

What is still common in the Common Agricultural Policy?

This paper has been accepted for publication and undergone full peer review but has not been through the copyediting, typesetting, pagination and proofreading process, which may lead to differences between this version and the Version of Record.

Please cite this article as:

Sotte F. (in press). What is still common in the Common Agricultural Policy?, *Bio-Based and Applied Economics*, Just Accepted. DOI:10.36253/bae-18692

1. Introduction

On 4 September 2024, the European Commission published the results of the *Strategic Dialogue on the Future of Agriculture* (European Commission, 2024). This was followed on 19 February 2025 by the Communication *A Vision on Agriculture and Food* (European Commission, 2025), which announced the agricultural policy guidelines of the second Von der Leyen Commission and the new Commissioner for Agriculture, Christophe Hansen. Finally, on 16 July 2025, the proposal for the Multiannual Financial Framework 2028-2034¹ and the legislative proposal for the European Agricultural Policy 2028-2034² were published simultaneously.

There are two major changes. The first concerns the budget, in which, as announced, agricultural, cohesion and regional policies are merged and financed (together with other minor policies) with a single allocation, undergoing a significant overall cut. The second is the entrusting of National and Regional Partnership Plans to Member States with the task of ensuring coherence and joint programming between 14 different European Funds, while respecting their specificities³. Among these funds are the two agricultural ones: the European Agricultural Guarantee Fund (EAGF) for direct payments and market measures and the European Agricultural Fund for Rural Development (EAFRD).

This article summarises the historical evolution of the CAP and, in light of this overview, sets out to evaluate the proposals for the support mechanism and the budget for the seven-year period 2028-2034. For further details on the history of the CAP, please refer to the recently published volume *European Agricultural Policy. History and Analysis* (Sotte & Brunori eds., 2025).

¹ Proposal for a Regulation laying down the multiannual financial framework for the years 2028 to 2034, COM(2025) 571 final.

² Proposal for a Regulation establishing the conditions for the implementation of the Union support to the Common Agriculture Policy for the period from 2028 to 2034, COM(2025) 560 final

³ Proposal for a Regulation establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028-2034 and amending Regulation (EU) 2023/955 and Regulation (EU, Euratom) 2024/2509 COM(2025) 565 final

2. Historic evolution of the CAP

2.1. The inception of price support

Originally, in the Sixties, European agricultural policy was a source of revenue for the European Community. Since the latter had a food deficit, food security was pursued through the imposition of particularly high duties on imported agricultural products. Consequently, in just a few years, the Community went from being the world's leading importer of agricultural products to the second largest exporter (after the USA). This was the result of artificially high domestic prices, the introduction of more efficient technologies and the fast recovery of European agriculture in the post-war years. To keep prices high, duties were mainly replaced by export subsidies, euphemistically called “refunds”, paid for out of the common budget.

Expenditure under the “Guarantee section” of the European Agricultural Guidance and Guarantee Fund (EAGGF) thus literally exploded. From 1965-66 to 1969-70, it rose from 239 million units of account to 2,783 million. As early as 1968, Agriculture Commissioner Sicco Mansholt noted in the “Agriculture 80 Programme” that:

“Market and price support policies alone cannot solve the fundamental difficulties of farming. These policies are subject to narrow limits; if these are exceeded, markets will be disorganized and the costs to the Community will be intolerable, without any effective improvement for the farming population” (European Commission, 1968).

According to its proponents, foremost among them Mansholt himself, the CAP was supposed to be a strategic policy aimed at transforming agriculture in the medium-long term. It was to focus on structural policies. Market policy was to aim, as set out in the text of the 1957 Treaty of Rome, solely at stabilising prices. Not at supporting them. Other objectives were set in the Treaty of Rome. Some of them were in clear conflict with price support, such as that of “ensuring reasonable prices for consumers”.

The decision to support prices appeared immediately particularly unfair. Instead of helping the farmer most in need of support, 80% of the funds were concentrated on the 20% of beneficiaries. These were farmers with the largest farms, the most affluent and technologically advanced. Small farmers and those lagging in development were left with only scraps. Refunds quickly exhausted the Community budget, making it impossible to finance the structural policy, which in the following decades never exceeded 5% of the entire common agricultural budget.

