

## Articles

### SCENARIOS OF THE COMMON AGRICULTURAL POLICY AFTER 2020

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#### Abstract

*The dynamic nature of changes in the macroeconomic environment and various views of Member States on the future of the Common Agricultural Policy in the European Union cause that its shape is usually a result of various forces and factors. They are both, exogenous, related to the situation on global markets, economic policy on a global scale and European Union, as well as endogenous, connected to the changes in the agricultural sector and its direct environment. The on going discussion revealed many controversies which will have an impact on the decisions shaping the CAP for the next budget perspective after 2020.*

*The aim of this study is to critically review the evolution of agricultural policy and to identify possible scenarios for its changes in the new budgetary perspective after 2020. Before identifying possible scenarios of the future agricultural policy of the EU, the authors draw attention to some dilemmas such as: predicted increase in global demand for food, limiting production intensity in the EU, rationality of the level and allocation of support, problem of capitalization of subsidies in land prices, conflicting objectives of the CAP, diverse expectations of Member States, and consequences of Brexit for the CAP in the next budgetary perspective.*

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*Fundamental reforms of the CAP took place in the 1990s in response to international pressure and the results of GATT and later WTO negotiations. The current reform of the CAP must deal with other types of external forces, such as the crisis of the euro-zone, disintegration movements (Brexit) and integration in the euro-zone, the influx of emigrants, the threat of terrorism, as well as worsening effects of climate change. The authors, based on a literature review and their own reflections, present six possible scenarios for the development of the CAP after 2020. It is very likely that the shape of the future CAP will be the result of a political compromise between Member States, which may indicate that there will be no radical changes in the CAP in the next budgetary perspective. In the long run, agricultural policy will undergo further transformations, forced among others by the likely technological revolution facing the 21<sup>st</sup> century agriculture, demographic changes in the countryside, climate change or the need to support rural development, taking into account their diversity in the EU countries.*

**Keywords:** EU Common Agricultural Policy, CAP reforms, agricultural policy scenarios after 2020, dilemmas of CAP.

**JEL codes:** Q13, Q14, Q18.

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## Introduction

Since its establishment in 1957, the Common Agricultural Policy (CAP) of the European Union has been subject to the gradual evolution and periodic, radical transformations. The CAP, which in a broad sense covers all actions taken by the European Community with regard to the agricultural sector, is based on three basic principles:

- **Single market**, which means equal treatment of producers from all Community Member States when lifting internal customs duties and quantitative restrictions on the movement of agricultural products and food;
- **Preferences** according to which products originating in the Community Member States take precedence over imported products;
- **Solidarity**, within the meaning of the joint and several share of each Member State in financing the Common Agricultural Policy, as well as guaranteeing the higher level of financial security for agriculture through a possibility of obtaining financial assistance from the European Union budget in the case of fortuitous events<sup>1</sup> (Majewski and Andrychowicz, 1998).

Although to date, these rules have been the cornerstone of the CAP, internal tensions among the EU Member States as well as external pressures, leading primarily to the reduced level of protection of the EU market, kept on undermining the scope of compliance with the individual rules, thereby stimulating the CAP transformation processes.

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<sup>1</sup> One of the more spectacular examples of such assistance is co-participation of the European Union in financing costs of removing the BSE effects in Great Britain.

A debate is currently underway on the shape of the new CAP reform, which will define the forms and scope of EU agriculture support after 2020. Throughout the period of its existence, the Common Agricultural Policy of the European Union has stemmed not only from the pursuit of achieving the specific objectives, but often mainly from responding to emerging pressures and challenges. As indicated by the CAP history, they are most often of exogenous nature, related to the world market situation, global and European economic policy, as well as of endogenous nature, in connection with transformations in the agricultural sector and its environment. The dynamic nature of changes in the agricultural environment and various visions of the agricultural policy in the EU Member States mean that, in general, the shape of the CAP is a resultant of various forces, most often a compromise to achieve a complex bundle of objectives. In addition, the shape of the policy is also determined by the previously developed path (the so-called path dependence), implemented in previous periods (see: Kay, 2003).

