

What are the priorities of the Common Agricultural Policy?

Agriculture in Europe 1900-1950

The dilemmas (these are the problems, the context, the conflicting demands...)

- Summarise each dilemma in a few words or a short phrase onto the right column of the chart your teacher will give you.
- Discuss the question underneath each dilemma to consider what you would do to address each dilemma. Summarise your decision in a few words on the chart.
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<p>So much land was wasted by the fighting of World War One that it took until 1925 for agricultural production in Europe to get back to the level it was in 1914. Meanwhile, agriculture in the United States and Canada during World War 1 had expanded rapidly.</p> <ul style="list-style-type: none"> • How could Europe avoid people going hungry? 	<p>By 1932, agriculture in Europe had recovered, but world food prices had fallen by over 75% while surplus stocks of food had more than doubled. This created an agricultural crisis on both sides of the Atlantic that was made even worse by the economic depression in the 1930s. The incomes of farmers and farm workers fell to levels well below those of workers still employed in the industrial sector.</p> <ul style="list-style-type: none"> • What was to happen to Europe's farmers?
<p>After war broke out again in 1939 it was clear that the food supplies of some European countries would be vulnerable. For example, around 70% of Britain's food was imported and German warships and U-boats attacked convoys of merchant ships transporting food to Britain.</p> <ul style="list-style-type: none"> • How could these countries avoid their people going hungry and therefore avoid defeat? 	<p>Towards the end of the Second World War there was famine in war-torn countries, such as Germany, Greece and The Netherlands.</p> <ul style="list-style-type: none"> • Who needed to take action to stop people dying?
<p>There was not enough food across most of Europe in 1945.</p> <ul style="list-style-type: none"> • What needed to be done to stop Europeans being hungry? 	<p>The Cold War began after the Second World War ended.</p> <ul style="list-style-type: none"> • How could Western Europe secure its food supplies from the Soviet threat?
<p>After World War Two there was a decline in the number of farms in Europe, most farms did not have modern machinery and this machinery to make remaining farms more efficient was expensive.</p> <ul style="list-style-type: none"> • What needed to be done to ensure enough food was produced? 	<p>Agriculture was still a very important part of the economy of many European countries. For example, 49% of people in Ireland, 32% of people in Austria, 46% of people in Finland and 50% of people in Spain.</p> <ul style="list-style-type: none"> • What should be done to protect these people's livelihoods and therefore the countries' economies?
<p>It was very hard to encourage and develop European agriculture in a trading environment where prices went up and down a lot, and poor farming methods meant the supply varied a lot from year to year.</p> <ul style="list-style-type: none"> • What needed to be done to provide security of food production from year to year? 	

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The decisions that were actually made – how do they compare to what you decided to do?

- European governments had to import food from the USA in the years immediately after the First World War.
- In the 1920s and 1930s most West European governments intervened in their agricultural sectors to stabilise farm prices, to increase farmers' incomes (for example, by buying up surplus food) and to make their countries more self-sufficient in food.
- As the Second World War started, countries such as Britain introduced rationing of foodstuffs and called-up non-combatants to work on the land to make sure that there would not be shortages of food.
- During the Second World War there was little that could be done. However, to prevent famine after the war, the United Nations Relief and Rehabilitation Administration (UNRRA) supplied food aid and livestock to a number of European countries until the end of 1947.
- From 1948 Western European governments received aid under the USA's Marshall Plan. It provided funding for tractors, combine harvesters and fertilisers. As a result, agricultural production in Western Europe began to increase. Farming became more efficient.
- Governments intervened to ensure, where possible, that more food was grown at home for the domestic market.
- Nevertheless, in the countries that relied heavily on food imports, food security was a continuing problem. Therefore, governments stepped in to provide farmers with low-interest loans to purchase equipment, fertilisers and pesticides.
- To ensure a better and more consistent income for farmers countries also imposed tariffs on food imports, stabilised food prices and stockpiled food whenever there were surpluses.

