



Contemporary Priorities in the Development of the General Agricultural Policy of the European Union

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Received: July 5, 2023

Accepted: October 27, 2023

Published: March 16, 2024

Keywords:

European Union;
Common Agricultural Policy;
Contemporary priorities;
European Agriculture
Guarantee Fund



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Abstract: *This study contains a retrospective analysis of the development of the Common Agricultural Policy of the European Union in modern conditions, spanning the period 2007-2013 up to the present 2020-2025 programming period. In particular, the object of analysis are the priorities in the agricultural sector of the Community, known as "key areas", defined in three main directions: (1) promotion of the competitiveness of farms in the agricultural and forestry sectors, (2) improvement of the environment and the natural assets in the agricultural regions, (3) improvement of the quality of life in rural areas. In the course of the analysis are reflected the trends of reducing the cost of intervention on agricultural markets with European Agriculture Guarantee Fund resources, particularly pronounced in the 2014-2020 programming period, still going on in the next indicative period after the year 2020. Finally, conclusions have been drawn, taking into account the invariability of the fundamental goals of the EU Common Agricultural Policy ever since its introduction by the Treaty of Rome (1958). In conclusion, it is pointed out that in parallel with the market and social goals protecting the interests of both European producers and consumers, the objectives of the European Agricultural Policy at this stage are complemented by new ones, which, by supporting primary agricultural activity, namely the production of foods, add other dimensions as well.*

1. INTRODUCTION

At the time when the Common European Market was established by the Treaty of Rome in 1958, the agriculture of the six founding Member States of the EU was characterized by strong state intervention. To include agricultural products in the free circulation of goods, while maintaining a certain public intervention in the agriculture sector, it is necessary to phase out interventional mechanisms at the national level, incompatible with the common market, and transfer them to the Community level (European Parliament, n.d.-a).

This is also the reason why the European policy in the agriculture sector at the Community level is established on the *basic principles of the single European market, community preferences, financial solidarity* and cooperation between the European Union and the governments of the Member States. The agricultural policy of the European Union ensures stability and predictability in the community's markets for agricultural products, sustainable purchase prices that guarantee stable earnings of agricultural producers, as well as an uninterrupted supply of quality food to consumers.

The European Union's Common Agricultural Policy is a dynamic policy responding to the changing challenges in the Community's agriculture sector by a series of reforms. These challenges find expression in the sustainable use of natural resources and sustainable management of agricultural lands, protection of biological diversity, environment and natural landscape, adaptation of agriculture to climate change, reduction of greenhouse gas emissions resulting from agricultural

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activities, maintaining prosperous rural areas on the territory of the EU by overcoming serious difficulties in their demographic, socio-economic and infrastructural development.

Maintaining prosperous rural areas is one of the highest contemporary priorities of the European Union with a view to the fact that more than 56% of the population of the 27 Member States of the Community live there and occupy 91% of its territory.

Changes in the priorities of the agricultural policy of the European Union concerning its long-term development are achieved through reforms. In this regard, a comprehensive reform of the Common Agricultural Policy was launched in 1992, proceeding to a greater use of direct payments to farmers. Widespread application of the following mechanisms was also initiated: (1) temporary exclusion of agricultural lands from crop rotation; (2) reduction of customs duties and taxes on the import of agricultural goods; (3) step-by-step reduction of export subsidies, etc. (Dimov, 2010, p. 158, 159).

2. DEVELOPMENT OF THE COMMON AGRICULTURAL POLICY (CAP) OF THE EU

The main rules and objectives laid down in the development of the Common Agricultural Policy (CAP) of the EU for the period 2007-2013, as well as the concrete measures for the Member States and regions, are set out in Council Regulation (EC) No. 1698/2005. Within the scope of the objectives listed in the said Regulation, the strategic directions in the development of CAP also determine the priorities in the agriculture sector for the Community, known as «thematic axes», defined in the following three main directions:

- (1) Increasing the competitiveness of the agriculture and forestry sectors;
- (2) Improvement of the environment and natural assets;
- (3) Improvement of the quality of life in rural areas.

Based on these strategic guidelines, each Member State prepares its own National Strategic Plan as a reference framework for the elaboration of a Rural Area Development Programme.