The main objective of this paper is to identify possible scenarios for changes in the Common Agricultural Policy in the new budgetary perspectives after 2020. The basis for their formulation is a critical review of the evolution of the agricultural policy and the presentation of dilemmas accompanying its shaping.

### **Evolution of the Common Agricultural Policy**

The process of the CAP evolution was presented in the most synthetic approach in Table 1. The typical approach using time period was deliberately abandoned, in order to highlight internal and external pressures resulting in further stages in the CAP transformation, which often go beyond the strict timeframe.

In the period before the establishment of the European Coal and Steel Community, the predecessors of the European Community and the European Union, the European agriculture, fragmented and destroyed by hostilities of war was unable to meet the growing food demand. It was necessary to increase land productivity. To this end, various incentives were used, e.g. subsidies to the prices of means of production, and in extreme cases the governments restored even to administrative coercion<sup>2</sup>.

The founding countries of the European Community applied different agricultural policy instruments, but they had a common feature – they were geared towards the protection of internal agricultural markets and agricultural income support (Table 2).

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<sup>2</sup> In Poland, in the 1950s farmers signed commitments to buy specific amounts of mineral fertilisers which was to lead to higher fertilisation and, consequently, higher yields.

Table 1

*Evolution of the Common Agricultural Policy of the European Union*

Stage	Major stimulants (pressures)	Major objectives of the agricultural policy	Key instruments	Effects/Changes in the agricultural sector
Before the CAP: turn of the 1 <sup>st</sup> and 2 <sup>nd</sup> half of the 20 <sup>th</sup> century	<ul style="list-style-type: none"> <li>- Food shortages</li> <li>- Low land productivity</li> </ul>	<ul style="list-style-type: none"> <li>- Stimulating the productivity growth,</li> <li>- Stimulating the production growth</li> </ul>	<ul style="list-style-type: none"> <li>- Subsidising the prices of means of production</li> </ul>	<ul style="list-style-type: none"> <li>- Intensification of production</li> <li>- Increased food supply</li> <li>- Reduction in agricultural income</li> </ul>
Establishment of the CAP	<ul style="list-style-type: none"> <li>- Integration of the Western European countries (ECSC, EEC)</li> <li>- No food self-sufficiency</li> </ul>	<ul style="list-style-type: none"> <li>- Achieving self-sufficiency in the food production</li> <li>- Stimulating the productivity growth</li> </ul>	<ul style="list-style-type: none"> <li>- Basic principles of the CAP (Common Market Organisation, EU preferences, financial solidarity)</li> <li>- Uniform prices of agricultural products</li> </ul>	<ul style="list-style-type: none"> <li>- Concentration of production factors due to technical progress</li> <li>- Outflow of labour force to the industry</li> <li>- Increased supply of agricultural raw materials and food</li> </ul>
Protectionism	<ul style="list-style-type: none"> <li>- Increased food supply</li> <li>- Decreasing agricultural income</li> <li>- Increasing possibilities of importing cheaper food from outside of the EU</li> </ul>	<ul style="list-style-type: none"> <li>- Price protection and market stabilisation</li> <li>- Income support</li> </ul>	<ul style="list-style-type: none"> <li>- Guaranteed prices</li> <li>- Levies</li> <li>- Export subsidies</li> <li>- Support for farms in less-favoured areas</li> </ul>	<ul style="list-style-type: none"> <li>- Concentration in agriculture</li> <li>- Increased supply of agricultural raw materials and food</li> <li>- Intensification of the production due to chemical and biological progress</li> </ul>
Limiting production	<ul style="list-style-type: none"> <li>- Food surpluses and rising costs of their management</li> <li>- High costs of production, low competitiveness in international markets</li> <li>- competition in the EU agriculture</li> <li>- Unfavourable environmental impacts</li> </ul>	<ul style="list-style-type: none"> <li>- Reduction in surpluses of agricultural products</li> <li>- Stabilisation of the markets</li> </ul>	<ul style="list-style-type: none"> <li>- Introduction of the co-responsibility levy and guarantee threshold (production volume above which no full price guaranteed is due)</li> <li>- Introduction of milk quotas</li> </ul>	<ul style="list-style-type: none"> <li>- No significant changes in addition to adjustments in the milk production sector</li> </ul>
Departure from strong protectionism in response to the liberalisation of trade in agricultural products on an international scale	<ul style="list-style-type: none"> <li>- External pressures – on the part of the GATT and Third World countries</li> <li>- Rising costs of the protectionist policy;</li> </ul>	<ul style="list-style-type: none"> <li>- Reduction in food surpluses</li> <li>- Non-production objectives in the CAP (diversification)</li> <li>- Sustaining the level of agricultural income (income support in place of price support)</li> </ul>	<ul style="list-style-type: none"> <li>- MacSharry reform</li> <li>- Customs duties in lieu of levies</li> <li>- Reduction in tariffs and export subsidies (by 36% over 6 years)</li> <li>- System of compensatory payments (later: direct payments)</li> <li>- Incentives to extensify the production</li> <li>- Early retirement system to improve the agrarian structure</li> </ul>	<ul style="list-style-type: none"> <li>- Reduction in prices of agricultural products</li> <li>- Rationalisation in the agricultural production (partial extensification)</li> <li>- Set-aside land</li> <li>- Stabilisation of agricultural income due to compensatory payments</li> </ul>