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Towards a common market for agriculture in western Europe 1951-1959

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<p>After World War Two, politicians in six European countries began to argue that integrating key industries, such as coal and steel, was the best way to make sure they were secure and effective. They argued that sharing key parts of the economies of each country would provide bigger markets to improve prosperity AND stop countries from fighting each other.</p> <ul style="list-style-type: none"> • How would you organise the sharing of key parts of the economy in Europe? 	<p>After 1951, a larger group of West European countries began to talk about working together to organise agricultural production and sharing food supplies.</p> <ul style="list-style-type: none"> • How would you organise this between countries.
<p>Two of the Six countries (France and The Netherlands) were major exporters of food and the other four relied on imports. The Six decided that, because of this imbalance, tariff changes would not work.</p> <ul style="list-style-type: none"> • How would you organise agriculture and food between these countries? 	<p>Other countries in Europe did not want to harmonise their economies to the same extent. In particular, they did not want to unite their agricultural policies. On the other hand, they wanted to be a powerful voice alongside the EEC.</p> <ul style="list-style-type: none"> • How would you ensure other countries also had a powerful voice?

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- In 1951, France, Germany, Italy, Belgium, Luxembourg and the Netherlands (known as The Six) set up the High Authority to manage their coal, iron and steel industries. It had a Council of Ministers, it fixed prices, set production limits and had powers to fine companies that ignored its rules.
- The countries did not agree to set up a High Authority for agriculture and food. Instead, countries agreed to cooperate on lowering trade tariffs between them but they did not impose a common tariff on imports from outside their countries.
- The Six decided to proceed with an arrangement for agriculture that would be similar to High Authority for coal, iron and steel. They established the European Economic Community (EEC) with the Treaty of Rome in 1957. French and Dutch farmers were guaranteed exports to the rest of the community.
- In 1959 other Western European countries came together as EFTA (the European Free Trade Area). They did not have a higher authority to organise industry, but did agree between the governments not to have tariffs between them on industrial goods. They kept tariffs on agricultural produce. However, by 1961 they had decided they wanted to apply to join the EEC.

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Creating the Common Agricultural Policy 1957-1968

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<p>The Six countries of the EEC wanted to set up a common market for agriculture and food. In recent memory, many people in Europe had starved, or been close to starvation at the end of the Second World War. Farming was still a very important part of the countries' economies. World food prices often went up and down, making life hard for farmers.</p> <ul style="list-style-type: none"> • With this context, what do you think the aims of this new common market of agriculture and food were to be? 	<p>Once the aims of the new common market had been established the CAP had to take action.</p> <ul style="list-style-type: none"> • What would you do if you were organising the CAP to make sure the EEC countries' people had enough food, their farming was protected and their farmers could earn a good living?
<p>By the late 1960s, the people of the EEC had a secure supply of food, farmers could earn a living, farming was more efficient and the standards of farming were high. The EEC had solved the earlier problems of food shortage and poor livelihoods for farmers. However, new problems emerged. Large and efficient farms got most of the CAP money, but were not necessarily the farmers who needed the help. Smaller farmers were still struggling. The consumers of EEC countries were paying a high price for food; much higher than the world price. The EEC's farmers were producing too much food and it was being wasted.</p> <ul style="list-style-type: none"> • What advice would you give about reforming the CAP to solve these new problems? 	

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Creating the Common Agricultural Policy 1957-1968