This approach has the following main goals (Turlakova, 2013, p. 50):

- to determine the areas in which the use of EU aid for rural area development generates the highest added value at the Union level;
- to ensure coherence with other EU policies and in particular in the areas of cohesion policy and environmental protection;
- to support the implementation of the new market-oriented CAP of the European Union and the necessary restructuring that it will lead to in the old and new Member States of the Union.

According to the principles and procedures of Council Regulation (EC) No. 1698/2005 as well as the National Strategic Plan for the Development of Agriculture of each country, the activities having to do with the development of the CAP for the period under consideration are partially funded by the European Union's agriculture budget and to some extent by the national and regional budgets of the individual Member States of the Community.

Beneficiaries of the Rural Area Development Programme are individuals and legal entities with an exceptionally diverse scope of activity, whose unifying component is the connection with the agriculture sector. Despite their wide range, potential beneficiaries under the main directions (axes) are grouped as follows (Turlakova, 2013, p. 50):

- **Beneficiaries under Priority Axis 1 are:** Farmers; semi-market farms; young farmers; producer organizations; people working in the agriculture and forestry sectors; forest owners, including their associations - private and municipal; micro-, small and medium-sized enterprises from the food processing sector; institutions or organizations providing advisory services, professional training and information activities in the agriculture sector;
- **Beneficiaries under Priority Axis 2 are:** Farmers from less-favored areas; farmers wishing to engage in organic farming; forest owners, including their associations; owners and/or users of forests and agricultural lands, whose areas fall within the scope of the European ecological network “Natura 2000”;
- **Beneficiaries under Priority Axis 3 are:** Rural area municipalities; agricultural producers; microenterprises; non-profit legal entities (including community centers); legal and natural persons, institutions providing education and qualification;
- **Beneficiaries under Priority Axis 4 are:** Local Initiative Groups (LIG); natural and legal persons, non-governmental organizations and municipalities in the regions where there is an approved and operating LIG. The agriculture, forestry and food processing sectors in Europe have an extremely high potential for the development of production of high-quality value-added products to meet the diverse and growing demands of the European consumer and the world markets.

The financial resources allocated to Axis 1, aim to contribute to a stronger agri-food sector by focusing on priorities related to knowledge and skills transfer, modernization and innovation technologies, quality throughout the food production chain and last but not least investing in physical and human capital. To meet the challenges of these priorities, Member States are encouraged to focus their support on key activities such as:

- *Restructuring and modernization of agricultural production, which continues to play an important role in the development of the economies of many rural areas²;*
- *Improving the integration (links) along the food production chain;*
- *Favoring innovative technologies in the agriculture and forestry sectors, as well as access to research and development.*

The financial resources allocated under Axis 2, intended to protect and increase the efficiency of the use of the natural resources and assets of the European Union and rural areas, are invested as a priority in three main areas at the EU level: (1) *maintaining biodiversity*, conservation and development of agriculture and forestry with a high environmental value, (2) *development of traditional agricultural activities* based on natural assets (3) *overcoming negative changes in water and climate*. To meet the challenges of these priorities, Member States are encouraged to focus their support on key activities such as:

- Preservation of natural assets and forests;
- Combating climate change;
- Promotion of environmental/economic initiatives;
- Development of the territorial balance, etc.

The financial resources intended to diversify the rural economy and improve the quality of life in rural areas, allocated under Axis 3, should contribute to the main priority - the creation

² Rural area - there is no unambiguous definition of a rural area in the European legislation and practice. According to OECD, a rural area is an area whose population density is below 150 people per square kilometer. According to the national definition, 231 municipalities are classified as rural municipalities in Bulgaria, namely 87% of the total of 264 municipalities. The areas of these municipalities cover 81% of the country's territory and 39% of the population.

of conditions for employment and growth. The range of measures eligible under Axis 3 contributes to the promotion of skills acquisition, capacity building and implementation of a local development strategy to ensure that rural areas remain attractive for future generations. In this case, the focus is more specifically put on the development of training, mastering new knowledge, including such related to the application of information technology and entrepreneurship, as well as taking actions related to the needs of women and young people as a priority.

To meet these priorities, Member States are encouraged to focus their support on certain key activities such as:

- Raising the level of economic activities and employment in the extended rural economy;
- Encouraging women and young people to enter the labor market.