cont. Tab. 1

Stage	Major stimulants (pressures)	Major objectives of the agricultural policy	Key instruments	Effects/Changes in the agricultural sector
Environment-oriented and rural development policy	<ul style="list-style-type: none"> <li>- Limited effects of the production extensification</li> <li>- Capitalisation of compensatory payments in land prices</li> <li>- Environmental hazards</li> </ul>	<p>New CAP objectives according to Agenda 2000:</p> <ul style="list-style-type: none"> <li>- Increased competition in the external and foreign market</li> <li>- Food safety and quality</li> <li>- Stabilisation of agricultural income</li> <li>- Integration of environmental protection objectives</li> <li>- Creation of non-agricultural sources of income and employment</li> </ul>	<p>Agenda 2000 and Luxembourg reform</p> <ul style="list-style-type: none"> <li>- Simplifying the direct payment system and then de-coupling</li> <li>- Modulation of direct payments</li> <li>- Cross-compliance principle enforcing the meeting of environmental and animal welfare standards</li> <li>- Rural Development Programme (e.g. agri-environmental programmes)</li> </ul>	<ul style="list-style-type: none"> <li>- Slow increase in land productivity</li> <li>- Stabilisation of agricultural income</li> <li>- Successive implementation of enhanced animal welfare standards</li> <li>- Growing scale of RDP-funded actions within agri-environmental packages</li> </ul>
CAP greening	<ul style="list-style-type: none"> <li>- Declining approval of the EU society for the CAP focused mainly on supporting agricultural income</li> <li>- International pressure (full implementation of the GATT and WTO decisions)</li> <li>- Linking agriculture to the energy policy in the EU</li> </ul>	<ul style="list-style-type: none"> <li>- Growing importance of the environmental objectives</li> <li>- Competitiveness of agriculture</li> <li>- Production of energy raw materials</li> </ul>	<ul style="list-style-type: none"> <li>- CAP greening</li> <li>- Subsidies for the production of energy from agricultural raw materials</li> </ul>	<ul style="list-style-type: none"> <li>- Increased share of the agricultural sector in the renewable energy production</li> <li>- Adaptation to the CAP greening objectives</li> <li>- Increased risk in agriculture due to climate change and market fluctuations</li> </ul>

Source: own study.