Despite its inconsistency and exorbitant cost, price support not only remained in place throughout the Seventies and Eighties but was strengthened under pressure from agricultural lobbies and the entire agro-industrial and agri-food chain. So much so that, in 1985, CAP expenditure still accounted for 71% of all EEC payments, producing distorting effects not only within the Community but also worldwide, and forcing all other common policies to contend with the constraints of the residual Community budget.

2.2. From price support to direct payments

It was not until 1993, under Commissioner Ray MacSharry, that the first reform took place. Under pressure from the GATT negotiations on international trade, price support was gradually reduced. It was replaced by compensatory payments from the Community budget. On that occasion, it was proposed to modulate payments, i.e. to cover only partially the largest beneficiaries of the previous price support. It was also proposed that compensation should be gradually reduced over the years and then abolished at a certain point in time. The savings would have been allocated to so-called “accompanying measures”, a first attempt to introduce measures with agri-environmental and social objectives.

Instead, it was decided that compensation should be full for all beneficiaries, with the result that the first agri-environmental policy was initiated with very few resources. The consequence was a further increase in

the cost of the CAP for the Community budget. In the meanwhile, with the Maastricht Treaty, was established the European Union integrating the European Community, common foreign and security policy and cooperation in the field of justice and home affairs.

In 1999, the CAP was reorganised around two pillars. The first concerned market policies, which included compensatory payments, renamed “direct payments”. The second pillar focused on rural development was financed from 2005 by the new European Agricultural Fund for Rural Development (EAFRD), with the aim of integrating a territorial approach with the traditionally sectoral approach of the CAP. In the original plans, the two pillars were to be gradually allocated similar funding. However, under pressure from lobbies, the first pillar was allocated around 90% of the entire CAP budget. This percentage has fallen in subsequent years, but never below 75%.

In 2003, on the initiative of Commissioner Franz Fischler, all direct payments received by each farmer were incorporated into a “Single Farm Payment” (SFP). This support was equal to the average of all direct payments received by the farmer in the three-year period 2000-2002. This was combined by the complete decoupling of support from production, in the sense that the right to receive the SFP was completely disconnected from the beneficiary’s production choices. To the extent that he could continue to receive it even if he ceased the activity. Payments were made on condition that a series of European and national norms, mainly of environmental nature, were complied with. This is known as eco-conditionality or cross-compliance.

Once again, it was proposed to gradually reduce the budget for direct payments over the years and to set a maximum limit (capping) on the individual SFP. But the proposals were dashed, and the distribution of expenditure among beneficiaries retained the old imbalance.

Direct payments were maintained, albeit split into several schemes in the CAP 2014-2020 (later extended to 2022). A component of farmer payments known as “greening” was also introduced for agri-environmental purposes, but its effects in terms of sustainability have been decidedly disappointing (Matthews, 2013).

2.3 The transition to income support

With the CAP 2023-2027, inspired by the Green Deal and its two implementation strategies: “From Farm to Fork” and “European Biodiversity Strategy for 2030”, direct payments have been once again split into several types of intervention. The key support intervention has been renamed “Basic income support for sustainability” and consists of a payment per hectare. Currently basic payment remains differentiated as long as the titles remain in force. In perspective it will tend to be uniform across the EU. This has been accompanied by so-called “eco-schemes”. They are optional measures for the farmer aimed at adopting practices geared towards environmental sustainability and contrasting/adapting to climate change. This was effectively the first attempt to transform, at least in part, direct payments from passive expenditure to active interventions for the care of common goods of European importance. However, leaving it up to Member States to choose which measures to adopt from a pre-set menu, resulted in a patchwork of interventions that were not entirely consistent.

Cross-compliance has been reinforced both by introducing additional requirements (e.g. crop rotation) and by adding social requirements. This was the most ambitious attempt in the history of the CAP to impose stringent (albeit mild) conditions on recipients of direct payments (Brunori, 2023; Coderoni, 2023). It was followed by tractor protests, which led Von der Leyen to effectively restore the previous agricultural policy.

