incentives for a new CAP reform were advanced in July 1997 by Franz Fischler – the new EU Commissioner for agriculture at the time. As part of the Agenda 2000 budget package in the context of the forthcoming EU enlargement, Fischler's proposal on the extension of the previous MacSharry reforms, referred to the increase of price cuts for cereals and beef while new cuts should be introduced for milk, olive oil and wine. Like MacSharry, Fischler also militated for the shift continuation in CAP policy – from price support to income support. Moreover, further non-welfare objectives (such as environmental protection,

food safety due to BSE crisis, or animal welfare due to protests on live-animals transportation), were proposed to be strengthened. But, the new budget framework agreed between France and Germany diminished Fischler's proposals (Akrill 2000, Galloway 2000 in Hix 2005). As for change, France proposed that the main producers would benefit of price support (dairy, cereal farmers), but at a slower pace than the Commission previously proposed. The resulting realities of CAP reforms have proved that the free market was the one setting the EU's prices for agricultural products – therefore – market stabilization no longer defined the CAP. Moreover, CAP is considered to have become (due to its direct-support system), a 'liberal welfare state regime' (Esping Andersen's typology in Hix 2005) in which taxation is used to supply public programmes (without adding further pressure on consumer's own budget), and different forms of testing are used for the allocation of welfare subsidies (at the time, oriented towards low-income farmers). Furthermore, due to the negative consequences of the agricultural market transactions (such as environmental destruction or rural underdevelopment), or the lack of information (reaching the consumer) related to food quality, "CAP aims to recreate the allocative efficiency of the market" (Hix 2005,p.285), - thus – reaching the public interest as a whole, not just the farmer's sector. (ibd)

New concepts emerged: Agenda 2000 has referred to new concepts related to the debate on the agricultural policy, amongst which the most important were: '**multifunctionality**' and the '**European model for agriculture**'. *Multifunctionality* – results in the role given to European farmers which should be extended from the single 'producer of agricultural products' quality. Important role could be attributed in relation to the potential influence in reaching further objectives such as: rural development, environmental protection, the safeguard of the countryside, the promotion of animal welfare, or guaranteeing safety and quality of food. *The European model for agriculture* – envisages that apart from the economic considerations; social, historical and environmental aspects should be taken into account. Agenda 2000, was finalised as a result of the March 1999 Berlin European Council agreement, and as mentioned before (from Hix 2005), it incorporated several important elements; 3 according to Nello,2012:

1. A change expressed through a reform of the organisations of the common market addressing cereals, oilseeds, milk, beef and wine. For all previous mentioned products, price cuts were imposed whilst farmers would be benefitting of a partial compensation through direct aids. Moreover, some 'compulsory set-aside' from the land belonging to large farmers was set at 10 per cent. (ibd)
2. An increased flexibility of the use of funds by the MS through the introduction of measures such as '**cross-compliance**' and '**modulation**'. Through *cross-*

compliance, farmers were obliged to respect and be in line with certain environmental standards in order to benefit from the full sum offered through direct payments. *Modulation* incorporated certain payment reductions whilst considering the overall sum of aid paid to the specific property, its development and the total employment calculated on the farm. The remaining sums would be used as funds for further environmental measures. (ibd)

As a result, few countries have managed to incorporate the two measures after 1999; modulation is known to have been implemented by France, UK, and Portugal by 2001.

3. The second pillar of the CAP was to be occupied by development policy. Ten percent of CAP's budget would be allocated and the process of spending these funds (for rural development), would be tightened for the MS. This implied a further obligation in regards to respecting a certain time limit for the period in which the sum should be entirely spend or lost: if the total amount for the first year were not spent accordingly, the remaining would not be saved for the next year. In addition, 'good farming practices' would be used for the promotion of measures addressing environmental protection - through new introduced legislation. (Susan Senior Nello 2012, p. 297-299). The new pillar of the CAP addressing rural development, is known to have attributed a multifunctional quality to the policy and linked direct payments to a more environmentally friendly agriculture - ...:"opens up for 'greening 'of direct payments" (Roederer-Rynning, 2010, table 8.1,p.192)

10.1. Farmers' position

Considering the previously explained opposition of the farming organizations for the MacSharry's reform in 1992; their position shifted intensity for what the 1999/2000 reform was concerned. As explained by Cunha and Swinbank in 2011, there was much less to criticize about the reform under discussion. This meant that that apart from CAP's budget being secured by the politicians; farm profits increased from 1992 (at an average of 4.5 per cent between 1992 and 1996 as accordingly to the Commission 1997 in ibd). Additionally, compensatory payments had a positive echo amongst farmers for two reasons: first because they provided a certain income for the future and second, because they came as unexpected ('windfall profits' in ibd). Therefore, only few aspects remained unsatisfactory at the farming organization's level: the increasing price cuts and the globalization of agricultural markets in the context of future WTO negotiations. In 1998 COPA/COGECA was concentrating its efforts to promote the *European model for agriculture and multifunctionality* (ibd)(concepts explained under 'The 1999 Berlin Agreement and the Agenda2000). Nonetheless, despite the two concepts being positively regarded in the reform context and their interlinking suggesting an interest towards the importance of the family farming and the

increasing role of the farmer in society; COPA seemed to have had other intentions behind appearances. It is assumed that the latter has been using the innovative idea of the two concepts in order to escape the above mentioned unsatisfactory aspects of the reform. A concrete proof of the previous affirmation was COPA's distrust about 'the idea of rural development which contained concrete responses to multifunctionality' (ibid) In other words, the funding of rural development through the new established second pillar was opposed by the former. Moreover, its real interest for measures that would have ceased the discrimination between large and small farmers (such as limiting support payments per farmer) lacked completely. (ibid)

11. Results, problems and perspectives

The path towards a radical change at the policy level in agriculture was still not successfully met. It may have been the case of a simple coincidence or maybe a more complicated answer coming from a different set of interests, yet it is obvious that the level of similarities between the 1992 and 1999 reforms have in common is striking. Criticism has addressed first of all the issue of the 'still -high' consumption from the EU budget in terms of CAP expenditure. (figure 6)

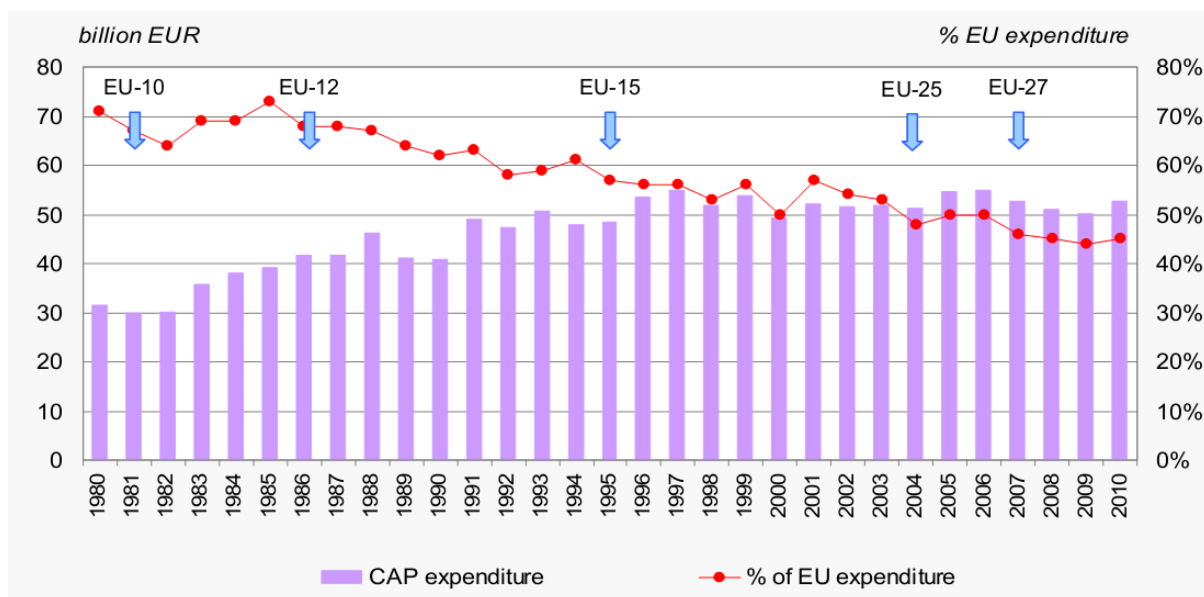


Fig.6

CAP expenditure-European Commission

Another reason as to the reforms 'not being radical enough', was their inability to go far enough in order for the WTO demands to be finally met - by renouncing the export refunds and thus reduce the agricultural support mechanisms. As a result, both developing and developed countries announced EU that the concerned issue would be addressed during the new round of WTO (launched in Doha, November, 2001). Further reason was the fact that none of the two reforms actually addressed the incoming pressures resulted from the eastern enlargement perspective in the context of EU budget meeting demands of CEEC's. (Nungent 2010, Fouilleux 2010).

Considering the above mentioned, and taking into consideration the notes made by Cunha and Swinbank 2011, Moyer and Josling 2002, Kay 2003 or Daugbjerg 2009, The 1999, 2000 reform seemed to have had the characteristics of ‘path dependency’ – following in the steps of the 1992 reform without other major causes behind it. Moreover, In Cunha and Swinbank 2011, there is mention of an intergovernmental character of the process of decision making: ‘the severely limited ability of the Commission to erode the intergovernmental character of decision-making in spite of clear attempts to do so’ (Sergey 2001, p.160 in Cunha and Swinbank 2011). The previously mentioned, referring to Commission’s inability to resist the conservative intergovernmental position of the MS during the negotiations.

11.1. The eastern enlargement issue

As presented above, the problem of facing a new enlargement became quite controversial at the CAP-expenditure level. The European Council faced the previous mentioned issue in October 2002, following the proposal of the European Commission from the beginning of the same year. The main feature of the final agreement was a gradually given support for the new MS until 2013 – as in order to comply with some national concerns (eg. Germany in particular had expressed its concerns to the fact that its overall contribution to the budget of the EU would increase as a result of enlargement in contradiction with its returns (Fouilleux,2010)), the heads of state and government included the decision within a plan of financial stability for 2007-2013. Accordingly to Neil Nugent, even though this came as a surprise for the new MS, the extent of choice was rather limited if not non-existent – as the accession negotiations at EU level are mostly based on new members “meeting the EU’s terms and conditions rather than negotiating what those terms actually are”. (N.Nugent, 2010,p. 630) Moreover, since the interest in adhering is larger than the new imposed demands, states usually accept the unpleasant situation. (ibid)

Whilst agriculture continued to represent an important aspect in the activity of many new MS, an increase in the number of people involved in agriculture occurred with the 2004 enlargement, specifically – from 7 million to 11 million, as the share that agriculture had in employment – from 4 per cent to 5.5 per cent and ultimately reaching 7.5 per cent with the accession of Romania and Bulgaria in 2007. (Nello,2012) One of the main debates characterising the accession was related to whether the direct support should be given also to the soon-to-be new Eastern MS. One problem arose and was highly debated: the potential inability of some countries to justly implement the legislation of the CAP and actively control expenditures at national level due to corruption issues. (Fouilleux, 2010) If initially direct payments were introduced as a compensation for the price cuts, the Commission further argued that since price cuts were not valid in the countries not yet members, there would be no

real justification for the direct support either. On the other hand, as prices increased sharply in the CEEC's so did the criticism related to the 'differential treatment' proposed for the more developed Western farmers in contradiction to the poorer ones from the Central and Eastern countries. The payment of 100 per cent of direct support towards new MS was proven wrong by the Commission in a large study published in March 2002. Apart from the social distortions and inequalities, a further point was proven: the real rural beneficiaries would not be the ones that would actually benefit from the support since many became landowners as a result of the privatisation process which included restitution in the above mentioned countries. Moreover, taking into consideration the income that came from the EU market support (estimated at 30 per cent increase), plus the direct support (assuming it were applied, it would have tripled the gains reaching 89 per cent), and plus the acceptance of the negotiations' positions – all this would result in a 123 per cent gain for the new MS. The December 2002 Copenhagen European Council agreed for a gradual distribution of the direct aids over a ten years period of time in the following manner: 25 per cent in 2004, 30 per cent in 2005, 35 per cent in 2006 reaching 100 per cent in 2013. By using their national and rural development funds, the CEEC's could add to the direct payments so that they would benefit of 55 per cent in 2004, 60 per cent in 2005 and 65 per cent in 2006. (Nello, 2012)

12. The Mid-term Review (MTR), June 2003

In July 2002, following the opening of a new WTO Round in 2001, the Commission addressed further problems by introducing a new reform plan for CAP as part of the mid-term review from 1999 agreement. The Council of Ministers accepted the proposals in June 2003 after some modifications related to national interests (in Nugent 2010). The reform followed the path of the previous 1992 and 1999 reforms especially in relation to the decrease in support prices for cereals whilst introducing further changes for the products where intervention prices still applied (eg: durum wheat, rice, dried fodder, protein crops and nuts (in Fouilleux, 2010)). Probably as one of the most important elements of this policy, the '**Single Farm Payment**' or '**Single Payment Scheme**' (SFP or SPS) was introduced in order to 'decouple' (separate in technical terms) the support from the production. Under the system previously mentioned, any farmer became eligible to receive support (even in the case of not producing anything) as long as they respected certain standards like environmental, animal welfare, food safety and occupational safety standards. (Nugent 2010, Fouilleux, 2010) **Cross-compliance and modulation** were the main instruments at hand. The actual implementation of the 2003 reform began only in 2005 or 2006 in the MS (Fouilleux, 2010). The Single Payment Scheme incorporated any financial payment oriented towards farmers as part of the 'de-coupling'. Moreover, a payment was calculated whilst taking into account the other past payments (eg. From 2000, 2001, 2002), the holding itself and the use of land. (Nugent 2010) A difference in the way the

payments are calculated resulted from the area considered for support. If in most of the MS the single SFP's were calculated regionally, France and UK made exception asking for individual calculations. The reason was the internal pressure coming from the developed cereal farmers and landowners. The main reason behind the 2002 European Commission's plan at reforming the CAP is considered to have been mostly related to the new WTO negotiations than to the actual concern for 'public expenditure for farming, environmental protection, welfare, cultural heritage and equity' (in Fouilleux, 2010) as the Commission officially declared. Therefore, the main interest was the moving of CAP payments from the 'blue box' to the 'green box' ² – which meant they had to be decoupled from production.