3. MAIN STRATEGIC PRIORITIES OF THE COMMON AGRICULTURAL POLICY OF THE EU

The main strategic priorities of the Common Agricultural Policy of the EU for the period 2014-2020 contribute to the realization of the “Europe 2020” strategy, promoting the competitiveness of the rural economy, the environmentally friendly management of natural resources and the balanced territorial development of the economies and communities in the agricultural regions.

The main achievements of CAP for the period under consideration are that its structuring in two complementary pillars is currently underway: 1/ by annual direct payments and market support to farmers (*first pillar* of CAP) and 2/ by multi-annual rural development measures (*second pillar* of CAP). Through direct payments under the first pillar, which are not linked to the amount of production, competitiveness in the agriculture sector is increased and farmers’ adaptation to the market is encouraged. Through concrete and targeted measures under the second pillar of CAP, the development of farms and rural settlements, the support of social capital and the protection of natural resources are ensured. This pillar allows Member States to direct EU co-financing to the most problematic areas of their territories (Naydenov, 2018, p. 14).

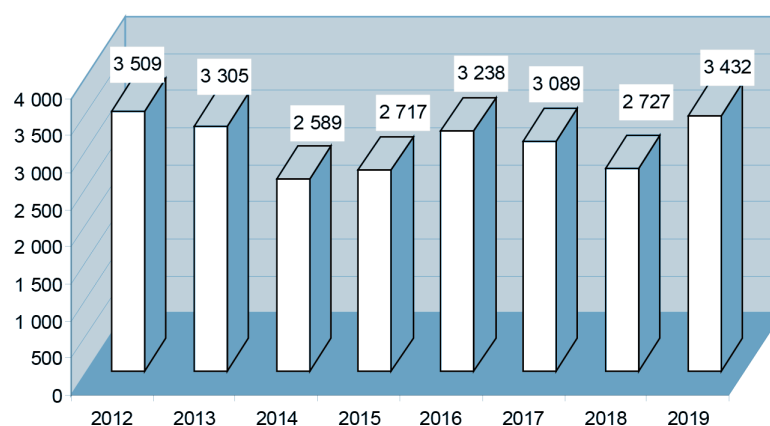
The period 2014-2020 sees consolidation (unification) of the two pillars of CAP: the first pillar, which finances direct aid and market measures, is fully financed by the European Agricultural Guarantee Fund (EAGF); the second pillar, which supports the development of rural areas, is co-financed. The modulation of direct aid in favor of the second pillar is discontinued and replaced by a mandatory reduction of basic payments of more than EUR 150,000 per year. This measure directly affects the amounts disbursed for financial support under the first pillar of the *European Agricultural Guarantee Fund (EAGF)*. A tendency to reduce the costs of intervention in the agricultural markets with funds from the EFG is also noticeable before the 2014-2020 indicative period.

The data contained in Table 1 show a restriction and decrease of the total intervention costs in the agriculture sector of the EU for the years 2014 and 2015, as for the period 2016-2019 there is again a marked growth, with a certain fluctuation towards reduction in 2018. The data also show a drastic reduction in the financial support intended for export refunds for agricultural products produced in the EU, the value of which reached EUR 1.1 million in 2019, compared to EUR 146.7 million in 2012, EUR 62.4 million in 2013, and EUR 4.5 million in 2014, after which they fell sharply to EUR 0.3 million in 2015, EUR 0.6 million in 2016, respectively, and so on (see table 1) (Zagorova, 2022, p. 4).

Table 1. Costs of interventions in agricultural markets from the European Agricultural Guarantee Fund (in millions of EUR, current prices)

| Types of EAGF costs | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|-----------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Storage | 17,4 | 25,1 | 5,1 | 18,4 | 52,4 | 27,6 | 182,3 | 3,0 |
| Export refunds | 146,7 | 62,4 | 4,5 | 0,3 | 0,6 | 0,0 | 0,2 | 1,1 |
| Other market measures | 3 344,5 | 3 217,2 | 2 579,6 | 2 698,0 | 3 185,2 | 3 061,1 | 2 544,6 | 2 427,8 |
| Total: | 3 508,6 | 3 304,7 | 2 589,2 | 2 716,7 | 3 238,2 | 3 088,7 | 2 727,1 | 3 431,9 |

Source: European Parliament, n.d.-b.