As for the second pillar of the CAP, it has been assigned three distinct tasks: support for agricultural investment, agri-environmental payments and territorial development (rural development in the strict sense). Despite the limitations that have affected its functioning (especially the long implementation times), it has generally been a better targeted and better tailored policy than that of the first pillar. Nevertheless, or perhaps

precisely for this reason, the financing of the second pillar has been almost systematically opposed by agricultural lobbies. So much so that the funds allocated to it grew through so-called modulation until 2013 without ever reaching more than 25% of the total CAP funds. It then fell again in subsequent MFFs to absorb more of the cuts in overall CAP funding.

In summary, considering its cost and the distribution of funding, the CAP shows a remarkable chameleon-like ability to survive by adapting its features to the times. At the same time, it has remained substantially invariant, in terms of its distribution and effects, throughout its history. This invariance consists of its projection to the short term, support for the rent and large recipients, despite some mechanisms of adjustment toward equity are planned for the period 2023-2027 (Pierangeli et al. 2023). It is a one-size-fits-all, individualistic transfer policy that is not adapted to deal with the profound transformations in agriculture today and lacks a systemic and strategic vision (Sotte, Brunori 2025). Meanwhile, all measures aimed at promoting structural adjustment, technological and organisational renewal, competitiveness, entrepreneurship and the development of rural areas, especially those remote and marginal, in the medium to long term remain in the background and underfunded. We refer here to the second pillar, which is often overlooked in political debate, but also to European policies outside the CAP that have a marked influence on the future of agriculture and rural areas: research policy, cohesion and regional development policy, education and training policy, etc. At the same time, as evidenced by the recurring assessments of the European Court of Auditors, there is still insufficient commitment to transforming agriculture in terms of sustainability, resilience and combating and adapting to climate change (European Court of Auditors, 2021 and 2024).

At each seven-yearly renewal of the MFF, substantial cuts and a different distribution of funds have been proposed. However, this has been opposed by the strenuous defence of the sector's lobbies, supported in the European Parliament by the Committee for Agriculture (Comagri). This defence has been echoed in the Council, due to the governments' fear of losing consensus.

3. The CAP budget

The CAP's share of the EU budget has fallen over the years, from 74% in 1976 to the aforementioned 71% in 1985, 49% in 2000 and the still substantial 31% today. Meanwhile, to offer a comparison, since the CAP was established, the percentage of farmers in Italy has fallen from 42% to 3%, in France from 28% to 2% and in Germany from 24% to 1%.

Throughout the long history of the CAP, criticism of its weight in the EU budget and its inefficiency, ineffectiveness and unfairness has been constant and increasingly pressing (Zeller, 1971; Andrews, 1973; Galli & Torcasio, 1976; Marsh et al., 1982; Fennell, 1997; Fanfani, 1996; Loyat & Petit, 1999; Oskam et al., 2010; Swinnen, 2015, Sotte & Brunori 2025). The most recent strategic documents on the future of the Union, which should also serve as a reference point for CAP reform proposals, do not even mention it. Other priorities are: security, immigration management, border control, counter-terrorism, defence, combating discrimination, employment and economic recovery, reducing the social and economic gap between regions, structural reforms, macroeconomic stabilisation and the transition to sustainable development models.

The only references to the CAP found in strategic documents mainly criticise its exorbitant cost. This was the case in the preparatory work for the current MFF (2021-2027). The final report of the High Level Group on Own Resources appointed by the Commission and chaired by Mario Monti in 2016 stated:

There is a consistent criticism towards the two major spending posts – agriculture and cohesion – as being essentially redistributive and not providing enough added value, partly because Member States focus their efforts to “get their money back”, and partly because policies are not optimal (European Commission, 2016).

A similar opinion is found in the Draghi Report:

The EU's annual budget is small [...]. It is also not allocated towards the EU's strategic priorities. Despite attempts at reform, the shares of the 2021-2027 Multiannual Financial Framework (MFF) allocated to cohesion and the common agricultural policy are still 30.5% and 30.9%, respectively (Draghi, 2024).

It comes as no surprise, then, that today, faced with the difficulty of significantly increasing the EU budget with new revenue, debt or higher contributions from Member States, the CAP (and cohesion policy) budget is being tapped to support the European Competitiveness Fund mentioned in the Draghi Report, which is in any case underfunded compared to what is needed.