Table 2

*Basic agricultural policy instruments in the founding countries of the EEC  
before the creation of the Common Agricultural Policy*

Country	Balance in trade in agricultural products	Major instruments	Scope of application of guaranteed prices (% of production)
Germany (FRG)	Net importer	Import quotas, support for prices through public purchasing	75
France	Net exporter	Regulated cereal market, export subsidies	72
Netherlands	Net exporter	Guaranteed prices, export subsidies	79
Belgium	no data	Production quotas, minimum prices	39
Italy	no data	Production quotas, minimum prices	27
Luxembourg	no data	no data	75

Source: Folmer, Keyzer, Merbis, Stolwisk and Veenendaal (1995).

The set of instruments used resulted partially from the balance of trade in foreign agricultural products. In the case of France and the Netherlands, which were net exporters in the selected markets, export subsidies were used, while in Germany, the country with negative balance, import quotas were introduced. In all countries, guaranteed or minimum prices were applicable, although a part of the agricultural production covered by those prices was very different – from 27% and 39%, respectively, in Italy and Belgium, to more than 70% in other countries.

The belief that it is necessary to intervene in the agricultural markets during the period before the CAP was introduced was based on the concern that, in the absence of price support, average prices of agricultural products and agricultural income would be too low and threatened by strong fluctuations caused by “whimsical” global markets (Folmer et al., 1995).

It can be said that this kind of thinking dominated the European agricultural policy, becoming, in fact, a source of problems in shaping the CAP. The point is that, in practice, at any stage the objectives of the CAP have not been fully achieved, which perhaps is not possible at all, taking into account the existing conflict of objectives. What is more, the application of various intervention instruments often resulted in undesirable side-effects (e.g. imbalances in the product markets covered by compensating payments, which often led to reinforcing the intervention spiral).

During the period of formulating the agricultural policy rules, European agriculture did not sufficiently cover the demand for food and other agricultural products (Majewski, Sulewski, Guba and Ziętara, 2009; Swinnen, 2009). Therefore, during the first period of the CAP, one of its major objectives was to increase the productivity of production factors. This determined the achievement of other objectives – providing the supply of agricultural products and affordable food prices to consumers. The original set of the CAP objectives also included provid-

ing decent income for the agricultural population and stabilisation of agricultural markets (Treaty of Rome, 1957).

The implementation of the entire system of partially conflicting objectives (e.g. increased income of the agricultural population and provision of affordable food prices) required the creation of a strict system of agricultural policy instruments, which was supplemented over time by structural funds being more and more important in financing agriculture. From the very beginning of the CAP, one of its major instruments was to support prices of agricultural products (Gomez y Paloma, Ciaian, Cristoiu and Sammeth, 2013). At the stage of strong protectionism, other instruments, creating a system for the effective protection of the internal market and support for agricultural income, have been gaining importance (Czyżewski and Stepień, 2009).

In conditions of strong financial support and the protection of the EU market for agricultural and food products, phenomena such as technological progress in agriculture, outflow of some labour force to the developing industry and the increasing production intensity have induced the processes of concentration of production factors and resulted in a significant increase in productivity. Over time, this has led to the emergence of food surpluses in the EU market. This generated additional costs and a need for intervention with the use of, *inter alia*, intervention purchases, consumption subsidies or export subsidies.

The EU citizens were becoming more and more aware of the rising costs of the protectionist agricultural policy and adverse phenomena such as the existence of production surpluses or environmental risks. Therefore, it was time to launch actions aimed at controlling (limiting) the production volume. An example of such actions is the introduction of milk quotas (Malak-Rawlikowska, 2005). Those actions coincided in time with the increasing international pressure on the reduction of protectionist practices. Consequently, the arrangements made during the Uruguay Round of GATT and Blair House agreements resulted in the first radical change in the EU agricultural policy known as the MacSharry reform.

The reform resulted in a significant departure from the internal market protection tools. First of all, the maintenance of levies, replaced by traditional ad valorem customs duties, was given up, intervention prices were reduced, import limits for products at reduced tariffs were also introduced, thereby facilitating access of third-country producers to the EU market. At the same time, it assumed a successive reduction in customs duties and export subsidies (6% annually over a period of 6 years). The imminent fall in prices of agricultural products was compensated by the introduction of compensatory payments, which then turned into direct payments, directly oriented towards agricultural income support.