**Figure 1.** Amounts disbursed by the European Agricultural Guarantee Fund for support under the first pillar

Source: European Parliament, n.d.-b.

For the period 2014-2020, better coordination of the measures intended for rural areas with the rest of the EU structural funds, including the European Social Fund, the European Regional Development Fund, the EU Cohesion Fund, as well as the European Investment Bank, is envisaged. The wide range of existing instruments under the second pillar of CAP is simplified to focus on supporting competitiveness, innovation, knowledge-based agriculture, entry of young farmers, sustainable management of natural resources, balanced territorial development, etc.

According to [Naydenov \(2018\)](#), “The main challenges to the Common Agricultural Policy of the EU after 2014 have to do with (1) food security and agricultural production; (2) environmental and climate changes and (3) ensuring territorial balance” (p.14).

As the main role of agriculture is to provide food, it is of vital importance for EU agriculture to maintain a high production capacity. The EU is the world’s leading exporter of a wide range of mainly processed value-added and high-quality agricultural products ([Naydenov, 2018, p. 14](#)).

Negative changes in climate and natural environment require supporting, in areas within the scope of the European Agricultural Policy, measures to control the type and quantity of mineral fertilizers and pesticides used and their deposition in soil, the chemical composition of irrigation water used, including permissible concentration threshold of nitrates, salts, acidic and toxic substances and their impact on the environmental sustainability and quality of the agricultural production, which in turn would favor the reduction of greenhouse emissions.

Ensuring a balance of economic activities requires agriculture to become a sector that is attractive to young farmers, which is the basis for preserving and developing local traditions and identity.

The development of the Common Agricultural Policy (CAP) of the EU after 2014 is mainly expressed in the validation of its structuring in two main pillars, with the aim being to achieve three main common strategic goals - see Figure 2 (Naydenov, 2018, p. 15).

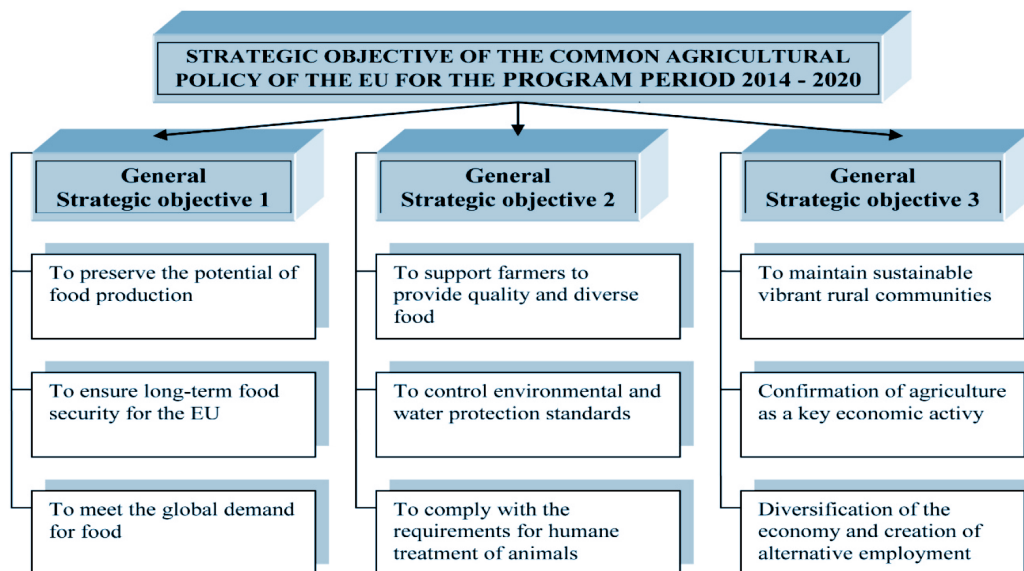


Figure 2. General strategic objectives of the common agricultural policy of the European Union for the period 2014-2020

Source: Naydenov, 2018, p. 15

4. FUTURE RESEARCH DIRECTIONS

The development of the Common Agricultural Policy of the EU after 2021 is based on the multiannual financial framework, proposed in May 2018, related to its reformation for the period 2021 - 2027. At the heart of the reform is the model of implementation of the EU Common Agricultural Policy, oriented to results and the principle of subsidiarity, which gives Member States a much greater role in agricultural interventions.