4. The CAP and the principle of subsidiarity

The opportunity of the CAP budget review should have been accompanied by a reorganisation of the CAP based on the principle of subsidiarity enshrined in the Treaty. On this basis, policies with greater European added value should have been defined and managed at European level. We refer to combating and adapting to climate change, for technological change, product quality, consumer health, food security, research. Other policies should be designed, managed and financed jointly by the EU, Member States and Regions, as has been the case for rural development to date, with multi-level governance: cooperation, services to agriculture, diversification, and policy for the EU's remote and marginal territories.

As for income support, which is entirely funded by the EU budget, and sectoral subsidies, which currently account for by far the largest share of the CAP budget, their ineffectiveness, inefficiency and unfairness have long been noted. A very recent report by the Bruegel Institute, notes that:

the CAP relies heavily on direct income support and sectoral subsidies, which are not conducive to food security but are rather policy preferences. [...] The CAP continues to reflect national-sectoral support rather than EU-wide public goods provision (Darvas, Dom et al., 2025).

This is not a new position, considering that more than twenty years ago, a study carried out on behalf of the Romano Prodi Commission found that there were no reasons to reserve income support for farmers that was different from that granted to all other individuals in economic hardship; and that in any case, as a social policy, on the basis of the principle of subsidiarity, it should be the Member States and not the EU that had to deal with it and pay the cost. It stated as follows:

Path dependency seems to be the main argument for the current existence of direct payments and market interventions. [...] The case for centralisation of direct payments is not clear. Both normative and positive analyses argue for decentralisation of such (personal) income support policies. There are no clear economies of scale, nor is there any internalisation of externalities if these activities are conducted at EU level. [...] Because these policies are to a large extent a transformation of previous market and intervention policies, it is understandable that these policies are part of the EU budget. However, economic reasoning suggests that it is sensible to shift these policies to the Member States in the future (Sapir et al., 2003).

Even earlier, in 1987, a working group set up by the European Commission and chaired by Tommaso Padoa Schioppa had expressed a similar view (Padoa Schioppa, 1987).

5. A missed opportunity

In the proposals for the future MFF and CAP 2028-2034, agricultural and regional policies are therefore subject to substantial budget cuts and will be financed, together with other minor policies, from a unified fund of €865 billion. Member States, for their definition and management, will draw up a National and Regional Partnership Plan (NRPP). Part of the funds, €628 billion, are pre-allocated. Of these, €294 billion

are ring-fenced for the CAP for income support, agri-environmental actions or climate change mitigation and adaptation, risk management, investments, and the establishment of young farmers and new businesses⁴.

It is easy to predict that, having kept income support at the top of the list of possible destinations for ring-fenced CAP funds, this will take the lion's share. Moreover, it will once again be distributed based on hectares owned. Direct payments are generally linked to cross-compliance commitments (of ecological or, after 2023, even social nature). These typically involve compliance with European regulations (Statutory Management Requirements) or national rules (Good Agricultural and Environmental Conditions). As these are universal legislative standards, they must be complied with by everyone, even those who do not receive payments.

Some additional commitments were actually introduced with the 2023-2027 CAP. They regarded in particular crop rotation, ecological focus areas, and the limited employment of plant protection products. However, these measures were revoked or their effects mitigated after tractor protests began in Germany in December 2023 and continued in the following months in France and finally in February 2024 in Brussels. Since income support based on hectares is not generally linked to additional commitments other than compliance with the rules that apply to everyone, they generally constitute a blatant gift to rent and a clear attempt to appease the agricultural lobbies, often aimed at defending the path dependency with short term measures, more than operating for a real sustainable entrepreneurial transformation of European agriculture in the face of new technologies, market opportunities, and international scenarios.

All other objectives of agricultural and, especially, rural development policy will compete, at national level in the NRPP, with other policies, which have so far been financed mainly by the European Regional Development Fund and the European Social Fund. It will therefore compete for the €237 billion that has not been pre-allocated or for any additional national funding. Each Member State, albeit within the framework of an overall strategy defined at Community level, will therefore be free to adapt its agricultural policy according to its own needs and budgetary resources. Twenty seven different national agricultural policies will therefore be pursued for objectives that are clearly in the European public goods domain.