An important element of the MacSharry reform was the introduction of a number of instruments enforcing the reduction in the production volume (e.g. mandatory setting aside of land) or encouraging to extensify production (e.g. extensification bonuses, maximum compensatory payments to the livestock population).

Production-limiting actions were only partially successful due to the existence of technological treadmill in agriculture, driving the increase in the productivity,

first of all, thanks to constant technological progress which was to some extent enforced by the growing competition in the agricultural sector. As stated by Boehlje, Hofing and Schroeder (1999), the implementation of progress is a major source of the productivity growth in agriculture, bringing financial benefits above all to the early adopters, doubly rewarded due to the increased production sold at relatively high market prices specific to the level of existing technology. Imitators, by increasing the productivity, contribute to a significant increase in the supply, thus resulting in a price fall. This somehow enforces the search and implementation of further technological changes, which becomes a prerequisite for maintaining the competitiveness. At the same time, the financial situation of those producers who are not keeping up with the changes is weaker and weaker and they are forced to cease their activities over time, which is also one of the factors of concentration in the agricultural sector.

The beneficiaries of agricultural progress, taking place throughout the entire 20th century, were food consumers, benefiting from the increased supply and a downward trend in real prices for agricultural products (Schmidhuber and Meyer, 2014). Therefore, one of the agricultural policy objectives i.e. supply of food at affordable prices was achieved but the undesirable effects of the intense development of agriculture and the existing CAP tended to escalate. This has given a stimulus to modify the EU agricultural policy objectives, with an emphasis on enhancing the competitiveness of European agriculture and on the environmental protection.

Still, the objective of the CAP was to stabilise agricultural income, whereby a significant modification of farmers' financial support instruments – decoupling, modulation of payments and coupling payments as well as meeting the specific requirements in relation to the environment and animal welfare. At the same time, the objective of creating alternative sources of income and non-agricultural employment was formulated, which was going beyond the direct impact of the agricultural sector, and the Rural Development Programme, including the environmental objectives (agri-environmental programmes) and socio-economic programmes, was introduced into the agricultural policy instruments.

The latest period in the development of the CAP includes more intensified actions to protect the environment (greening). This line of change is consistent with the policies of many EU Member States against excessive agricultural income support (e.g. Great Britain, Scandinavian countries), as well as with social expectations. The public opinion polls carried out in 2014 in the European Union countries demonstrated that, with the high assessment of benefits for citizens due to the CAP (77% of respondents) and the substantial level of acceptance of financial support for agriculture (71%), the very high percentage of respondents support such solutions in the CAP as “more fair and better targeted aid (92%) and establishing the relationship between financial assistance granted to farmers and compliance with agricultural practices beneficial to the environment” (“greening” – 91%) (Eurobarometer, 2014, p. 7).

The briefly outlined history of the Common Agricultural Policy of the European Union allows us to formulate several general reflections:

- Uninterrupted development of the agricultural sector in the European Union countries indicates that the CAP was conducive to achieving the production and development objectives of agriculture, while ensuring the relative stability of agricultural income.
- The EU agricultural policy has provided relatively stable conditions for the functioning of the EU agricultural sector through the effective protection of the internal market for agricultural products. The CAP was subject to continuous adjustments to external and internal pressures of the CAP, by adjusting the scope of protection and the instruments applied appropriately throughout the period of its existence.

### **Dilemmas of formulation of the EU Common Agricultural Policy**

The already launched discussion on the shape of the CAP for the next budgetary perspective has at an early stage revealed many issues which are controversial and will undoubtedly affect the final decisions. These have a form of dilemmas that had to be taken into account in every reform of the agricultural policy, as written by, e.g. Poczta (2010). Some of the most important of these dilemmas are presented below.