12.1. Farmers' position

Whilst opposing any further reform before 2007, COPA/COGECA organizations militated for the completion of the 1999 reform in terms of implementation. In 2003, the former opposed the reform by arguing that other price cuts and decoupling payments only meant negative consequences to emerge. As such they explained that such measures would result in further risks for the less developed areas and that the competition amongst products will be distorted. In addition, modulation would further result in financial losses for the farmers – as the latter would finally have to support the payments for the second pillar themselves. Moreover, a reform before the final WTO negotiations could result in unjustified costs if unsuccessful. From the same sector of activity, the European Council of Young Farmers (FEJA), although generally supported COPA/COGECA's position, was less rigid in attitude. Their proposal was that decoupled payments should be paid only to active farmers whilst fearing that decoupling could distort competition. Additionally they underlined the importance of the European Model of Farming for the preservation of European agriculture. On the other side of the barricade, other interest groups like consumer, environment or interests of developing countries were pushing for reform. Amongst the organizations most active, BEUC; Oxfam and Bird Life International – asked for an even more radical reform, and CIAA proposed for total decoupling. To be noted that at the time, more and more interest groups started to lobby policy makers; many more have been reported by parliamentary committees at the national level. (Cunha and Swinbank 2011)

² Three 'boxes' were defined by the Agreement on Agriculture (AoA) after the Uruguay Round was concluded in 1994. The reason was to better differentiate between the 2 major types of support for policy programmes: on the one hand the ones that distorted trade (and directly stimulated production), on the other hand, the ones that have no effect either on production or trade. Therefore, the first set of such measures were placed in the 'amber box' and they were considered negative and needed to be cut. The second set of measures was placed in the 'green box' and thus considered positive and ready to be used. The 'blue box' was to contain payments that were addressing certain programmes with the aim of limiting the production and they could be used as long as they respected certain conditions (eg. Post 92' compensatory payments in CAP. (Fouilleux, 2010,p.349)

13. The ‘Health Check’ of 2008

The factors that have influenced the new ‘package of adjustments’ agreed in November 2008 were aiming at simplifying and modernising the CAP, as well as, helping farmers to better cope with the existing pressures (mostly related to certain restrictions). As such the latter would better respond to market signals and to the challenges related to environmental phenomenon. Additionally, the further diversity resulted from the new MS should be taken into account. As climate change was considered a priority on the 2008 agenda, the EU’s heads of state and government agreed that the greenhouse gas emissions have to be cut by 20 per cent by 2020. Farmers’ role was also considered when dealing with the previous mentioned problem. Therefore environmental policy was likely to be adapted so that it could meet farmers’ necessities when facing important challenges such as: climate change; water management; renewable energy use and aiming for biodiversity and innovation for all of the above mentioned. An extra challenge came in the form of a needed support in the dairy sector which was facing a market crisis (‘supporting economic adjustment’). The ‘Health Check’s’ solution to the previous mentioned problems was that help should come from the farmers in the form of a 5 per cent contribution from their direct payments through modulation (with the first 5000 Euro that were received per farm continuing to be an exempt) and an additional 4 per cent for payments to farms that prove to be above 300.000 Euro – therefore doubling the percentage of modulation. The 10 per cent from the national budget limits for direct payment would be invested in further environmental policies, the improvement of food, marketing or for farmers having special needs (Nello 2012, ‘Agricultural and rural policy under Commissioner Mariann Fischer Boel’, 2009). Moreover, milk quotas were abolished – on a gradual pace until 2015; also compulsory set-aside was cancelled and direct support payments were further decoupled (most support was distributed through the SFP) instead of the previous simplified single area payment (which applied on the whole agricultural area). The time limit for accomplishing the shift was 2013 for the CEEC’s that joined in 2004, and 2019 for Bulgaria and Romania. While from the increased modulation were mostly benefitting large farms, (the Commission’s proposal at decreasing the direct payments oriented towards the latter had been watered down by the Council), the European Community was waiting for a new reform, hopefully of a more ‘substantial’ quality in 2013. (Fouilleux 2010, Nello, 2012)

13.1. Farmers’ position

Expressed through COPA’COGECA, farmers’ reaction was a negative one although not manifesting in any kind of demonstrations. As accordingly to Agra Europe on 21 November 2008, they expressed disagreement for the choice of enhancing modulation warning that such a decision would automatically affect farmers’ incomes in a direct manner. Nevertheless, through an intensive lobbying in the European Parliament and

through their ministers, the former have managed to influence the final outcome of the reform. As such, the Commissions' initial proposals regarding modulation were weakened (the Commission initially proposed an increase in the basic modulation rate from 5 per cent - as established by the Fischler reforms, to 8 per cent increase gradually so that it would have reached 13 per cent in 2012.) Additionally, the implementation of decoupling was stalled and the dairy sector gained access to extra funds for the detriment of some other farmers and rural companies (the dairy sector could be supported by MS from the extra modulation funds and via the new Article 68 provisions of the basic regulations). (Cunha and Swinbank, 2011) *More detailed information about the proposals made on the reform and the final outcome can be found in the annex.*

14. CAP after 2013 or the “greening of CAP”

14.1. Consulting the population

In 2010, the ‘crisis-struck Europe’ opened the discussion about the CAP and its possible heading after 2013. European Commission initiated discussion with the aim of answering four vital questions:

- Why EU (as well as Europe) needs CAP?
 - What do EU citizens demand from agriculture?
 - Why is it necessary to reform the CAP?
 - What instruments/tools need to be developed for the future of the CAP?
- (Nello, 2011, p.306)

In the answer for the first question, respondents generally expressed their support for the idea of a whole-EU agriculture and single market. Following the results of polls, the participants find CAP important in the struggle against the growth of food prices as well as in risk management. (ibd)

As for the answers for the second question, respondents demanded from CAP to provide safe, quality, affordable and sustainable food supply. Respondents also found important the well-being of farmers (mostly small) and the quality of life in the countryside. (ibd)

Accordingly to EU's consultation, the reform is endorsed by the instability of the market and food supplies. The poll's results shown, that reform should help to “battle” inequity in direct payments, make CAP less bureaucratic, raise the level of

competitiveness , reduce the instability and agricultural prices, build more efficient crisis management and adaptation measures for climate change and improve cooperation of CAP and related policies. (ibd)

In question of tools for future, there were two most common answers – either that current CAP does not need any major tool or reform or that CAP should shift towards linking “production and the compensation of farmers more closely to the provision of public goods associated with the second pillar of the CAP”. (ibd)

The results of this consultation and public survey led to issuing “blueprint” about post 2013 CAP development which will be in accordance with Europe 2020 growth strategy. (ibd) In order to reach sustainable, efficient and comprehensive growth, the European Commission outlined three options for future CAP:

- Option 1: In this option is preserved current system of direct payments, however measures against its uneven distribution will be taken. Reform will continue with the previous Health Check’s objectives, whilst focusing on risk management and simplifying present market rules. (ibd)
- Option 2: Option two will empower the risk management and simplify the present market measures. Yet more fundamental change hits the direct payments scheme, consisting of “keeping the basic rate, introducing mandatory aid for agri-environmental actions, additional disbursement for natural constraints and voluntary coupled support for specific sectors and regions”. (ibd)
- Option 3: This option is undoubtedly the most radical one. Whilst concentrating on environmental issues and climate change, it nullifies market measures and phases out the current system of direct payments. Market measures can be re-introduced only in state of crisis. (ibd)

14.2. Commission proposals

The timeline of the debate on greening and reform was initiated in 2010 by EU’s public discussion, continued by Commission Communication of 2020 strategy alongside with EU budget and produced Commission’s legal proposals in October 2011, which elaborate on findings by public debate. Commission’s proposal on 2020 strategy budget in 2014-2020 dedicates app. 317 billion Euros for Pillar I –Direct payments and other market expenditures and app. 101 billion for Pillar II – Rural development. Other expenses including food safety budget, crisis reserves, research and sustainability amount up to 17 billion, making the final number app. 435 billion total. This proposal does not significantly increase market expenditures and rural development inputs, but

grosses up a possibly reformed system of direct payments that will replace the decoupled direct payments. (European Commission a, 12 October, 2012)

This budget and new policies should tackle the major challenges which were categorized into three groups. Economic, environmental and territorial. (ibd)

- Economic challenges comprise food security, price variability and struggle against consequences and impact of financial crisis. Financial crisis has shown that EU needs more efficient risk and crisis management that would protect market from effect of skyrocketing prices of non-agriculture variables such as fertilisers or energy, as it occurred in the year 2007 and 2008. (ibd)
- Environmental challenges were identified as lowering amount of greenhouse gases (GHG), increasing water and air quality, preserving natural habitat, endorsing biodiversity and struggle against soil depletion. (ibd)
- Territorial challenges include the vitality of rural areas together with the welfare of farmers in distant regions and diversity of EU agriculture. (ibd)

However, the main challenge lies in the building of new measures whilst taking into account the uneven distribution of agricultural labour force in the EU (rural development in proportionally great new MS - Poland, Hungary, Bulgaria and Romania), unequal proportions of soil in Member States and climate change (floods in North, draughts and soil erosions in South). (ibd)

European Commission will address legal proposals to cope with issues of economic, environmental and territorial nature, in consonance with policy objectives which range from efficient food production, sustainability, rural development and environment-friendly policies to simplification and skimming the bureaucratic burden. In order to do so, legal proposals incorporate policies from both pillars. (ibd)

14.3. Payment and Greening related proposals

Why greening?

The predilection towards greening measures is well supported by a number of causes such as: the European natural environment is under trauma; biodiversity is deteriorating; there is increasing soil erosion and climate change and due to the GHG problem – there is an increasing concern about agricultural practices.

The most significant reform scoping for higher efficiency and sustainability is related to the introduction of “Basic Payment Scheme” replacing previous Single Payment Scheme in EU 15 and Single Area Payment Scheme in EU 12. It will be mandatory for MS to comply with “uniform payment per hectare” by 2019. Commission proposal

attempts to level up the payments from national envelopes for states that receive less than 90 per cent of EU average. (European Commission b, 12 October, 2012)

States will also receive “non-capped”, but compulsory payments which will represent 30 per cent of national envelope. These payments will be allocated for respecting greening measures, beneficial for environment. These are:

- Crop diversification (2 crops of 70 per cent of arable area and third less than 5 per cent
- Seven per cent of farmland will be dedicated to “ecological focus area”
- Permanent pasture maintenance. (ibd)

An extra 5 per cent of national envelope will be dedicated for areas with natural constraints and payment for “Young Farmers” (under 40) will be raised by 25 per cent for 5 years. (ibd)

As for step towards simplification, small farmers will be supported by Small Farmer Scheme amounting to 10 per cent of national envelope. These farmers will be also entitled to get annually 500 or 1000 € if their farmland is not more than 3ha. 30 per cent of farms in EU are smaller than 3 ha and they cover only 3 per cent of EU’s total area. (ibd)

Five per cent of national envelope will be linked to “coupled support” for MS’ important export products. (This level might be lifted to 10 per cent) (ibd)

MS will possibility transfer 10 per cent of Direct Payments envelope to Rural Development. Those receiving less than 90 per cent of the average hectare payment from Direct Payments Scheme can shift additional 5 per cent from pillar 2 to pillar 1. (ibd)

Cross compliance binds the receivers of Direct Payments to obey rules for environmental standards, animal and plants health measures. However, simplification took place and non-farmer related rules were removed. Other rules, such as “Directive on sustainable use of pesticides” will come into force after thorough presentation to farmers. (ibd)

Accordingly to new simplified procedures, Basic Payment Scheme limits maximal support for farm 300 000 € per year. Reductions of 70 per cent from annual payment will take place in payment group from 250 000 to 300 000€, 40 per cent for 200 000 - 250 000 € and 20 per cent for 150 000 – 200 000 €. Tax deductions for employee’s annual salaries can be discharged. Funds saved by these measures will be allocated in Rural Development envelope and European Innovation Partnership operational groups. (ibd)

Applicants with low veracity of agricultural production will be excluded from payment scheme, which favours “active farmers”. (ibd)

Year 2014 will be set as new reference year for eligible hectares land area. (ibd)

14.4. Market & Risk management mechanisms

Market and risk measures, intended to defuse “commotions” on general market will be funded by Multi Annual Financial Framework’s Crisis Reserve. Apart from existing public intervention and private storage aid, the Commission will apply to all sectors safeguard clause. Private storage aid will be applied for sugar after 2015 when its quota will be dropped. Sugar quota is the only remaining quota after expiry of milk quotas and wine planting rights. Despite abolition of several minor schemes, School fruit scheme and School milk scheme will be extended.

Rural development funding will also entail establishment of Producer Organisations, which rules of recognition will be applied to all sectors. (ibd)

14.5. Rural development

The European Agricultural Fund for Rural Development Fund (EAFRD) will be incorporated into Common Strategy Framework, in order to fulfil objectives set in 2020 strategy for smart, sustainable and inclusive growth. Common strategy framework sets general rules also for other areas such as European Social Fund and Cohesion Fund. (ibd)

Rural development programme introduced 6 priorities. Despite addressing new challenges, 25 per cent of national envelopes remain for battling climate change and land management. Five percent are dedicated to “performance reserve”. (ibd)

Six priorities as set by Commission:

1. boost competitiveness
2. “empowering knowledge sharing and innovation”
3. “presenting food chain organisation and risk management”
4. “restoring, preserving and enhancing ecosystems”
5. “promoting low carbon economy and resource efficiency”
6. rural development, poverty eradication, social inclusion (ibd)

EU will provide co funding up to 50 per cent in averagely performing regions and 85 per cent in less developed ones.