The reform in the agriculture sector stipulates that the Union shall initially determine the key parameters, including the CAP objectives, the principal requirements and the main types of interventions under the first and second pillars, after which the Member States shall elaborate their multiannual Strategic Plans for the agricultural development at the national level.

The future CAP is focused on key objectives reflecting its economic, environmental and socio-territorial multifunctionality. The EU CAP plans to keep both of its pillars as well as the two agriculture-related funds: 1/ the European Agricultural Guarantee Fund, supporting market measures under the first pillar of the EU CAP and 2/ the European Agricultural Fund for Rural Development, supporting activities under the second pillar of the Common Agricultural Policy of the EU (European Parliament, n.d.-c).

For the period 2021-2027, it is also planned that direct payments in support of farms will continue to be priority elements in the new Common Agricultural Policy of the European Union, taking into consideration the restrictions adopted by the European Commission concerning the reduction of payments of over EUR 60,000 and the introduction of a mandatory maximum payment limit of EUR 100,000 per holding.

The new "greening architecture" of the Common Agricultural Policy is envisaged to be much more flexible in terms of its design and management, with its implementation being conferred on to the relevant national authorities. It is envisaged that the implementation of the eco-schemes for the climate and the environment will be financed by EAGF³ (European Parliament, n.d.-c).

Although the Commission's proposal for reform in the Common Agricultural Policy of the EU concerning the period 2021-2027 brings no change to the mechanisms for funding activities under the second pillar of CAP, the European Agricultural Fund for Rural Development (EAFRD)⁴ shall, however, see some changes:

- *The European Agricultural Fund for Rural Development (EAFRD)* is no longer considered to be a structural fund in the general framework of the cohesion policy of the EU Member States;
- *It is envisaged that the activities financed under the second pillar of the EU's Common Agricultural Policy* shall continue to be implemented with a reduced budget, as in the agreement on the multiannual financial framework of July 2020 a 19% reduction in the budgetary costs under the second pillar compared to the previous programming period was sanctioned.
- *The Next Generation EU Fund is expected to increase the budget of EAFRD* by EUR 8 billion to help rural areas make the necessary structural changes to achieve the goals set by the European Green Deal and the digital transition in agricultural practice.

5. CONCLUSION

In conclusion, it can be generalized that despite the numerous transformations and reforms, the fundamental objectives of the Common Agricultural Policy of the EU have remained unchanged since its establishment by the Treaty of Rome (1958).

Along with the market and social objectives protecting the interests of both European producers and consumers at the present stage, the objectives of the EU's CAP are complemented by new ones, in support of the traditional function of primary agricultural activity, namely food production, add other dimensions as well, including:

- (1) diversification and viability of local economies, sustainable development and increased quality of life in rural areas;
- (2) restoring, preserving and strengthening ecosystems and mitigating the effects of climate change;
- (3) better connection of EU agriculture with world markets, including improving the compatibility of the EU's Common Agricultural Policy with third-country demand;
- (4) the production of high-value-added foods, increasing the competitive position of European agricultural products, both within the Community and beyond its borders;

³ *The European Agricultural Guarantee Fund (EAGF)* is a financial instrument from the first Pillar of the Common Agricultural Policy of the EU, from which the costs of organizing the market of agricultural products are financed, including the costs of guarantees and intervention prices, the costs related to import restrictions and external protection, the costs incurred for extraordinary payments based on a certain quality of production, etc.;

⁴ *The European Agricultural Fund for Rural Development (EAFRD)* is a financial instrument from the second Pillar of the Common Agricultural Policy of the European Union and one of the European structural and investment funds aimed at strengthening agriculture and forestry and rural areas in general in the EU. EAFRD had a total budget of over EUR 96 billion for the period 2014-2020. This aid is provided for agriculture and forestry, environmental / natural resource management as well as sustainable economic development in rural areas.

- (5) promoting the transfer of knowledge and innovations in agriculture, application of state-of-the-art precise technologies in agricultural production, and sustainable land management;
- (6) providing a better response to the demands of society concerning the quality of agricultural products and public health protection;
- (7) improving the food chain organization, ensuring animal welfare, and achieving risk reduction in agriculture;
- (8) ensuring economic, social and territorial cohesion between the Community's agricultural regions, etc.

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