#### ***Global demand for food and economic climate for agriculture***

All forecasts show that the global population will keep on growing in the long term, particularly in the Third World countries. Although the population growth rate decreases in Europe, North America, Russia and China, according to the European Commission, the average annual growth rate by 2026 will be at the level of +0.2% (European Commission, 2016). As a result the demand for food will grow, taking into account that in some regions of the world the current needs are far from being satisfied. This foreshadows the improved economic climate on the agricultural and food markets, but this positive phenomenon can be accompanied by the increased price fluctuations (Guba and Dąbrowski, 2012). Consequently, it is suggested that the EU agricultural policy, at least in the medium term, should not restrict the agricultural production, but rather better impact competitiveness of the European agriculture.

#### ***Limits of intensity and increase in productivity***

For the entire period of its functioning, the Common Agricultural Policy has been closely related to the land productivity issue. It was initially oriented towards stimulating the growth of the supply of agricultural products and, in subsequent periods, limiting the production in view of the phenomenon of food overproduction in the EU (Swinnen, 2009). The growing global food needs open up certain opportunities for exporting food from the EU, mainly cereals (both for consumption and feed) (FAO, 2009) and milk. From the point of view of the EU agricultural policy, this gives rise to two main questions:

- what are the possibilities of further increase in land productivity?
- to what level will the increase in the production intensity, necessary to increase the potential export volume, be acceptable?

The EU agriculture is characterised, on average, by a very high level of productivity which results from systematic implementation of technical progress. However, in recent years the level of cereal yields in the EU-15 has shown stagnation and is close to the level of the agri-economic maximum (European Commission, 2016). Higher possibilities of improving the productivity exist in the EU-13 countries where the production growth is, however, strongly determined by the potential for implementing modern technologies. This state of affairs makes some authors conclude that the era of technological treadmill in agriculture, resulting in the price fall, is coming to an end. Such a view was expressed by von Witzke (2013), indicating the following phenomena and factors:

- increasing water deficiencies and its rising prices;
- growing demand for public goods and the preservation of natural resources;
- growing demand for non-food agricultural products (bioenergy raw materials, cotton, rubber, flowers and ornamental plants);
- increased energy prices;
- climate change.

In view of the research potential in the area of genetics or agricultural technology, we should not, as it seems, rule out the increase in the agricultural productivity. The occurrence of these factors may, however, significantly affect the economics of the agricultural production and the relationships in international trade. Schmidhuber and Meyer (2014) express their opinion in this spirit by stressing that the decades-long technological progress led to the increased supply in relation to the inflexible demand, resulting in a downward trend in price changes. High energy prices and use of agricultural products for the production of biofuels have given a new momentum to traditionally slow-growing food markets. The further increase in the agricultural production will be more difficult to achieve, but the existing demand, including for crops for the production of bioenergy, will be a factor maintaining prices at a high level. Therefore, there will be a shift from the market limited by the demand to the market limited by the supply of agricultural raw materials (including in the energy market, characterised by the high demand flexibility), with implications not only for the agricultural markets and policy but also for the research and development policy, or the resource management policy (Schmidhuber and Meyer, 2014).

The likely export opportunities of agricultural crops and food from the EU will make producers increase their production, which may give rise to a conflict with the objectives of environmental and natural resources protection, which in the European Union countries are high in the hierarchy of objectives for agriculture. It is, therefore, appropriate to ask about an acceptable level of agricultural production intensity and agricultural policy instruments, which can be used to determine the limits of the increase in intensity.

### ***Support level and allocation***

The Common Agricultural Policy has always caused controversy and negative assessments. An example would be the assessment by Folmer et al. (1995), according to which the CAP was:

- Unfair to non-farmers;
- Leading to the improper allocation of production factors;
- Inefficient in providing agricultural income support;
- Barrier to the single market;
- Administrative burden;
- Cause of environmental damage.