Rural development project will be also subject of simplification. Key point are “knowledge based architecture”, innovation and cooperation endorsed by trainings via Farm Advisory Services. Trainings will provide farmers with knowledge base for climate change adaptation, environmental and economic challenges. Moreover, pilot projects and grants schemes for restructuring, investment, modernisation, technical and commercial cooperation will be extended. Rural development projects will also intensify investments in distant regions’ broadband coverage and renewable energy projects. Organic farming will be endorsed and mountain areas donations can amount up to 300 € for hectare. (ibd)

Young farmers will be provided training and advisory services, as well as start-up grant up to 70 000€ and small farmers can apply for start-up grant amounting up to 15 000€. (ibd)

In order to safeguard rural development, farmers can take part in insurance mutual fund. This fund is part of risk management toolkit and guarantees pay out of up to 70 per cent of losses. (ibd)

14.6. New features

- Four year frequency of monitoring and evaluation starting by 2017 with aim to assess efficiency of fulfilling three main objectives set by Commission – “viable food production, sustainable management of natural resources, and balanced territorial development”.
- Increase of controls in troublesome regions, decrease in obedient ones.
- Full transparency of Direct Payment Scheme in CAP for legal persons. (ibd)

15. Summing it up

As presented above, the CAP is well on its way of becoming - at least in theory - if one considers the previous mentioned proposals for latest reform - the policy that was much expected both internationally as well as at all the EU levels. The concern for rural development and the protection of the environment are seriously taken into account when reform is concerned. Moreover, positive feedback is expected from the simplification of the Direct Payment Scheme - also criticized in the past. If considering the last decades, from MacSharry’s 92 reform on, it can be affirmed that a shift characterises the way in which agricultural policy was concerned. There is quite a big difference between the 60’s when this policy emerged in a not self-sufficient Europe when the ensuring of agricultural products was basically the only concern and

goal; the 70's and 80's when CAP was mostly benefitting certain states and groups of farmers (for example the famous France and its big farmers' interest groups) while creating overproduction and as resulted some huge costs for both the EU budget and the taxpayers' own pockets, not to mention the already "vintage system" of direct support adding an extra burden to the EU budget; and finally the 90's and the years that followed – all characterised by a completely different level of policy making. It seems that the international arena of commerce in which the demand and supply set the levels of the quantities and qualities to be offered, has also been characterised by an increasing concern for the protection of the environment and a more fair level of business-making which have influenced CAP and have left a definitive "print" in its future evolution. Nevertheless, despite the 'green' orientation of the latest reform, the past decades have been characterised by a tumultuous battle of interests which has characterised the Brussels's institutional arena. Therefore, under the supposition that such interests have actually managed to shape policy-making, the following problem is proposed here for analysis.

16. Why did CAP change? What transformed the 'gargouille'?

16.1. The simple economic logic and results of the old CAP

In order to understand how or why caused reform to change the CAP is hopeless unless historical facts are firstly well known and understood. As presented in preceding chapters, the CAP came into existence in an era in which the European Union was working to complete a common internal market that would finally help benefit its members. The post war echoes were still heard by a Europe which was strongly lacking in food supplies and which was in a major need of a sense of security not only from a peace/defence perspective but also from a more basic one – the previous mentioned availability of food supplies. To put it more simply, the CAP started in 1962 as a policy which had as main objective – the creation and assurance of food supplies that should reach consumers at reasonable prices, and which instead accomplished it through a system of high prices. This system was created as a helping mechanism oriented towards the European farmers in which the latter would benefit from a direct support whilst being protected from the potential competing foreign production through a set of high taxes. Therefore, a system emerged as initially desired and from which the French had benefitted ever since, as presented in chapter five. In other words, the internal market would benefit of support whilst the rest of the world would be highly charged when entering the European market (for example through import levies). The direct support mechanism proved to be both efficient and negative at the same time. As presented in the writings of many academics and

economists, criticism comes automatically every time the subject is debated. Therefore, even though the production increased considerably and the producers of agricultural products were strongly encouraged and supported through the direct support mechanism, the following burden of overproduction which defined the 1970's and 1980's, caused enormous costs for the EU budget – characteristic which prevailed to some extent until more recent years. As in D. Leonard 2005 and Roederer-Rynning 2010, the chain reaction of negative consequences of the direct support system, did not fail to reach consumers which instead of finally benefitting of the long yearned supplies at reasonable prices had to pay much more in order to support the functioning of an ill system. Another important aspect to be mentioned here, particularly visible and affecting the 1980's, was the export subsidies – additional amounts paid to European farmers on export. Export subsidies are known in the history of CAP, together with the guaranteed price system, to be one of the most controversial elements which have also lead to the distortion of the global market. If question would be raised in regards to the importance of this period for the purpose of this paper, than explanation is fairly to be given. Understanding the logic of the old CAP, both historically as economically, provides a better understanding of the main reasons behind both the motives and the set of interests which helped shape and change this policy. As in Richard Baldwin and Charles Wyplosz 2009, the 'simple economic logic of the old CAP' was defined by the establishment of a price floor. The latter was to be maintained at any cost - either by imposing a tariff or by direct purchases by the EU. Therefore, the expensive agricultural policy of the 1960's, 1970's and 1980's, provides the cause which lead to serious economic and external-relations' problems – which in their turn pressed for the first major reform at CAP level to take place. As in chapter nine, there are several factors for the 1992 reform. Apart from the previous mentioned, the preference for the increase of productivity from the 60's and 70's, (another factor responsible for the creation of surpluses), had also affected farmers. By the 1980's income was concentrating on big farms whilst small farmers were forced to leave the land despite the direct support which proved to be a system that benefitted much more the owners of big farms. Following the logic of 'who produces more earns more', the internal market was characterised by a monopole-like producers whom could both handle the costs of producing and the eventual costs from selling at lower prices if necessary. All this had been possible due to the sufficient incomes which came from the EU's budget. On the other hand, the global market was growing in discontent due to the distortions caused by the cheap prices practiced by the EU which was also accused of eluding fair competition. The Uruguay Round of GATT from 1986, forced EU to face the harsh criticism and challenges of other important global players when trade is concerned (such as the United States and the Cairns Group). Avoiding repetition, (detailed information can be found under 'The context prior to the MacSharry reform, CAP's consequences on the internal market'), two aspects can be affirmed to have resulted from the previous mentioned event: One

is that for the first time, the EU understood that the repercussions of a foul system within the CAP were not affecting just its own internal market to which the former could ‘play blind’ whenever it pleased itself, and another aspect is related to the fact that international pressures are an immediate cause for reform in a world in which demands are no longer only a matter of national subject; in other words – in a globalized world. Therefore, as a first answer to the research question – ‘*Why did CAP change?*’ – it can be affirmed, as resulted from all of the above, that the first major reform at CAP level happened mainly due to the international pressures. As for what caused the delay in reforming the CAP – considering the previous decades in which the already analysed system of direct support prevailed – then it is not without reason to sustain that the farmer’s well organised and strong interest groups were a major cause. Farmers interests have been enforced by the former through intense opposition whenever the situation presented signs of threat for the comfortable position of the ‘protected-business like’ farming community. A very good example for the previous mentioned affirmation was the failure of the Mansholt Plan. Although the Commissioner for Agriculture from 1958 to 1972 presented in his report, as foreseen, the crisis that would result from the high prices practiced within the community, the drastic measures proposed resulted in three watered-down Directives in 1972. As already detailed before under ‘The Mansholt Plan – 1968’ (chapter five), it is important to be mentioned here that such a result followed the dramatic reaction of farmers’ organizations. Even if taking into account the small attempts at reform from the 1980’s (such as the introduction of milk quota in 1984 or the budget stabilizers from 1988), it was not until the 1990’s that reform was truly considered no longer a step to be postponed. In addition and as stressed in chapter seven of this paper, the budget problem expressed through CAP’s high and unstoppable costs is to be taken into account and it is considered to have also been one of the major reasons for reform. Alongside, the growing environmental concerns at CAP level, particularly defining the 1980’s and culminating in the beginning of the 1990’s with the BSE crisis, were a further reason for reforming the CAP. As explained in chapter nine, the growing public’s discontent with the practices of intensive farming were linked not only to environmental depletion but also to the cause for the food-safety issues – which erupted in a pressing demand for CAP reform in the 1990’s. As such, and following the previously presented causes, the reform started in earnest in 1992 with the MacSharry’s Reform.

16.2. ‘CAPital’ change or just a new beginning?

As presented in detail under chapter nine, the 1992 reform proposed some drastic measures to be implemented in the form of price cuts for some of the products that have caused overproduction like cereals, beef, pork, butter. The guaranteed prices

until then faced severe cuts - to the discontent of large farmers. Additionally, direct income support for farmers was introduced in the form of direct payments so as to compensate for the price cuts made in different agricultural sectors. Moreover, the 'set-aside scheme' was introduced in order to encourage farmers from certain regions and certain sectors – addressing cereals in particular – to leave their land whilst being financially compensated. Such a measure was introduced with the purpose of helping to diminish the surplus problem which weighted heavily on the shoulders of the EU budget, at the expense of which it was bought and stored. Furthermore, some accompanying measures oriented towards the promotion of environmentally friendly agriculture, rural development and early retirement for farmers were also introduced. As explained under the chapter mentioned previously, the reform, although generally considered to be a success due to its courageous and severe measures for the previous style of the policy, was criticised of not actually having solved the budget problem – CAP still occupying a large part in the expenses of the budget. Another aspect for discontent was that the small farmers were not benefitting as much as the large ones. The cause was that the compensation promised turned out to be only partial and not integral. And so, a new context emerged at CAP level – less encouragement for production rather than for quality of produce whilst equilibrium on both internal and external markets was promoted. Nevertheless, the promoted measures had yet another important player to consider: the farming community - generally represented through COPA/COGECA organizations.

16.3. 'CAPping' with change – a theoretical approach -

The politics of interest groups

As described under the 'Farmers' position' in chapter nine, COPA is known to have generally opposed 1992 reform. Being more interested in a status quo style of policy, the former militated for the old regime of support to be preserved, if possible together with compensatory payments in the case of small farmers being underprivileged, although it was not considered as such by the former. It was obvious how the organization was mostly fighting for the interests of large farmers which constituted the majority of its members. Moreover, the fact that from the same sector of the farming community, other organizations representing small farmers were in favour of the Commission's proposals, suggests the already established imbalance within the farming sector. It can be asserted that the farming community was shifting its interests towards a more transparent, balanced and increasingly green desired policy. Although the reform finally happened less in favour of small farmers, the previous mentioned reality has had a deeper meaning for the future CAP reform process. First of all, the interest representation at CAP level undergone fundamental changes since the time of the 'old CAP'. As presented in the writings of many academics like Hix

2005, Hix and Bjorn 2011, Nugent 2010, Cunha and Swinbank 2011, Nello 2012, Roederer-Rynning 2010 and many others already mentioned in this paper, the traditional way of policy making which prioritised the interests of large farmers' organizations has changed since the 1960's for a less monopolized arena for lobbying. With the first incentives for policy change in the mid 1980's, there was a clear pluralist model developing inside Brussels' institutional representation. As presented in chapters three and six, also the incentives for lobbying the institutions have changed. First there was not just the European Commission to be 'hunted' but also other institutions like the European Parliament – which since the Lisbon Treaty benefited from the co-decision procedure or the ordinary legislative procedure increasing its legislative powers (for what the agricultural sector is concerned such powers proved to be extremely important for the incentives of the lobbying groups as the former had powers over the budget of the CAP.) Moreover, as in I.Bache, S.George, S.Bulmer , 2011; Van der Zee, 1997; Hix and Bjorn 2011; Cunha and Swinbank 2011, the Commission itself supported financially an increased number of countervailing interest groups – thus characterising the pluralist model. Therefore, from consumer groups, trade unions to environmentalists – all became more and more interested in the Brussels' sphere. Consequently, and as explained in chapter three, the pluralist model is probably the best to describe the realities of new emerging interest groups from the mid 1980's on. Moreover, scholars such as Truman 1951 and Lipset 1959, as explained in Hix 2005, believed in the pluralist system as the model system in interest group politics. The latter functions in democratic systems – in our case the EU – whilst the existence of opposing groups - in our case for example consumer groups, trade unions, environmentalists - will diminish the potential monopole of already established stronger groups – for example business interests like COPA/COGECA. On the other hand a different theory may be taken into account. As in Galbraith, 1953, Schattschneider 1960 in Hix 2005; Schattschneider 1960 in Darity J. W., 2009; Terry M. Moe 1981, Mancur Olson's model of collective action gives a thorough explanation in regards to the notion of distorted political struggle - due to the false theory that all groups have equal access to power. Olson's model of collective action is based on the assumption that personal interests usually prevail, and as such, belonging to a smaller yet more specific oriented group, will assure the achievement of the desired goal. Moreover, public interests for example, may have the unfortunate chance to be used by another group to 'get ahead'. Wilson 1980, divided such groups between 'concentrated interests' (such as producer groups) and 'diffuse interests' (social interests). Considering the previously mentioned, it can be stated that inside COPA/COGECA such a model was visible in its approach towards the 1992 reform. As explained in chapter nine, the organization denied any connection between the existing problems of the time related to the discrepancies between large and small farmers – clearly favouring the former and thus resulting in a lack of democratic approach. Additionally, contradictory to the pluralist model, scholars such as E. E.

Schattschneider and Mancur Olson noted that business interests usually prevail. This was also proven in the analysis performed by scholars such as Greenwood 1997; Cunha and Swinbank 2011; Hix 2005; Hix and Bjorn 2011; I.Bache, S.George, S.Bulmer 2011, all analysing accordingly to different sources including the European Commission or the European Parliament. All in all, considering all of the above, it can be concluded that at the beginning of the 1990's, interest groups followed a turn in their previous evolution. Moreover, with new interest groups getting more and more involved in the EU's policy making, counteractive lobbying emerged as increasing to farmers' interest groups. As the former became more visible in recent years, the subject will be debated in relation to the next reforms. Nevertheless, it is considered important to be noted that if until the 1980's there was a monopole-like lobby activity which many times manifested at the national level through national ministers, the mid 1980's brought a more centralised way of performing the previous mentioned activity at European level – defined by the 'Brussel end'. Intrinsically, the European institutions such as the Commission or the Parliament became main targets – subject which will also be later developed. In addition, as analysed previously, the new context of emerging interest groups as influenced by the Commission, gives proof of a mix of pluralist and collective action models of interest group politics.

16.4. CAP reform walks the path...

The MacSharry's 1992 reform seemed to have opened the door for further reforms at CAP level – mostly following the same trend. As such, the 1999 Berlin Agreement Agenda 2000 has been considered many times entwined with the former. Previously explained in chapter ten, the new reform included further price cuts for some of the products (the most important being beef, cereals and milk), accompanied by a partial compensation for farmers; compulsory 'set-aside' of ten per cent; measures dedicated to environmental protection which linked production to the latter (expressed through the new introduced 'cross-compliance' and 'modulation'); and last but not least, the second pillar was occupied by development policy with the aim of increasing rural development. Whilst watered down by a Franco-German deal, the Commission's initial proposals on replacing price support for products to income support for farmers, resulted in price support being kept in place for cereals and other dairy products – to the main benefit of the French.

To such results, there was little to complain about by the farmers organizations. As explained under 'Farmers' position' on the second reform of the CAP, farmers' incomes have raised sharply between 1992 and 1996 whilst the compensatory payments were positively echoed within the farming community. Nonetheless, it is important to note that as resulted from COPA/COGECA 1998 reactions on the reform, there was an increased tendency towards the discrimination of the small farmers while using the

latter to 'get ahead' – already presented features of the collective action model. Cunha and Swinbank 2011, linked COPA's interest for promoting 'the European model for agriculture' with its hidden interest to escape future price cuts and avoid future measures in the context of the globalization of agricultural markets. In short, the organizations were still favouring large farmers whilst disregarding the needs of the small ones by opposing to the new pillar of the CAP – oriented towards rural development. All in all, the old system of policy making may have long started to change at CAP level, but not for the farmers' interest organizations like COPA/COGECA.