As a result of the different agricultural policies of each Member State and their different capacities/willingness to support them financially, the rules of the single market will also be broken. Competition will no longer reward the best farmers but, given equal technical and managerial efficiency, those farmers who operate in the Member States with the greatest financial potential and commitment to supporting their own agriculture.

The common agricultural policy has been a fundamental pillar of European integration. Until the mid-1980s, it was the only policy that was effectively financed and managed jointly. But now the CAP is falling apart due to its inability to keep up with the times and the inadequacy of the institutions and organisations responsible for it.

References

1. Andrews S. (1973), *Agriculture and the Common Market*, Iowa State University Press, Ames.
2. Brunori, G. (2023). Towards a new generation of (agri-) food policies. *Bio-based and Applied Economics*, 12(2), 103-113.
3. Coderoni, S. (2023). Key policy objectives for European agricultural policies: Some reflections on policy coherence and governance issues. *Bio-Based and Applied Economics*, 12(2), 85-101.

⁴ It has recently been authorised that another €45 billion may be transferred to agricultural policy, at the expense of other areas.

4. Darvas Z., Dom R., Lappe M.S., Saint-Amans P. and Steinbach A. (2025), *Bigger, Better Funded and Focused on Public Goods. How to revamp the European Union budget*, Bruegel Blueprint Series.
5. Draghi M. (2024) *The Future of European Competitiveness*, Luxembourg: Publications Office of the European Union.
6. European Commission (1968), *Memorandum on the Reform of Agriculture in the European Economic Community*, COM(68) 1000.
7. European Commission (2016), *Future Financing of the EU. Final report and recommendations of the High Level Group on Own Resources*, Chaired by Mario Monti, December 2016.
8. European Commission (2024), *Strategic Dialogue on the Future of EU Agriculture. A shared prospect for farming and food in Europe*.
9. European Commission (2025), *A Vision for Agriculture and Food. Shaping together an attractive farming and agri-food sector for future generations*, COM(2025) 75 final
10. European Court of Auditors (2021), *Special Report Common Agricultural Policy and climate Half of EU climate spending but farm emissions are not decreasing*;
11. European Court of Auditors (2024), *Special report 20/2024: Common Agricultural Policy Plans – Greener, but not matching the EU’s ambitions for the climate and the environment*.
12. Fanfani R. (1996), *Lo sviluppo della politica agricola comunitaria*, Carocci editore, Roma.
13. Fennell R. (1997), *The Common Agricultural Policy of the European Union. Its Institutional and Administrative Organisation*, BPS Professional Books, Oxford.
14. Galli R., Torcasio S. (1976), *La partecipazione italiana alla politica agricola comunitaria*, Il Mulino, Bologna.
15. Loyat J., Petit Y. (1999), *La politique agricole commune PAC*, La Documentation Française, Paris.
16. Marsh J., Swanney P., De Filippis F. (1982), *La politica agricola comunitaria*, Laterza, Bari.
17. Matthews A. (2013), *Greening agricultural payments in the EU’s common agricultural policy*, *Bio-based and Applied Economics*, Volume 2, Issue 1.
18. Oskam A., Meester G., Silvis H. (Eds) (2010), *EU Policy for agriculture, food and rural areas*, Wageningen Academic Publishers.
19. Padoa Schioppa T. (1987), *Efficiency. Stability and Equity. A Strategy for the Evolution of the Economic System of the European Community*, European Commission.
20. Pierangeli, F., Cagliero, R., Cesaro, L., Carfi, S., Giampaolo, A., Manzoni, P., ... Pupo D’Andrea, M. R. (2023). *CAP 2023-2027: effects of direct payments internal convergence in Italy*. *Italian Review of Agricultural Economics*, 78(1).
21. Sapir A. et al. (2003), *An Agenda for a Growing Europe. Making the EU Economic System Deliver*, Report of an Independent High-Level Study Group established on the initiative of the President of the European Commission.
22. Sotte F. and Brunori G. (Eds), *European Agricultural Policy. History and Analysis*, Springer-FUP, 2025.

23. Swinnen J. (Editor) (2015), *The Political Economy of the 2014-2020 Common Agricultural Policy. An Imperfect Storm*, Rowman & Littlefield International, London.
24. Zeller A. (1971), *L'imbroglio agricolo del mercato comune*, Mondadori, Milano.

Accepted Manuscript