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- The Six countries of the EEC set up the Common Agricultural Policy (the CAP). The five aims of the CAP were:
 1. to increase agricultural productivity through more efficient use of technology and labour;
 2. to improve the standard of living of farmers and farm workers;
 3. to stabilise market prices for food by stockpiling when there were surpluses and distributing the surplus stocks when there were poor harvests and food shortages;
 4. to ensure sufficient food supplies were always available (food security).
 5. to ensure that consumers paid reasonable prices for their food.
- The CAP did the following:
 1. Guaranteed prices for each farm product, set by the EEC, usually at a level above the current world prices for those products. Even before 1957 some of the EEC governments had been doing this for their own farmers.
 2. Put up tariff barriers to prevent these guaranteed prices from being undercut by cheaper imported foodstuffs.
 3. Bought and stockpiled surplus food to stop agricultural prices falling.
- Reforming the CAP was to prove very controversial. Politicians began to think of encouraging small farms to merge into bigger farms, putting quotas on the amount of food that could be produced and reducing the amount of money that went to farmers as most of the EU budget was being spent on the CAP. EC Commissioner, Sicco Mansholt, presented a plan to reduce the amount of land under cultivation and encourage the merger of small farms into larger farms. This was seen by EC Agriculture Ministers as too politically radical. The Mansholt Plan was not adopted.

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The Reform Years of 1969 – 2013

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<p>By the mid 1970s there was growing concern within the EEC about over-production leading to surpluses. It was common at this time for the mass media to refer to “butter and grain mountains” and “wine and milk lakes”. But production continued to rise even though the EC was intervening to purchase the surpluses. As a result CAP spending increased from 12.4 billion in 1982 to 27.5 billion in 1985.</p> <ul style="list-style-type: none"> • What would you do to tackle the problem of surpluses? 	<p>By 1992 it was clear that the reforms of the 1980s had not achieved their intention. The price support system was still encouraging over-production; mega-farms were the main beneficiaries, the incomes of small and medium farms had not improved much since the mid-1970s. Arable farmers taking up the set-aside scheme tended to be setting aside the least productive land. Subsidising farming and dumping surpluses on the world market was a growing drain on the EC’s budget and creating tension with the EC’s trading partners. Also intensive farming was causing major environmental problems at a time when the international community, including the EC, was seeking to promote conservation and greater environmental awareness.</p> <ul style="list-style-type: none"> • Identify each of the problems. What would you suggest as solutions?
<p>The budgetary cost of the CAP went up because of the compensatory payments to farmers and in 1996, for the first time, it exceeded 40 billion ECU (the European Currency Unit which preceded the Euro). It was also expensive to check on whether farmland was in fact being set-aside and the whole process was increasingly bureaucratic. From 2004 onwards thinking about the CAP was dominated by the enlargement of the EU. While it added 100 million new consumers it also increased EU farmland by 50% and doubled the agricultural labour force. The CAP budget increased by 25%.</p> <ul style="list-style-type: none"> • Identify each of the problems. What actions would you suggest should be taken? 	

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- Production quotas were introduced, beginning with milk quotas in 1984. The basic quota for each product was set to reflect demand within the EC. Producers were to receive the full guaranteed price for goods within the quota. But the guaranteed price was reduced if production exceeded the quota. In 1988 the EC also introduced a voluntary scheme in which arable farmers would receive compensation if they agreed to set-aside 20% of their land and not use it for farming.
- In May 1992 the Council of Ministers agreed to reduce guaranteed support prices. Instead farmers were to be compensated for any loss of income through conditional direct payments. Arable farmers received these payments on condition that they set aside a proportion of their productive land. Livestock farmers received direct payments on condition that they restricted the size of their herds. This was referred to by the Commission as 'decoupling' funding from production. To address the concerns of international trading partners the reforms also committed the EC to reducing the value of agricultural export subsidies by 36% and the volume of exports by 20%. In addition, Member States were required to support environmentally-friendly schemes, such as reductions in use of pesticides, converting farmland to woodlands, etc.
- Over this period a series of reforms aimed to reduce price support until it was fully decoupled from production. A 'single farm payment' was introduced based on the size of the farm and, in return, farmers had to meet specific environmental, animal welfare and food safety standards. Because of the large rural population across the EU an integrated rural development policy was also introduced, aimed at promoting both economic and environmental improvements. Even so, by 2013, and partly because of the economic recession that began in 2008, there was still widespread concern within the EU about the cost of administering the CAP budget.