Considering the reform's measures and momentum – to be noted that there were no severe pressures from the inside or from the outside – thus, there might have been the case of a *path dependency* following the 1992 reform 'where preceding steps in a particular direction induce further steps in the same direction' (Moyer and Josling 2002, p.26)

The 2003 Mid Term Review or the Fischler's reform, also continued on the path of the previous reforms. As explained under chapter twelve, the reform further reduced intervention prices for several products and introduced the Single Farm Payment system. The latter would benefit farmers through the payments allocated for them even in the case of them not actually producing anything, provided that certain environmental, animal welfare, food safety and occupational safety standards are respected. The aim was decoupling the support from production. What seemed to have caused the reform were a number of factors; amongst the most important considered was the forthcoming WTO negotiations or Doha Round: *'During 2002... there was mounting pressure from WTO negotiations for CAP reform. It was becoming increasingly clear that the reluctance to reform the CAP was going to become a major obstacle in the Doha Round.'* (Nedergaard 2006, p.216 in Cunha and Swinbank) Nevertheless, The Mid Term Review was asked by the Council in March 1999 followed by a proposal for reform from the Commission. Moreover, the Eastern Enlargement issue explained in detail under the chapter eleven, put an extra pressure in the context of the 2007-2013 financial perspective concluded in the Commission's decision to decrease the amount for the second pillar after the European Council's decision to apply direct payments also for the soon to be MS. On the whole, the reform followed the path dependency theory, especially if considered in the context of external pressures from the WTO – similar to the 1992 reform.

If bearing in mind the notes made under the 'Farmers' position' of the same chapter, it could be added in relation to the above mentioned that despite internal pressure for the decoupling or the modulation, the Commission proved to be firm in its position, unlike the 1992 reform moment; and despite a minor watered down, defined by a partial decoupling and a slower modulation, the reform continued as planned.

For what COPA/COGECA are concerned, their interest in watering down the reform whilst protecting large farmers did not change from the previous reactions to reforms. Allowing for a more theoretical approach, then the 'collective action' theory applies the best – the organisation being interested in nothing else but the already limited interests of large farmers. On the other hand, pluralism emanates in parallel, as new interest groups (belonging to consumer, environment or less developed MS) came into play. They had an intensive lobbying activity whilst trying to influence the policy-makers.

The Health Check of 2008 brought a new series of enforcement to the previous 2003 reform. More and more, the proposals enhance the increasing concern for environmental protection in the context of agricultural development. Moreover, long debates have revolved around the modulation method with new proposals oriented towards rural development. As explained under the chapter thirteen, as well as further detailed in the annex, part of the remaining sums from modulation could be used by the MS for rural development and the dairy sector.

There is little to add as a difference from the previous reaction of COPA/COGECA. Following the same trend, the former disagreed with the increased modulation whilst considering it detrimental for the farmers' revenues. It is to be noted though, that a visible influence resulted from the latter's intensive lobbying by weakening of Commission's initial proposals. As already explained in chapter thirteen and in the annex, the differences between the Commission's proposals and the Council's or Parliament's proposals were of considerable size.

As for the above stated, two aspects can be observed. One links the farmers' position and the reform itself to the previous steps in CAP reform - therefore resulting in path dependency. Second, despite the new tendency in CAP evolution for an increased modulation with additional costs oriented towards environmental protection or rural development, the COPA/COGECA organizations still holding strong on lobbying policy-makers for the preservation of elements defining the old regime of CAP support.

16.5. CAP still caught in the 'iron triangle'?

In regards to the impact of some key players in agricultural decision making, Hix notes in 2005 and later in 2011 (in Hix and Bjorn) about the power of the 'iron triangle'. As explained in chapter six the iron triangle is represented by the agriculture ministers, agriculture officials in the Commission and farming interests. The main assumption is made that while both agriculture ministers and agriculture officials working for the Commission are still under strong national pressure from their national parties or

interest groups, there is little space left for proposals or decisions to be taken objectively. Moreover, the power of the Agriculture Council was definitely superior in the process of decision making, at least before the Lisbon Treaty, period in which the European Parliament was only involved for consultation. Additionally, the Agriculture and Rural DG – the widest DG in the Commission, is mostly composed of officials representing the major farming MS while the committees responsible for the entire management of the CAP are composed of ‘national experts’ - which are in their turn accountable to their national ministries. Last, the third element of the iron triangle is represented by COPA (already described under chapter six and three), considered by Hix the main association representing agricultural interests at European level. As the former has already been explained in the previously mentioned chapters, it is only to be noted here the fact that its monopoly in leading and influencing policy-makers has been a long and continuous one. As previously analysed in this paper, (which considers both COPA and COGECA associations for analysis), such a monopoly can be only detrimental. On the one hand the latter has excluded an important category of the sector which claims to protect (the small farmers of the farming community), and on the other hand has limited the chance for other interests groups to be heard. Nevertheless, the power of the iron triangle has lost its strength.

Due to several factors which have undermined the predilection towards agricultural activity, (such as the negative economic and environmental consequences that arose from overproduction in the 70’s and 80’s - leading to measures such as set-aside or the limiting of the guarantee price system ...etc), many farmers were forced to leave their land. Others simply did not find any incentives for continuing in their activity which became far too costly and problematic. Therefore agriculture has lost much of its net superior employment from the 70’s in the years which followed. Furthermore, the increasing public’s discontent towards the intensive farming has led to a change in both interest group representation (new groups emerged: consumers, environmentalists, trade unions...), and in the institutional representation (previously explained as being under national pressures). To further develop, this meant that agriculture lost some of its importance even at the institutional level – as national agricultural voters lost numerical superiority and therefore forcing interested candidates to turn towards other sectors of society (usually represented by consumers not by farmers). If to all of the above mentioned we add the reasons for reforming the CAP (as explained under the MacSharry reform), then international pressures bring forward a new dimension to policy-making and interpretation, all within a globalized world. To such an extent, interests and policy-making change. Having to face a different set of repercussions (such as the EU realised when faced to answering other global actors in the Uruguay Round), the narrow interests of some sectors of society will hence lose ground. It is not to affirm that some interests should prevail over others but simply to underline that all is accepted unless desired to induce monopoly.

Last but not least, as presented in chapter six and in the annex five (EP before Lisbon Treaty), the European Parliament's role in the process of agricultural policy-making has increased considerably since the Lisbon Treaty with the adoption of the ordinary legislative procedure. Such a change brought enforcement to the 'old player' in policy making which also became an appealing new target for different interest groups which the Parliament encourages (for example environmental, consumers, trade, human rights...etc).

Summing all of the above, it can be asserted that despite the still existing problems at CAP level, the overall process of decision making improved since the 1970's. From a democratic point of view there is less monopoly when institutions and interest groups are concerned. The iron triangle is considered a topic for further research; nevertheless the weakening of such a structure is a clear point – visible throughout the whole historical evolution of the CAP.

16.6. CAP turns green

The latest much awaited reform of the CAP is getting closer to the end of its negotiations. The Council reached on 18-19 March 2013 its latest agreement on the four major proposals for regulations within CAP's agenda for reform (fully available in the annex), following the earlier proposals of the Commission (presented in chapter fourteen) and the Parliament (presented in the annex five). This has been a very important step regarding the timing of initiation of the latest reform. As such, a final agreement is expected to be reached by 20th June ahead of the Agriculture Council, on 24 June. Meanwhile, three-way talks are scheduled for 11 April between the Commission, the European Parliament and the Council.

As presented in the annex five (points 1, 2 and 3), there are themes of common agreement between the three major institutions and points where the parts disagree vehemently.

Nevertheless, as mentioned above, there are four major proposals upon which all institutions agree and have taken as leading goals for the development and completion of the reform. These are:

'a regulation establishing rules for direct payments to farmers;

a regulation establishing a common organisation of the markets in agricultural products;

a regulation on support for rural development (rural development regulation);

a regulation on the financing, management and monitoring of the CAP (horizontal regulation)' (as presented by the European Council's agreement reached on 18-19 March 2013).

Due to the fact that the proposals for the latest reform are still far of reaching a conclusion; in order to find the reasons and implications of the latest reform, the paper proposes that the attention should focus on the following points:

1. Major reasons for reform initiation
2. Main players in the reform process
3. Interest groups influence
4. Criticism or major concerns

In considering the first point in our journey, than the already given information under chapter fourteen is to be taken for consideration. As such, following the 2010 public consultation and public survey initiated by the Commission, the latter adopted its blueprint on major proposals. The result preceded the public consultation which defined the major reasons for reforming the CAP. Intrinsically, the results of the polls have shown that the pressing problems are caused by the instability of the market and food supplies. Therefore, a new reform should dismantle the inequity characterising direct payments; decrease the level of bureaucracy, instability and agricultural prices; raise the level of competitiveness; improve crisis management, measures oriented to the adaptation to climate change as well as the cooperation of CAP and related policies. The Commission presented its proposals which were shaped on the previous mentioned causes. Avoiding repetition, the proposals which can be found under chapter fourteen, have also been later analysed and tuned by the European Parliament and the Council (information available in the annex seven). Taken into consideration the Commission's initiative to launch a public consultation and survey upon which it later draw its proposals shows a high degree of democracy and will to change the old system once and for all. Moreover, not just once has the Commission surprised through its new radical measures, but also through its strong position in relation to making the CAP greener and thus help in the preservation of the environment. As presented in the annex seven, some of its measures have been considered drastic and surprising even by its institutional partners such as the Council or the Parliament, nevertheless appreciated and pushed forward by some of their own members. Briefly, the major proposals debated were related to linking direct payments to environmentally friendly farming methods and to put aside to the old quota system – both initially opposed, later supported by the Parliament. From the first category, the 'equivalent measures' requested from MS to respect in order to benefit of greening payments, have been opposed by the Parliament in favour of Commission's initial

specific requirements – recently watered down by the Council. In the same manner, despite Commission's militating for the sugar quota's deadline of 2015 to be respected, the Parliament's and Council's proposals still agree to prolong it until either 2020, respectively 2017.

As point number two already came into play, it can be observed that the reform development revolves around the previously mentioned three main institutions: the European Commission, the European Parliament and the Council. Moreover, taken into consideration the above mentioned and the further presented in annex seven, we can observe a considerably increase influence and implication of the European Parliament in CAP following Lisbon Treaty. As stated before, it is yet too early to draw conclusions on the proposals of these institutions as the process is bound to continue at least until 20 June. Nevertheless, it can be observed that each of the institutions is fighting a hard battle over different sets of interests. Nonetheless, as mentioned above, the Commission has evolved a lot in its strength and position since past reforms when the latter proved rather soft and influential – thus resulting in watered down decisions (eg: the 2003 Mid Term Review and the 2008 Health Check table from the annex provides a clear picture). Additionally, the Council appears to be under a strong national pressure. Its measures prove the point, the former being rather oriented towards a slightly softer approach than the Commission's or the Parliament's. However, this can also be evaluated positively in some cases, or in the words of Agricultural Commissioner Ciolos, there were *“a number of points on which the Council seems to be closer to the Commission position than the Parliament”*. These points referring to the fact that only a limited number of payments should be restricted on the production of a specific crop. (Dacian Ciolos in European Voice, Dave Keating (March 21, 2013))

In regard to interest groups influence under point three; two major groups are visible in the 'battle' for the latest reform: Farmers and environmentalists.

From the farmers' side, COPA-COGECA organization has been visible and often consulted or interviewed throughout the negotiation process - thus still holding strong on its position as leading organization representing farmers' interests. Generally the former welcomed the Council's position on proposals, especially regarding a more flexible arrangement on greening measures. Nonetheless they disagreed with the Council's decision on not extending the sugar quotas until 2020. As detailed information can be found under annex seven, it is to be considered that the organization is interested in safeguarding the preservation of the 'old regime' as much as it can, given the present circumstances. The Commission's strong position of dismembering the old quota system is definitely not well accepted by the organization.

Environmentalists have been increasingly present in the battle for a greener reform within CAP. Considering both, the Commission's and Parliament's latest proposals, the previously affirmed are easily to be observed. Moreover, although coming later to influencing policy-makers, environmental groups appear strong and determined. In annex seven, the 'latest news' bring a clear context of the environmental campaigners position. Nevertheless, one statement describes perfectly the former's position in relation to Council's latest agreement: *"The Council today decided to kill what little hope remained for a greener CAP and to eliminate the few positive outcomes from the Parliament,"* (Faustine Defossez from European environmental Bureau - EEB in European Voice Dave Keating, March 21, 2013). Nor were they pleased with the greening measures being excluded from the baseline for agri-environmental payments in Pillar 2. They reasoned that such a decision would result in farmers being paid twice for the same agri-environmental actions which the Commission also disapproves. *"Less than a week after the European Parliament voted to remove farmers' right to receive 'double funding' from the CAP [...], EU agriculture ministers have now proposed to return this wasteful practice,"*(the European Environmental Bureau in EUROPOLITICS, Ed Bray and Joanna Sopinska). *"What was originally dubbed a 'green' CAP reform is becoming a greenwash,"* (Trees Robijns from BirdLife Europe in ibd).

For the already analysed theoretical point of view, we conclude that the pluralist model is now truly applicable in all of its features. Whilst the CAP promises to finally become a much fairer and green policy, against all criticism, counteractive powers arise in competing the old forces which have slowed the progress for a long time. As such, prospects for future outcome are to be concluded...

Conclusions

In search to find the reasons and elements that have caused CAP to change – which was the focus of this paper, it is considered necessary to remind the reader about the importance of the historical evolution of the reform process. As the goal lies not only in the reasons for reform but also in a thorough understanding of this policy, it has been found that the system of policy making improved over time. As already presented and analysed under the previous chapters, the model characterising the 60's, 70's and beginning of the 80's is now a far better and fresh one. Additionally, there are two major reasons for concluding the presently stated. One refers to the fact that from an economic point of view – the increasing eradication of the old system of direct support – is expected to save a lot of money from the EU budget and avoid overproduction and international frictions. The second refers to the positive measures oriented towards environmental protection; measures progressively strict and linked to payments – underlying the institutional concern and comprehension for the limited availability of natural resources. Moreover, as no significant development takes place

‘overnight’, the past two decades have witnessed a series of political, economic, international and social changes which have thus caused also the CAP to change. As analysed previously, the paper considers few of the majority of reasons to have been truly significant: the international pressures – usually defined by WTO negotiations; the increasing concerns towards environmental protection; interest groups – mostly represented by farmers and environmentalists ; the pressures resulted from the accession of new MS, and the evolution of institutional powers in regards policy-making.

Apart from the motives for reforming the CAP, the paper also searched to find in what way interest representation has influenced and caused reforms to happen. Considering the previous chapter, than it can be concluded that interest representation was a clear incentive or blockage throughout the reform process. Mostly defined by a pluralist and collective action model of interest group politics, farmers interest groups dominated in lobbying the institutions. Nevertheless, in recent years the latter lost monopole with the emergence of new groups like environmentalists, consumer, trade unions...etc. From the second category, characteristic for the latest reform, environmental groups led a strong and harsh battle to defend their interests. As detailed in the annex eight, both groups have been extremely active and pursuant, many times resulting in watering down proposals (as occurred in the case of the European Parliament – which changed position on several matters). Nonetheless, for what concerns organizations like COPA-COGECA – one of the oldest and strongest representing farmers’ interests, their position has hardly changed, the former still militating for the preservation of the old system of support mostly for the benefit of large farmers.

The latest reform known as ‘The greening of CAP’ has been left for the end, not only for a chronological reason but also because, (as explained in the analysis and further exemplified in the annex eight), the negotiations are not yet fully concluded. Nevertheless, this does not mean that some conclusions cannot already be drawn.

Despite the general agreement on the importance of greening, we can conclude that the Commission’s proposals have met diverse opposition from three major sides:

- the environmental NGO’s - ‘it’s all green wash;’
- the MS – trying to make cuts in the budget due to crisis, considering the proposals bureaucratic and far from the goal of simplifying the CAP;
- the farmers – complaining that the reform would damage their ability to produce more food which is highly necessary especially in times of crises.

Additionally one should not forget the tax-payers interested to know whether the expenses of such measures will eventually pay off. As previously presented and

analysed, the reform has good and sustainable causes for initiation, especially considering its 'green' orientation – thus –its leading goal. The predilection towards greening measures is well supported by a number of causes such as: the European natural environment has been severely damaged; biodiversity is deteriorating; increasing soil erosion and climate change, the GHG problem – resulting in further concern about agricultural practices. Nevertheless, the lengthy negotiations may be a sign that the measures proposed haven't been thought through so well.

First of all, there is the risk of already debated 'double payment' which may result as a consequence of greening payments in both pillar 1 and pillar2.

Second, the Commission's initial proposals may have devoted importance to environmental protection but have disregarded the fact that there is a high degree of differential factors between the variety of regions within the EU. As such, in meeting greening requirements or having to face penalties, some farmers may be more affected than others – thus discrepancies will be created not reduced.

In favour of the Reform's proposals we conclude the following:

It is well understood the fact that MS would be tempted to avoid enrolling in pillar 2 measures – which are non-compulsory and are under the MS' financial support.

Second, there is a need for 'visibility' meaning that the direct payments have to be justified to taxpayers – thus complying to greening measures brings more quality to the products concerned.

Third, it is well passed the time for ending the old system of support – therefore – the sugar quota deadline should be respected; maximum delayed by one year.

All in all we conclude the reform to be positive and needed at EU level. In 2008 the first greening measures were introduced through cross-compliance. They are now improved through pillar 1 and if remaining so, mandatory. There is a clear need for more drastic measures to be taken, as otherwise there is temptation to disregard negative consequences. Nonetheless, it is to be noted that the farmer community should be helped in this process. As stated earlier, discrepancies will still arise for a while between MS – as regional differences are too wide. However, through a well-designed management mechanism and national-personalized measures, such discrepancies can be overcome.

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ANNEX

1. CAP – the reason behind the empty chair crisis

The French President, General de Gaulle was elected in 1958 and whilst advocating against European supranationalism, "which contradicted his certain *idée* of France, based upon a powerful sovereign state, nationalism and an independent foreign and defence policy", (Jeremy Richardson, 2006, chapter 2, p. 38) severely questioned the Commission's authority. Furthermore, once elected as French president, the agreements - on a political level favouring European integration - and - the existing balance of power between the institutions in the Community - were annulled. Once the Fouchet Plan - an alternative to the EC based on the idea of establishing a 'union of states' that would coexist within the Community in areas such as foreign policy, defence and culture proposed by de Gaulle in the year of 1961 - failed, the French president adopted a new strategy, this time focused on prioritising the establishment of CAP in favour of the French national interests. The CAP is known in history as the main reason of the Empty chair crisis (July-December 1965), when the French ministers refused to participate in the meetings of the Council of Ministers and the permanent representative was withdrawn from Brussels. The core of this discontent was apparently the Commission's proposals for the financing of the CAP such as the new idea of using the Community's 'own resources', the granting of further budgetary powers to the European Parliament and especially the decision of introducing majority voting into the Council of Ministers to which the French opposed. The Luxembourg Compromise from January 1966 was the end of this crisis, shifting the institutional parity of power from the Commission to the Council of Ministers, encouraging the former to closely consult with the governments of the Member States before issuing proposals. (Jeremy Richardson, 2006, chapter 2) Additionally, when there was the case of important national issues, even if the case of majority voting in the Council of Ministers should apply, ministers should try to find solutions that would benefit everybody involved. Therefore, paradoxically, the CAP seemed to have been the reason of both - development and unification at Community level, even since its early beginnings, - and the failure and discontent amongst its members.

2. Environmental Policy emerging within the European Community

1973 was the first year in which the Heads of State and Government recognised the protection of the environment for the first time to become an objective of the Community. But it was not until the year of 1987 with the implementation of the Single European Act that Environmental policy was made a treaty obligation (Sbragia 2000, p.296). Six Environmental Action Plans were adopted since 1973, when the Council adopted the first one, setting the environmental objectives for the

Community. In its development, were involved: Member States governments, the European Parliament, the European Commission, the Economic and Social Committee and labour market organisations (Wale, 2000, p.56). Even if neither of the six Environmental Action Plans are binding texts they are very important due to their capacity to influence at such a level that further changes are well to be expected: they are..."based on wide political endorsements..hence..they have some degree of authoritativeness and entail certain expectations about future action." (K. Lynggaard, 2005, p.152). It is interesting to observe how the first Environmental Action Plan addresses the 'world problematique' as it directly addresses the problem of "**The limits to Growth**"³ - ... (Council 1973, Reasons for actions and guidelines) - "the natural environment has only limited resources; it can only absorb pollution and neutralise its harmful effects to a limited extent. It represents an asset which can be used, but not abused, and which should be used in the best possible way." (Council 1973; Title II Principles of a Community Environment Policy"). Moreover, the importance given to technological progress within the emerging European Community's environmental policy is greater than in the 'world problematique' equation. Exemplification can be found in the EC Environmental Policy: "the best environment policy consists in preventing the creation of pollution or nuisance at source, rather than subsequently trying to counteract their effects. To this end, technical progress must be conceived and devised so as to take into account the concern for protection of the environment and for the improvement of the quality of

³ "The Limits to Growth" - published in 1972 by a group of 70 scientists, policy-makers and leaders from the private sector - which named themselves "The Club of Rome". The book was actually a report on the Club of Rome's "project on the predicament of mankind." Moreover, it identifies a "world problematique" based upon "poverty in the midst of plenty; degradation of the environment; loss of faith in institutions; uncontrolled urban spread; insecurity of employment; alienation of youth; rejection of traditional values; and inflation and other monetary disruptions" (Meadows et al. 1972, p.10), (K. Lynggaard, 2005, p. 149-150). According to Meadows, 1972, chapter 4, in K Lynggaard, 2005, the report of 1972 shows that there are limits to growth and there is a need to move towards a "global equilibrium" - the claim being that collapse will be caused by exponential growth in the world population, agricultural and industrial production, the consumption of non-renewable natural resources and by pollution - all this possibly happening in the next 100 years . Moreover, according to Meadows, there is a difference that needs to be understood, between postponing and eliminating the inevitable - although, technological innovations could address some of the above mentioned problems, in the short term, even new technology or the discovery of extra stocks of non-renewable resources can only postpone not resolve the actual problem. (ibid) Last but not least, in regard to how policy-makers should respond to the "world problematique", The Limits to Growth gives only some ambiguous instructions; the basic claim being that the former can only be addressed and understood through an integrated approach that recognises the link between "technical, social, economical and political elements" (Meadows et al. 1972, p.11). To simplify, due to the fact that the growth - either in population, agriculture or industrial production - depends on the consumption of non-renewable resources - and - technological progress, it is assumed, "cannot provide in the long term a solution to the exponential growth in the consumption of non-renewable natural resources". (Meadows, 1972, chapter 4, p.51-54, in K. Lynggaard, 2005, p. 150-151). Therefore, technological progress - can be considered dangerous in the sense that it contributes to the "world problematique" rather than supplying solutions. For example, "technological innovations in industrial production in the use of agri-chemicals and fertilisers in intensive agricultural production" - cause "pollution, depletion of non-renewable resources and malnutrition" - thus - "push the world towards collapse".(ibid)

life at the lowest cost to the Community”(Council 1973; Title II Principles of a Community Environment Policy, K.Lynggaard, 2005, p.151)

Despite all agreement on the importance of the protection of the environment, the 70's were characterised by an affinity towards technological progress within the emerging environmental policy of the European Community due to its rather more acceptable, affordable or available solutions considered to be more beneficial due to the time management of the other existing problems. But, even so, the policy does not exclude the fact that the protection of the environment is dependent on agricultural policies. In this context two problems directly related to the agricultural sector have been found: the depopulation of certain rural regions within the Community – farmers being important in taking care of the countryside, and agriculture's effects on the countryside due to “intensive use of fertilizer and the misuse of pesticides”..therefore.. “the dangerous effects of such practices should be lessened”.(Council 1973, Title II Action to improve the environment) Therefore, the first early links were established, connecting the modernisation of European agriculture - CAP - and environmental depletion. Another important concern appeared within the European Community related to organic or biological farming. Examples can be found in the first Environmental Action Plan where is mentioned that while consumers developed an increasing interest and attention to the quality of the products consumed/purchased, the farmers responded by increasing the development of “biological” products and paying more attention to the way those were produced using methods which would be closer to the “natural processes” (K.Lynggaard, 2005, p153 - 154). In what might be considered more practical terms, the “introduction of environmental concerns” within the CAP is often linked to the 1985 period – with the adoption of the Council Regulation (797/85) – which encouraged environmentally friendly farming to be supported among MS, including measures for the protection of environmentally sensitive areas (Council 1985 in Lynggaard 2005).The UK government seemed to be highly interested in pushing forward this regulation, although little favour came from the Commission or other MS governments (Lowe and Whitby 1997, p 294; Lenshow 1998, p.9 in Lynggaard 2005, p.158).According to Fennel , the Council Regulation was finally passed - especially since the implementation of the majority of the measures included was optional for MS (Fennel 1997 in Lynggaard 2005). For the period 1978-1985 it is important to note that Organic farming was proposed as solution to some of the problems in the CAP and a link was established in the context, between intensive agricultural production and some environmental problems. Moreover the Commission, the Council and the European Parliament have supported the idea of organic farming despite the negative yet somehow necessary support given to technological progress that has been acknowledged to threaten the environment and potentially even create overproduction. Moreover, for the same period mentioned

above, although organic farming was not very popular amongst many MS, by the end of this period, in France, Netherlands and UK different links were established between organic farming and agricultural policy objectives. (K.Lynggaard 2005, chapter 6)

3. The oil seeds dispute

It is perhaps important to note that the main reason responsible for the US resentment towards the EU, among other things, was based on the 'oilseeds dispute' that was going on for some time. Summarising this issue, it all began with EU's decision of developing a support regime dedicated specifically to oilseeds – aiming at encouraging and safeguarding its domestic production against the growing imports from the US of cereal substitutes which were under low rates of duty (Garzon, 2006, Kay, 1998). As an example and result of the previous mentioned regime, the EU oilseeds production increased from some 600.000 tons in 1966 to more than 12 megatons in 1990 (which was in the middle of the oilseeds controversy). Based on a US consideration of unfair government support – EU farmers were guaranteed at receiving up to 2 or 3 times more than the world prices (for rapeseed, soybeans, sunflower, beans, peas or lupins) – a legal form of complaint was submitted to GATT Panel in 1985 followed by a ruling in Dec 1989 when the EU's subsidy regime was found to be in violation of GATT principles (detailing, EU's commitment from 1962 to charge no duty on imported oilseeds had been broken). EU responded to GATT ruling with the adoption of a new regime by 1991. (Kay 1998) The new regime replaced the guaranteed price level acquired through subsidies with a system of compensatory payment which was to be given directly to producers and per hectare. As it proved to be still not in line with the US requirements – due to obvious reasons, the latter addressed GATT again in April 1992. Found to be in violation of GATT rules again, (as it broke the 1962 agreement on import), the oilseeds regime had to be changed once and for all. The MacSharry reforms came as a response to GATT request for the EU to urgently implement the ruling (Garzon, 2006). The oilseeds regime was important for its 'example status' – as even if specific in its nature – it underlined the importance of international trade whilst considering EU domestic policy development and further measures. Additionally, it was often considered, that the regime in question, had been the light that guided the EU towards considering the cereal sector in the context of high international pressure for a CAP reform (Kay, 1998).

4. The context prior to the MacSharry reform, CAP's consequences on the internal market

Apart from the previous mentioned damages related to environmental depletion and food safety that CAP managed to cause through its system of intensive farming, several other aspects need to be mentioned in the context of pre MacSharry reform.

According to I. Garzon, there are several factors to the 1992 reform. First factor mentioned is the economic one. As in the USA and some other parts of the world, structural improvement also took place within the CAP. An overview of the period before the 90's is important in better understanding the context of the 92 reform. The modernisation of the farming sector through the institutional price guarantee – which attracted capital in the farm sector, moreover, the adoption of new technologies in the 1960's and 1970's maximised the incomes through the increase in earnings per hectare or per animal. All this had a negative impact on the farmers: prices for farm products decreased in the advantage of the consumers, nonetheless affecting the land owners by a decrease in the real value of land and especially the farmers who owned smaller farms, being restrained by the lack of funds, the size of the farm, the lack of managerial know-how or their age. Therefore, as a consequence, production concentrated on larger, modernised farms. By the 1980's there was concentrated income and production was developing normally mainly in the northern regions of the EU while the overall farm income was stagnating. As a second factor mentioned, there was the problem of huge budgetary expenses for the market and the price policy. The increase of production and creation of tremendous stocks in the 1980's happened due to the guaranteed prices to farmers and the productivity gains (detailed information can be found under 'The guaranteed price system'). Similar examples of support are visible in the 1960's and 1970's. The famous "milk lakes and butter mountains" – how the overproduction stocks problem was called, were thus bought and stored at the expense of the EU, in best cases being sold on the international markets (obviously, at a lower price than the one in the Community), whilst the producers (exporters) were compensated with certain export refunds (also known as 'export subsidies'). The payments were made from the EAGGF. The costs became unbearable for the EU's budget and for its contributors – the MS. The previous mentioned together with the recent entry of the UK in the EU caused further friction among the MS themselves and the UK and EU as a whole, as the UK was a large, far more stable food importer which had to face the situation in which the contributions to the EU's budget through import levies were much larger than the received subsidies from the CAP. On the EU level, the matter of financing the EU budget was causing general discontent among other MS, the main problem being the fact that the net importers of agricultural products were always in the situation of having to face contributing with a higher share to the budget than the net exporters. The main reason for this was the fact that the incomes generated by import levies were a source for the budget, whereas the refunds for export were a loss being paid also from it. All throughout the 1970's and 1980's the UK budget problem persisted and the 1980's in particular were dominated by negotiations aiming at finding solutions for the previous mentioned problem. Moreover, the 70's and 80's brought forward a new trading system having as main players the United States, Japan and EU.(Garzon, 2006,p.28-29) Which brings forward the third factor related to the trade consequences of CAP within the international sphere. In Garzon,

Fouilleux, Ingersent, the 1980's were affected by major instabilities further leading to the international trade problem. The world recession caused a decrease in demand while the EU was facing the need of getting rid of its surpluses on the world market even if on low prices thus disturbing the previous export patterns. Therefore, when to the previous mentioned situation was added to the increasing protectionist habits and further trade tensions of the EU with the outside world, a need for trade liberalisation was immediately resulted. The first step was taken in 1982 by the MS who sought for recommendations from the OECD Secretariat-General. The latter was asked to perform an analysis of the agricultural policies and their effects in regard to international trade - thus - proposing as a result - ways of limiting the exaggerated agricultural protection in favour of better integrating agriculture in the international trading context. Several academics and agricultural economists brought forward a model of economic structure which concluded that the instruments that were used in an agricultural policy should be entirely separated - thus have no direct impact - on what the farmer was earning (in this case, CAP's price support system), (Fouilleux, 2010).

Following the EU's 'bad habits' on the international markets and the static demand that was characterising the industrial countries or the fall in demand characterising the Communist countries, political issues emerged at the international level. In 1986, the GATT negotiations opened in Punta del Este - also known as the Uruguay Round. The EU's situation aggravated when further disputes emerged during the GATT negotiations - when for the first time agriculture was included whilst considered the main controversial topic. For the preparations of the multi-lateral trade negotiations, strong support came from the US, Australia and Japan. The US and the Cairns Group - a group of 14 traditional agricultural exporters amongst which, the most famous being Argentina, Australia, New Zealand, Uruguay and Thailand, had shown a strong offensive towards the EU and strongly militated for a drastic international trade liberalisation. Although the EU hoped that the issues of CAP mechanisms would not arise, the US proved to be fierce in denouncing the CAP system pointing on the farm support that permitted European farmers to elude competition on the international level as well as distorted trade in third countries. More protectionist-like countries such as the EU, Japan and Norway found themselves at defence. By December 1990 - the situation between the EU and the US did not evolve for the better, but, on the contrary, it reached a still point when - at the Heysel Ministerial Conference - a concern emerged of the entire process being under the threat of getting blocked, as all the participating states decided not to go any further in regards to the Round's negotiations unless the problems related to the agricultural sector would be resolved. (Garzon 2006, Fouilleux, 2010).

A fourth factor referred to by Garzon in relation to the origins of the 1992 reform was the impact of globalisation of the world economy on agriculture and its influence on

the agricultural policy building. From an economic point of view globalisation influenced agriculture through its impact on how trade, industry and farming were functioning and on what they were focusing on. Agriculture, evolved on two concomitant plans: specialisation of production and increased interest towards quality and speciality goods. On a policy level, horizontal and vertical integration have led to further commercial mergers and agreements. As resulted, from international developed producers to small scale farmers focusing on quality of produce – all benefitted of equal support and protection. Moreover, as business grew internationally, the supply chains results were relying on quality control which determined further changes in the methods of production in order to remain competitive. From a political and cultural perspective, globalisation attracted also the engagement of civil society in further debates over the liberalisation of trade. In this context the consumption model replaced the politics of production as civil engagement increased and issues such as the environment, the impact on poorer countries or national traditions emerged. Culturally, food traditions or policy ideas have also been globalised. (Garzon, 2006)

A fifth and last factor, conclusive and resulting from the previous mentioned, – the increasing public discontent within the CAP – leading in time to a ‘legitimacy crisis’. From the concerns for natural resources to the rise of consumerism in Europe, the need for safety and consumer regulations to the technological investments rather than inputs for the production of quality food – all became major causes of discontent and concern at CAP level. (ibid)

5. The main players and their role in CAP’s decision-making process – main issues and changes

5.1. The European Commission – as the initiator and formulator of CAP reforms

Accordingly to Nugent 2010, The European Commission’s role as a policy initiator and formulator in most sectors is primary related to the creation of policy structure; agriculture being the one sector in which the focus targets the improvement of an already existing policy. Furthermore, the previous mentioned task of the Commission – exercising a ‘primary role’ in introducing new reforms in the political agenda and in defining the outcome of the final agreements (Cunha and Swinbank, 2009 in Nugent, 2010), has many times proven to be difficult due to the Council of Ministers. The latter is known to have consistently watered-down the Commission’s proposals – thus – agricultural reform was consistently prone to adjustments. Nevertheless, either the case of a planned or developing CAP reform, the Commission has been and still is a very important ‘agenda setter’. The Agriculture Commissioner and DG Agriculture have been the main leadership-forces within the Commission. Nonetheless, due to the

variety of increasing pressures for CAP reform, including external pressures, and the increasing awareness towards the nature and implications of this policy, have weakened the almost-monopoly-like control of the Agriculture Commissioner and DG Agriculture. As explained before, whilst perceptions and pressures have developed, so did some other parts of the Commission and their influence in the reforming process (eg: Health and Consumer Protection, Environment or Trade). In addition to the previous mentioned, it is important to note the increasing importance of trade within the development of the reform of the CAP. As external pressures are usually trade-linked, the Trade Commissioner and DG Trade became major players in the reform-process arena. (Nugent, 2010)

5.2. The Council decision-making issues – pre and post Lisbon Treaty

The legislative procedures process until the Lisbon Treaty favoured the Council in its decisions – namely, the European Parliament could express its opinion in relation to certain policy preferences but was rather limited in its requests due to the nature of the consultation procedure in force at the time. This situation was limiting the EP, which, in other policy areas, was much stronger due to the co-decision procedure. The Lisbon Treaty's new 'ordinary' legislative procedure came as a complete change of the previous mentioned situation. Therefore, in the case of agriculture, the laws could be passed if agreement would be reached by both the EP and the Council on the specific laws' content. It is interesting to note that the case of QMV (qualified majority voting), has been quite a problematic issue - as proven by history facts. In agriculture, despite the EEC Treaty implemented QMV as the voting procedure, the latter has been somehow 'abolished', or rarely used in practice due to several oppositions – (most well-known being the French one) – leading to a particular preference at the Community level for consensual decisions. As the situation slightly changed starting with the 1980's – (QMV became more tolerable), so did the Agricultural Council – which became the Council. Agricultural Ministers hold at least 50 votes per year, however, the Agricultural Council shares QMV with some other Council formations. The outcome resulted is that 15 per cent of decisions will result in a vote. A number of particularities have been spotted in relation to the Agricultural Council's operation of formal procedures. Accordingly to Nugent 2010, a first distinctive feature relates the Agricultural Council to its dependence on 'issue linkages and package deals' when administering its business. On the other hand, recent years have been less favourable from this point of view; while the use of linkages and package deals ensured an increase in the flexibility for negotiations and the reach of agreements; the introduction of annual planning in the context of financial perspectives, the dissolution of the price review and the successive eradication of some product-based

market organisations reduced considerably the Agricultural Ministers' 'margins for manoeuvre'. (Nugent, 2010, p. 367) Nevertheless, despite the decrease in flexibility for negotiations or agreements, the Council still plays an important role – which is confirmed especially in the case of international trade issues. In such a case, the Commission's reform proposals have to be in accordance with the MS's interests or priorities so that an agreement could be reached. Due to the large diversity of expectations, interests, priorities of the MS, the case of agriculture (which is even more complicated due to the many different details afferent to its nature), is the one domain where the Council finds itself to be overloaded by the different issues of each of the MS – thus – becoming almost entirely reliant on the Commission - as a source of inspiration, and less zealous policy-maker.(Nugent, 2010) In addition, and as also stated by Daugbjerg 2009, it can be affirmed that in relation to the CAP reforming process, the Council has rather been 'an obstacle for farm commissioners to overcome' than 'a driving force behind reform' (Daugbjerg 2009, p. 399 in Nugent 2010). Another characteristic feature mentioned by Nugent 2010, relates to a somehow 'relative isolation' of the agriculture policy's processes from other policy areas. This feature was mostly characteristic to the pre 1990's period. To put it shortly, a closed group of specialist policy representatives from within the Commission and the Council were the only entitled actors to deal with the agricultural policy's processes. In other words, DG Agriculture had a generally-attributed abnormal characteristic for a DG and the Special Committee for Agriculture had a privileged position which allowed it to have a hand in the preparatory work of the Agriculture Ministers exactly in the same manner that COREPER does for some other formations of the Council. Although the agricultural policy may still be slightly isolated from the 'mainstream', the influence of other policy areas improved the previous mentioned condition. As in Nugent 2010 and Gant 1997, the influence of other actors such as non-agriculture Councils (eg. Foreign Affairs Council – trade responsible, Environment, Ecofin) has affected agriculture through their decisions and opinions that have had direct implications in agriculture. (Nugent 2010)

5.3. The case of the European Parliament's role in agriculture in the pre and post Lisbon Treaty

As mentioned before, the European Parliament faced a disadvantaged position before Lisbon Treaty when in regards to the Common Agricultural Policy. Avoiding repetition of the previous explained reason as to why that happened, (see The Council decision-making issues – pre and post Lisbon Treaty), it is nevertheless important to mention that, as accordingly to Nugent 2010, the EP did however exert a certain influence on the agricultural policy also before Lisbon Treaty. From analysing policy and legislative

proposals to helping in the reach for outcomes, the EP proved to be an important actor in the reform of the CAP. Further exemplification of its successes is given by Garzon 2006: the Agriculture Committee proved to be extremely important to the 2003 CAP reform when elucidating and helping to the creation of an agreeable formula on de-coupling. (Garzon 2006 in Nugent, 2010). In addition, related policy areas (eg: environment and food safety), have been an important contributing factor to the EP's increasing influence in the agriculture sector. As explained in the previous subchapter, the influence of other non-agriculture Councils, implicitly of other policy areas helped the EP's narrow consultative position in agriculture, as co-decision applied in relation to them. Nevertheless, the EP became truly 'institutionally strong' and not weak in relation to the agriculture policy sector after the Lisbon Treaty. The latter dismantled the two weaknesses of the EP and therefore increased the EP's budgetary powers in relation to agricultural expenditures (by abolishing the difference between compulsory and non-compulsory expenditure) on the one hand, and the EP became equal co-legislator with the Council (by the introduction of the ordinary legislative procedure in agricultural law-making). (Nugent, 2010)

6. Overview of the CAP reform process – main changes and their repercussions in the agricultural sector - rural development's slow progress and the principal reasons behind reform

6.1. The old CAP

When overviewing the historical evolution of the CAP, and as presented in chapter 7, the Treaty of Rome establishes this policy as 'a central policy within the EEC'. As in Hix 2005, the main objectives of CAP set out by article 33 of the Treaty, enclose Musgrave's 1959, public expenditure goals as follows:

- The last 2 objectives as presented in article 33 of TEC (points d and e) refer to the 'allocation of resources' whilst ensuring food supply at reasonable prices – a major problem for the European market of the 1960's;
- The second objective (point b article 33 of TEC), refers to the 'redistribution of resources', in other words, a welfare type of policy oriented towards farmers;
- And the last objectives remaining (points a and c article 33 of TEC), referring to 'market stabilization' aiming to secure employment and increase productivity in the agricultural sector whilst controlling inflation by using 'demand-side and supply-side management'. (Hix,2005)

The 1960's Commission's proposed-'guiding principles', (chapter 1, pag.3-5) the 'single market', 'community preference' and 'financial solidarity', were to be transformed upon agreement of the MS into practice. Therefore a set of three mechanisms was

used for the protection of prices for the European agricultural products. The CAP defined price intervals, therefore protecting the internal market against low internal prices or import prices but also from high export prices. In addition, the EU was buying or selling products/ surpluses from the farmers – which were paid from the EAGGF (European Agricultural Guidance and Guarantee Fund) whenever the prices were falling below the price guaranteed/agreed in the European market. When dealing with imported products - import quotas and levies (paid into the EAGGF) were used to protect the system against external disturbances. Subsidies (paid from the EAGGF) were used with the same purpose, but for exported products - whenever the prices were not alongside the agreed one. As resulted, the ‘system of indirect income support for farmers’ became quite costly for the taxpayers and consumers of Europe, which had to pay both through the EU budget and through other taxes on imported products. (ibid) As in Fouilleux 2010 and Hix 2005, the CAP was created at a time when Europe was not self-sufficient in agricultural products, originally intended with the purpose of securing this sufficiency in Western Europe. Once agricultural production became stable and Europe a net exporter in the sector, the system mentioned previously created several important problems with long-time severe repercussions. (also see pag 5-7)

The CAP’s ‘productivist instruments’ (Fouilleux,2010), caused overproduction of agricultural products - thus surpluses had to be managed with great costs for the EU budget. The notorious ‘wine lakes and grain/butter mountains’ represented the dramatic and ironical reality in which the supply overrun the demand. Apart from the huge costs from buying and storing the surpluses – environmental destruction also emerged, as caused by the exaggerated use of pesticides, herbicides or artificial fertilizers and not the least – by the intensive farming. Another problem was caused by the increasing difference between small and big farmers in terms of incomes. Although the smaller farmers should have been the greatest beneficiaries from the support system – as being in a far greater need, the balance was in favour of the bigger ones – which produced much more. Additionally, some of the previous mentioned mechanisms of import levies/quotas and export subsidies led to trade disputes, blocked global free trade (when agricultural products were concerned) from developing, and caused depression of the world prices – thus affecting also the agriculture markets from the Third World. (Fouilleux 2010, Hix,2005) In the beginning of the 1990’s reform was imminent. As new actors became important (consumer/environmental groups, finance ministers, DG Trade and industrial interests), together with some MS’ and foreign states’ governments, all asked for a major reform at CAP level and the gradual dissipation of the price support system which was no longer sustainable or opportune in its form.

If the aim constitutes the summing of the main changes in the agricultural policy, the beginning should be fairly represented by the 1980’s period – since when the CAP accomplished fundamental changes (as in Nello,2012). As a first proof of the previous

affirmation, the Green Paper – published in 1985 by the European Commission provided for the abolition of the price support system - on which there was an exaggerated sole reliance at Community level whilst arguing for other priorities to be taken into account at the policy level, such as: surpluses reduction, promoting more quality and variety of the agricultural production and some objectives related to rural development and environment issues. (Nello, 2012) In addition, the structural measures which proved to be less productive in the 1980's - due to the high expenditures oriented more towards market production - have changed for a better, more structured form in the next decade. A rural development policy was being supported by strong efforts alongside the implementation of forestry, social and agri-environment measures aimed at 'supplementing' the unaccomplished structural goals. Therefore, rural development was somehow increasingly linked to the agricultural policy. (Fouilleux, 2010)

6.2. The MacSharry Reform – main reasons concluded and characteristics

The CAP was, and continues to be heavily influenced in its reforms' process and form by three developments: the burden of agricultural spending at the EU budget's level; the responsibilities towards GATT/WTO; and the public concern for better-quality food and for a more environmentally friendly agriculture. The commitments towards GATT/WTO have been an extremely important factor for the CAP reform process (see 'The context prior to the MacSharry reform, CAP's consequences on the internal market'). Therefore, while the agricultural negotiations of the Uruguay Round highlighted three major changes needed to take place at CAP level (reductions in domestic support, export subsidies and improvement of the market access), the MacSharry Reform came with a set of solutions and as EU's response to international pressures. Basically, this was the beginning of the shift between price support and direct payments, further developed by the 1999, 2003 and 2008 reforms – all aiming at further decoupling support from production and thus, aligning EU's market to the international trade standards. (Nello, 2012)

As a first important reform, **the MacSharry Reform** provided for the following changes:

1. Price cuts on:
 - cereals - 29 per cent (over a period of three years)
 - beef, pork and veal - 15 per cent
 - butter – 5 per cent
2. Compensatory payments/direct payments

- coupled to production – conditioning the producer to grow certain goods offered as compensation for the price cuts
- 3. Set aside scheme –support conditioned by the withdrawal of some land from production, avoiding surpluses
- 4. Accompanying measures
 - support for early retirement for farmers
 - agro-environmental schemes
 - aid for the afforestation of agricultural land
 - rural development (Roederer-Rynning, Hix 2005)

6.3. The 1999/Berlin Agreement and Agenda 2000

- 1 New concepts emerged such as:
 - multifunctionality - developing the role of the European farmer within the rural development, environmental protection, the safeguard of the countryside, the promotion of animal welfare, or guaranteeing safety and quality of food
- 2 Market and income support becomes first pillar of the CAP
 - Price cuts: on cereals of 15 per cent, beef and veal of 20 per cent, dairy products 15 per cent
 - The-new introduced measure of ‘cross-compliance’ – links direct payments to environmental criteria, conditioning the reimbursement by the MS to farmers
- 3 Rural-development becomes second pillar of the CAP
 - The-new introduced measure of ‘modulation’- allows MS to increase the funds for pillar 2 by up to 20 per cent of the total sum of direct payments they have a right to receive (ibd)

6.4. The Fischler Reform or the Mid-term Review (MTR), June 2003

- The partial decoupling of the support from production through the ‘Single Farm Payment’ or ‘Single Payment Scheme’ (SFP or SPS) - any farmer could receive support (even in the case of not producing anything) provided that certain standards

like environmental, animal welfare, food safety and occupational safety standards are respected. (Nugent 2010, Fouilleux, 2010)

- Cross-compliance and modulation were the main instruments at hand,
- A payment was calculated in relation to other past payments, the holding itself and the use of land. (Nugent 2010) A difference in the way the payments are calculated resulted from the area considered for support,
- A reduction in support prices for cereals and further changes for the products where intervention prices still applied. Products affected: cereals, durum, dairy, wheat, rice, nuts, olive oil, tobacco, fruit, vegetables, wine and cotton, sugar and bananas – following WTO disputes,
- The main reason behind the Commission's plan at reforming the CAP is considered to have been mostly related to the new WTO negotiations – Doha Round ibd
- Strengthening of the rural development policy by increasing the funding and further measures oriented toward the environment and animal welfare,
- Compulsory modulation of the SFP of 3 per cent in 2005, 4 per cent in 2006 and 5 per cent from 2007 on, with an exemption of 5000 Euros/farm. The savings resulted would be used for the environment, the quality and safety of foods and animal welfare,
- National envelopes were introduced to enable MS to retain 10 per cent of the total received income subsidies/direct aids and invest in environmental measures or measures dedicated to improve the quality of agricultural products (Nello,2012)

Rural development was still going strong on the agricultural policy's agenda, (in Nello, 2012 and Fouilleux, 2010). Accordingly to Fouilleux, the 'modulation' measure introduced in 2003, was the first concrete step towards supporting rural development, after both the second pillar and the eastern enlargement – failed to do so. (Fouilleux 2010) Also, a higher priority was given to rural development with the Rural Development Regulation covering the period between 2007-2013. (Nello, 2012). The Council Regulation No. 1698/2005, adopted in September 2005, was a new framework based on a set of rules for rural development and including the previous mentioned aims for rural development plus 'encouraging diversification of the rural economy'. As a result, some 94 rural-development programmes were adopted for the previous mentioned period. (Fouilleux, 2010) The 2008 Health Check came as a completion of the Fischler's Reform

6.5. The Health Check of the CAP - November 2008

There was a strong encouragement towards the 'regionalization' of the SFP, decoupling and intervention reduction,

- putting an end to the set aide scheme,
- planning for the milk quotas abolition and
- reinforcement of the CAP's second pillar (Nello, 2012)
- increased modulation – 10 per cent funds shifted to the second pillar and 4 per cent for payments above 300.000 Euros
- cross-compliance simplified (referring especially to controls and sanctions)

The final outcome of the 2008 reform resulted in a much lower modulation rate and the 'progressive' element. Therefore an additional increase of modulation rates was decided for over and above the existing rate, for the EU-15, of only 5 per cent by 2012 excepting the first €5,000 received in direct payments. The mentioned rate will be subject to a gradual increase: starting with a 2 per cent in 2009 and followed by a 1 per cent increase in succeeding years. Additionally, for incomes over €300,000 in direct payments an additional 4 per cent modulation will be applied. Moreover, the funds resulted from such additional rates of modulation will stay in the MS that generated them and can be used for the rural development programme of the state. (The Institute for European Environmental Policy (2008))

'Although the progressive element will only affect a tiny proportion of farms across the EU (0.04 per cent according to 2005 figures), and thus only raise a small amount of additional funds, the Agriculture Commissioner emphasised the political significance of the agreement. For the first time, there has been acceptance of the concept that farms in receipt of larger payments, should be subject to greater reductions under modulation. This sets a useful precedent for future negotiations regarding levels of modulation in the run up to 2013.' (ibd)

CAP Health Check main proposals

European Commission's proposals	The Council's agreement on modulation package	The European Parliament's proposals
Increased modulation to 8 per cent for entitlements above 5000 Euro (including for Portugal and the UK) reaching 13 per cent by 2012 and increasing rates on payments above 100.000 Euro; above 300.000 Euro reaching 45 per cent by 2012, (later proposed 22 per cent, by 2012). Monies would stay within the MS that generated them and would not be redistributed between the former	A basic rate of 10 per cent instead of 13 per cent reaching the top rate of 14 per cent by 2012. Instead of four levels of payments only two were considered: between 5000 - 300.000 Euro and above 300.000 Euro. Monies would stay in the MS but the latter will be permitted to use a part of the remaining sums to support the dairy sector.	Agrees with the enhancement of modulation but rejects the 8 per cent increase proposed by the Commission. Suggests a progressive modulation to be applied for larger payments. Proposes four levels of payments: between 10.000-100.000; Euro 100.000-200.000 Euro; 200.000-300.000 Euro and above 300.000 Euros. Moreover, a 5 per cent modulation rate to be applied with reductions of respectively 1 per cent, 2 per cent, 3 per cent and 4 per cent

(With the information available in Cunha and Swinbank 2011 and The Institute for European Environmental Policy (2008))

It should be mentioned that the Commission's first proposal for a modulation rate (calculated accordingly to the farm's revenues) by 2013 was watered down by the pressures in the Council (especially from Germany – which since the reunification had big farms) to a much lower modulation. The incomes from the modulation policy were to be used for some new challenges such as: global warming, renewable energy, biodiversity, water and the 'soft landing' in the dairy sector following the abolition of the milk quotas. (Fouilleux, 2010) Considering all of the above it can be affirmed that rural development policy faced a hard, difficult evolution, still remaining questionable as to why, against all attempts at reform, change remained resistant at policy making level. As in Fouilleux, 2010, the second pillar of the CAP remains a constant weakness in EU's rural development policy. At the moment of 2007, only 19 per cent of the CAP budget was allocated to the second pillar in comparison with the first pillar which was receiving 81 per cent. Another important issue addressed by Fouilleux, is the often-criticism of EU's rural development policy of being exaggeratedly 'farming-oriented'. The core of the previous mentioned reasoning is the lack of available funds remaining for the rural development players, after agriculture consumes most of them.

Furthermore, since the latter doesn't represent anymore the 'sole engine' available for rural development, there were proposals for shifting rural development to regional policy and away from the CAP. As expected, the idea was strongly rejected by the opposing side which argued for the necessity of the existing reality due to the need for certainty of the 'money staying green' – in the sense that it will truly be spend on the countryside and not on 'large centres of population that call themselves rural' (Fouilleux, 2010, p.354)

The increasing public awareness and concern towards the quality of food, rural development and environmental protection comes as a third important factor in CAP development. The 2010 public consultation and further surveys such as Eurobarometer 2007, certify the previous affirmed. In meeting such objectives, 'cross-compliance' proved to be a close attempt, nevertheless not so successful due to its complicated practical applicability.

Expectations for further steps in CAP reform follow the trend of the previous reforms with a focus on the need for an increase in competitiveness and for the EU's increasing ability and affordability to face pressures such as the increased volatility of food prices; climate change and a more fairer distribution of CAP payments – favouring more smaller farmers, new MS and disadvantaged regions. (Nello, 2012) TWICE WRITTEN

The final outcome of the 2008 reform resulted in a much lower modulation rate and the 'progressive' element. Therefore an additional increase of modulation rates was decided for over and above the existing rate, for the EU-15, of only 5 per cent by 2012 excepting the first €5,000 received in direct payments. The mentioned rate will be subject to a gradual increase: starting with a 2 per cent in 2009 and followed by a 1 per cent increase in succeeding years. Additionally, for incomes over €300,000 in direct payments an additional 4 per cent modulation will be applied. Moreover, the funds resulted from such additional rates of modulation will stay in the MS that generated them and can be used for the rural development programme of the state.

'Although the progressive element will only affect a tiny proportion of farms across the EU (0.04 per cent according to 2005 figures), and thus only raise a small amount of additional funds, the Agriculture Commissioner emphasised the political significance of the agreement. For the first time, there has been acceptance of the concept that farms in receipt of larger payments, should be subject to greater reductions under modulation. This sets a useful precedent for future negotiations regarding levels of modulation in the run up to 2013.' (CAP 2020

7. CAP turns green –the Council’s final agreement on proposals

‘This agreement will enable negotiations to be launched between the Parliament and the Council with a view to a political agreement in June this year

The European Parliament voted on its position at first reading on the CAP reform package on 13 March 2013’. (Council of the European Union, 18.-19.III.2013, p.6)

On 19 March 2013, The Council published its agreement related to the four main proposals for regulations within the agenda of reform of the CAP as follows:

1. *‘the proposal for a regulation establishing rules for direct payments to farmers (15396/3/11). The direct payment regulation seeks to better target support for specific actions, areas or beneficiaries, as well as to pave the way for convergence of the support level within and across member states’ (ibd)*
2. *‘the proposal for a regulation establishing a common organisation of the markets in agricultural products (15397/2/11). The single common market organisation (CMO) regulation aims to streamline, expand and simplify the current provisions on public intervention, private storage, exceptional or emergency measures and aid to specific sectors, as well as to facilitate cooperation through producer and interbranch organisations.’(ibd)*
3. *‘the proposal for a regulation on support for rural development (rural development regulation) (15425/1/11). The rural development regulation covers voluntary measures for rural development, adapted to national and regional specificities, whereby member states draw up and co-finance multiannual programmes under a common framework in cooperation with the EU;’ (ibd)*
4. *‘the proposal for a regulation on the financing, management and monitoring of the CAP (horizontal regulation) (15426/1/11). The horizontal regulation lays down rules concerning expenditure, the farm advisory system, the management and control systems to be put in place by member states, the cross-compliance system and the clearance of accounts.’(ibd)*

7.1. Regarding Direct Payments

In regard to the direct payment scheme, the agreement provides for increased flexibility on conjunction of the level of direct payments at both national and regional level by permitting MS to choose partial rather than full convergence by 2019 by limiting the first convergence phase to 10 per cent of the national or regional ceiling and to employ alternate options for convergence as well as to apply the latter to the greening payment. (Council of the European Union, 18.-19.III.2013, p.8)

A 'voluntary extension' of the Single Area Payment Scheme (SAPS) it is expected to happen until 2020 in the MS applying the scheme. A provision was made to allow them the option to fund transitional national aid in the period 2015 to 2020 was included. (ibd)

Regarding greening proposals the agreement underlines the European Council conclusions from 7-8 February 2013 on the Multiannual Financial Framework (MFF)¹ and

- defines the purpose of 'equivalent practices' ('practices which yield an equivalent or higher benefit for the climate and the environment compared to the greening practices proposed by the Commission'); (ibd)
- decided for a progressive application regarding the requirements for crop diversification whilst clarifying the exemptions to that requirement; (ibd)
- regulates the minimum ratios of permanent grassland that should be applied in relation to the overall agricultural area; (ibd)
- permits for the Ecological Focus Area (EFA) requirement to be applied gradually starting with 5 per cent whilst it will regulate the scope of eligible EFA after the Commission will perform an evaluation report (2017) and possibly increase it to 7 per cent in 2018 if considered necessary; (ibd)
- 50 per cent of the EFA requirements will be applied at regional level or collectively by groups of farmers, and clarifies the conditions and exemptions.(ibd)

'With regard to the European Council conclusions on MFF, provisions on capping and flexibility between pillars have been also introduced'. (Council of the European Union, 18.-19.III.2013, p.9)

An optional 'redistributive payment' is introduced allowing MS to fund a top-up on the basic payment applicable for the first hectares of each farm *'and in so doing take account of the greater labour intensity on smaller farms and the economies of scale of larger farms.'* (ibd)

In regards to the financing of the voluntary coupled support, MS are allowed to use up to 7 per cent of their annual national ceiling or 12 per cent of the latter provided the SAPS system is applied. (ibd)

7.2. Regarding Single CMO

The quota regime is prolonged for sugar until the 2016/2017 marketing year. (Council of the European Union, 18.-19.III.2013, p.9)

Specific provisions for the hops sector have been included to the current provisions of the text. (ibd)

Provisions on vine plantings have resulted as an outcome of the High Level Group on vine planting rights. (ibd)

- new authorisations system is introduced for the regulation of vine plantings for all classes of wine which will be applicable to all wine-producing MS for six years (1 January 2019 to 31 December 2024); (ibd)

- free, non-transferable authorisations will be granted at the request of applicants, and will expire after 3 years if not used; (ibd)

- annual authorisations will be granted for new plantings by MS corresponding to 1per cent of the planted vine areas; (ibd)

The provisions on measures against market disturbance guarantees the Commission the necessary tools which; flexible enough so as to allow the latter to face substantial disturbances in the market where the placement of more traditional market support instruments seems inadequate. (ibd)

7.3.Regarding horizontal regulation

The agreement provides for the administrative penalty to be imposed on farmers for non-compliance with the "greening" requests; the latter should not exceed 25per cent of the "green" payment.

7.4. Regarding rural development

The agri-environment-climate payments, (the "greening" payments) have been excluded from the baseline (by modification of article 29 of the Horizontal regulation to sustain this decision). (Council of the European Union, 18.-19.III.2013, p.10)

Concerning natural constraints, the agreement included flexibility by suggesting a 'degressive' phasing out of payments by latest 2016 whilst MS may decide upon the beginning or end time of the phasing to be carried out earlier.

‘The aggregation threshold for the new delimitation has been maintained at 60 per cent’. In addition, when performing the fine-tuning exercise in order to exclude areas in which major natural constraints have been overcome, MS can consider as evidence the normal land productivity.(ibid)

More flexibility was provided for the areas already eligible during the current programming period. In such areas, MS can apply a mixture of two biophysical criteria at a lower threshold for the demarcation.(ibid)

Lastly, the support rates have been adapted so as to include the introduction of transition regions, and to maximise the rates for measures concerning forestry technology and crop, animal and plant insurance.(ibid)

8. Latest news

8.1. The European Parliament’s suggestions on the Commission’s proposals for reforming the CAP

On 13 March 2013 the European Parliament voted in Strasbourg for a position on reforming the CAP that proved to be much closer to the Commission’s proposal than to the conditions agreed by the MS. Whilst also concluding the previously mentioned, Dacian Cioloș, the European commissioner for agriculture, stated after the vote ended: the Parliament had “moved closer to the position of the Commission than the Council”. The former greeted Parliament’s decision to support the fight for a more positive reform of the CAP had been met. (Cioloș in Dave Keating c, EuropeanVoice,2013)

Moreover, MS have progressively watered down the Commission’s proposals on linking direct payments to environmentally friendly farming methods as well as to end old quota systems. Previously, the Parliament’s agriculture committee had supported such tendencies in January.

Unexpectedly, the plenary rejected the proposal which would allow MS to use “equivalent measures” in meeting the greening requirements, reconsidering the Commission’s proposal, which require for specific measures to be met. In the same manner, the Parliament rejected the possibility for ‘double funding’ through CAP’s first and second pillars, previously agreed in the committee position. Nevertheless this was denied by the agriculture committee chairman Paolo De Castro, Italian centre-left MEP, who stated: “The vote in plenary confirms basically what was agreed in the agriculture committee”. (ibid)

For what concerns the green groups, they welcomed the MEPs' change of position but nevertheless complained about the reform still not being green enough. In the words of Faustine Defossez from the European Environmental Bureau, a green campaign group: *"The best that can be said about today's outcome is that it is not a step backwards"; "This was an important day for the future of agriculture and for democracy, but sadly the opportunity for a major shift to sustainable farming has been missed. Few will celebrate the scraps that the Parliament passed."* (Faustine Defossez in ibd)

COPA-COGECA also welcomed the vote, considering it a "good basis to work on". The president of Copa, stated that they are waiting for an agreement to be concluded as soon as possible: "I urge EU farm ministers next week to agree their position on the new CAP so that negotiations can commence between MEPs, EU farm ministers, and the Commission to reach a final agreement by June," (Gerd Sonnleitner, president of Copa, in ibd) Mr. Dacian Ciolos confirmed that there are good chances for an agreement to be reached by June. Nevertheless, as the full implementation could take place no sooner than 2015, the Commission will put forward a temporary regime for 2014, (the expiration limit for the present CAP rules. (ibd)

The sugar quotas were extended until 2020 (expiration date being 2015) which upset some of the MEP's which opposed. Additionally a vote favoured tobacco farmers to receive subsidies, and another vote provided for farm producer organisations to spread their rules so as to include non-members. 'This upset Liberal MEPs and members of the European Conservatives and Reformists (ECR)': *"The last reform began to gear [the CAP] towards the modern age, but many MEPs seem to want to go back to unjustifiable subsidies and food mountains,"* (James Nicholson, British member of the ECR group in ibd). "If today's vote by MEPs were enacted, it would not be a reform of the CAP but a regression back to the excesses of the 1980s." (ibd)

The European Commissioner Dacian Ciolos was also discontent with the decision to extend sugar quotas considering that such a decision could affect the competitiveness of the European sugar industry. Nevertheless, Ciolos believes that a solution could still be found: "We can take into account some complementary measures, like we did for milk" to ease any problems arising from a 2015 expiration date'. (ibd)

However, the process of negotiations is far to be over. As stated by De Castro, 'further negotiations with the MS will begin on 11 April and end **on 30 June**'. (ibd)

8.2. Impressions on Council's latest agreement

Concerning the agreement reached by the Council on 18-19 March 2013, previously presented, The European Voice published on 21 March 2013 the first reactions resulted.

As such, in the article entitled 'Member states and MEPs expected to clash over CAP' by Dave Keating there is information that the negotiations regarding further changes to the CAP will begin on 11 April current year as a result of the agreement reached on 19 March between farm ministers. The latter was agreed by 25 out of the 27 member states; Slovakia and Slovenia objecting some points specific to their countries. The Irish presidency is determined about reaching an agreement with the Parliament by the end of June as informed by Simon Coveney, Ireland's minister for agriculture, whom declared of now having a "strong mandate" concerning negotiations with MEPs. Moreover, the minister explained the deadline's importance in the sense that the Commission should have enough time in the second half of the year to organise the legal structures "*so that at the start of 2015 we will see a new CAP reform actually kicking in*". (Simon Coveney in European Voice Dave Keating (March 21, 2013))

Regarding different reasons for concern, Dacian Ciolos, the European commissioner for agriculture, expressed disagreement in relation to some of the Council's decisions stating that there are "*areas where we don't think the Council has done the right thing*". The latter mostly referring to the decision taken by the Council on a slower convergence of the rates of payments to farmers in eastern European countries with the rates applying in western Europe, as well as the weakening of the measures related to conditional payments to farmers on green farming practices: "There's still a risk of greenwashing on certain elements," (Dacian Ciolos in ibd) Moreover, the Commissioner pointed that there are "*a number of points on which the Council seems to be closer to the Commission position than the Parliament*". These points refer to safeguarding that only a limited number of payments should be restricted on the production of a specific crop. Due to the fact that the Commission has been fighting to get rid of these coupled payments since 2003, Ciolos considers that the Council's position "*seems to be more reasonable than the Parliament's,*" (Ciolos in ibd).

To the Commission's proposal on 30 per cent direct payments to farmers to be conditional on the latter's meeting some three particular environmental measures the Council agreed provided that 'equivalent measures' would be taken. The latter would either be decided by MS, or if the farm in question was already 'green by definition', meaning for example organic farms. Additionally, the Council decided that the

Commission is entitled to overrule a member state if it considers the equivalent measure applied not strong enough. (ibd)

On behalf of the COPA-COGECA organization, Pekka Pesonen, secretary-general of Copa-Cogeca, greeted the Council position, considering the new provisions on greening measures “*more practical and flexible than was originally proposed*”. (Pekka Pesonen in ibd) On the other hand the latter was disappointed by the Council’s decision not to extend sugar quotas to 2020, as previously proposed by the Parliament. The quotas are scheduled to expire in 2015, considered necessary by the Commission to make the sector competitive. A compromise of the Council might permit an extend to 2017. (ibd)

Declaring from the opposing side, environmental campaigners criticised the Council’s position affirming that “*The Council today decided to kill what little hope remained for a greener CAP and to eliminate the few positive outcomes from the Parliament,*” (Faustine Defossez from EEB in ibd).

The latter were no less pleased by the Council removing the requirements for cross-compliance with other EU laws allowing farmers to obtain ‘double funding’ for green measures from the both CAP’s first pillar on direct payments and the second pillar on rural development. The Commission considers this to be illegal under the rules of international trade. (ibd)

8.3. Arising problems and other consequences of the negotiations on CAP reform – the battle continues..

In writing for EUROPOLITICS, Ed Bray and Joanna Sopinska have gathered interesting information and analysis in relation to the last decisions adopted by the Council on reforming the CAP.

Following the agreement on March 19, agriculture ministers and MEPs appear to be in a continuous dispute regarding the major elements in the reform of the CAP. Elements such as a limit on the highest subsidies, aid to young farmers and market tools, have been the cause of dispute between the mentioned parts.

Two opposing sides were represented by the more ‘liberal-minded states, such as the UK, Denmark and Sweden’ on the one side, and countries favouring ‘regulation’, such as ‘France, Spain and Italy’ on the other side. (Ed Bray and Joanna Sopinska, 2013)

Conveney stated in an interview that the intense discussions regarding the new environmental rules and redistributing farm aid underlined the opposing concerns of the multitude of farm systems throughout the EU. (ibd)

Moreover, the Commission's proposal on capping the highest farm subsidies at €300,000 so as to make CAP fairer, with rates on reduction applied above €150,000 had been a proposal agreed to be necessary also by MEPs. Unfortunately, the Council – led by the UK and Germany – concluded the plan as being optional considering it 'anti-competitive and bureaucratic'. (ibd) Additionally the ministers also excluded plans for compulsory aid to young farmers and for countries to assign support only for 'active farmers'. The latter stated that MS should decide 'whether to draw up lists of non-agricultural entities - such as airports and golf courses - that must be excluded from direct payments unless farming is "significant" to their business'. (ibd) On the other hand, the ministers answered MEPs' appeals to allow national capitals to fund a complementary annual payment to farmers applicable on the first hectares of their land.

Regarding **the greening requirements**, both agriculture ministers and MEPs generally agree that the Commission's proposals (for requirements regarding crop diversification, grassland maintenance and ecological focus areas (EFAs)) are exaggerated and thus they should be reduced for smaller farms which could be excessively affected. In addition, regarding the condition to grow a diversity of crops on arable land should only become applicable from ten hectares, sustain the former, whilst the Commission asks for three hectares. (ibd) Moreover, the EFA threshold ('designed to protect biodiversity') has been reduced from 7 per cent of farmland to 5 per cent. As well, the farms holding a minimum of 75 per cent of qualified areas covered by specialized environmental schemes – estimated to be at least "equivalent" under the new greening measures – are eligible for 30 per cent of greening aid; the agriculture ministers and MEP's pointed. (ibd)

Environmental organisations as well as UK, Sweden and Finland (which opposed), were discontent with the rejection of the inclusion of greening measures in the baseline for **agri-environmental payments** in Pillar 2. The former consider that the decision would result in farmers being paid twice for the same agri-environmental actions. *"Less than a week after the European Parliament voted to remove farmers' right to receive 'double funding' from the CAP [...], EU agriculture ministers have now proposed to return this wasteful practice,"* (the European Environmental Bureau in ibd). *"What was originally dubbed a 'green' CAP reform is becoming a greenwash,"* (Trees Robijns from BirdLife Europe in ibd). The Commission itself opposes the Council's decision and is determined to reverse it 'during the three-way talks'. (ibd)

The Council's much tougher agreement on **penalties** than MEPs regarding farmers that won't comply with greening requirements, could result in severe costs for the

latter. As such, apart from the 100 per cent lost from a farmer's greening payment, an extra 25 per cent of the greening payment deducted from his basic direct payment will be applied, amounting in total to 125 per cent. Although the MEPs consider that penalties should not exceed 30 per cent greening aid, the Commission favoured the Council's decision considering it a "*clear signal that greening is mandatory*". (European Commission in ibd)

In regards to **fairer payments**, both ministers and MEPs, essentially agree with the Commission's plans to align the aid levels between countries, nevertheless considering that the redistribution at national or regional level should be slowed down. Commissioner's Ciolos' insistence on a minimum threshold by the end of the period is opposed by the Council. (ibd)

Regarding the sugar quotas, three different periods are desired by all three institutions. As such, ministers intend to retain sugar quotas until 2017; the Commission proposed until 2015 and MEP asked for 2020. Additionally, a new system of vine planting authorisations should continue until 2024 whilst MEPs proposed 2030. The discussions with Parliament regarding coupled aid 'could prove the most thorny', the latter requiring a 15 per cent top limit for all countries, applicable on all sectors, including tobacco.(ibd)

In regards to **rural development**, Article 64 – dealing with the distribution of rural development funds – has proved to be a critical point for the continuation of negotiations. The UK delegation pushed for a mention to "less developed regions" to be kept in Article 64. The mainstream of delegations, supported by the Commission, rejected the plan, *fearing it might affect their contributions to the British rebate – an issue settled at the February European Council*. (ibd) Following extended discussions, the subject regarding Article 64 was raised to the Economic and Financial Affairs Council (Ecofin) for explanation. Whilst explaining that the problem concerns "a lot of money"; Coveney added that "There was some clarity needed in terms of what actually was decided at the European Council meeting," (Coveney in ibd)

Increased flexibility had been provided for the less favoured areas (contrary to Commission's proposal), mostly reflected in delimitation and support for LFAs. A German proposal was supported by the ministers among many others. The former gave MS the choice to count areas 'where two of the biophysical criteria "are met at a range between 80 per cent to 120 per cent of the threshold value indicated"'. (ibd)

Future steps of the Council,

Three-way talks are anticipated to commence on 11 April opened by the Commission and Parliament. Moreover, around 30 sessions are planned within the next ten weeks,

whilst a final agreement is expected to be reached by 20 June ahead of the Agriculture Council, on 24-24 June. (ibd)