Reservations regarding the CAP are generally justified, although to varying degrees, taking into account the general context of shaping the EU agricultural policy – in particular its versatility (in terms of the application in the individual Member States irrespective of the natural and economic differences among the countries and sectors of agriculture), ever-changing international environment and the comprehensiveness of the objectives pursued.

Therefore, while the general question about the reasonable level of financial agriculture support can be considered right, the critical assessments by Folmer and co-authors can be argued at least partially.

The objection that the Common Agricultural Policy is unfair to the non-agricultural part of the population is not right as although financial agricultural support comes from the taxpayers' "pockets", these taxpayers themselves benefit from support for prices of agricultural products, or attempts of the agricultural policy to solve social problems in rural areas.

More reasonable are conclusions about the problem of allocating factors of production – this concerns mainly the concentration of subsidies in a small group of larger area farms and the low efficiency of agricultural income support, mostly due to the fact that their large part goes to producers of means of production and intermediaries in the distribution chain.

Another example of problems with the rationality of agriculture subsidisation is raised by Mahe stating that "aid to young farmers, support for small farms and for less-favoured areas should be better targeted" (Mahe, 2012, p. 33). He indicates that support in the same amount can be obtained by young farmers managing both less- and more-favoured areas. Consequently, in more-favoured areas, land prices are rising and pressure on the land market is growing.

The capitalisation of subsidies in land prices is one of the primary reasons for criticism of subsidisation of agricultural income under the CAP, analysed in many studies (e.g. European Parliament, 2016; Góral and Kulawik, 2015).

Clay (2013) highlights other negative consequences of subsidising agriculture by using the example of BRIC countries (Brazil, Russia, India, China). These countries, in the WTO Doha Round negotiations in 2001, expressed a decisive objection to subsidisation of agriculture in the USA and the European Union, by arguing that the agricultural policy pursued by the USA and EU artificially reduces prices of agricultural products, is detrimental to small farms and promotes the persistence of poverty in many developing countries. After 12 years, the BRIICS countries (given the enlargement of the grouping by Indonesia and South Africa) have significantly increased the level of subsidisation for their own agriculture, however, with many negative consequences, that result e.g. from the mistakes made in defining support

objectives. As an illustration of the problem, Clay gives an example of India, where subsidies were introduced to the costs of energy used for pumping water for the agricultural production. This encouraged farmers to consume larger amounts of water than needed. Given the fact that, just like food, water is also a scarce resource, the more efficient support system would be to reward those who produce more by consuming less resources. This example can give rise to a general statement that excessive or improperly targeted subsidies could lead to increased inputs (e.g. chemical means of production) resulting in the negative environmental effects.

The relations between agriculture and the natural environment in the context of the Common Agricultural Policy are the subject of discussion lasting for many years. The environmental objectives have long occupied a significant place in the CAP, and their implementation is supported by an extensive set of instruments (e.g. cross-compliance principle, agri-environmental schemes or greening). Despite this, there are numerous opinions showing that, through over-specialisation and excessively high production intensity, agriculture has a negative impact on the natural environment (Baldock, 2015; Parris, 2001). This is reflected in the results of public consultation conducted in 2017 by the European Commission under the slogan “Modernising and simplifying the CAP” (Ecorys, 2017). One of the questions referred to the issue whether the current CAP sufficiently addresses environmental challenges (Table 3).

Table 3

*Assessment of the extent to which the existing CAP takes account of environmental challenges (response rate,%)*

Assessment	Response rate (%)			
	Farmers	Other natural persons	Organisations	Total
To a major extent	3.2	13.2	2.6	7.8
To a relatively good extent	9.9	1.9	10.0	6.1
Only to some extent	28.2	4.5	25.9	16.7
Not at all	46.4	44.3	47.4	45.5
I do not know	12.3	36.2	14.1	23.9

Source: Ecorys (2017).

The consultations on environmental challenges bring rather surprising results, especially given that nearly half of the respondents stated that the current CAP did not address those challenges at all.

This indicates the overall dilemma of financial support for agriculture. Poorly targeted subsidies can cause distortions in global markets and, in particular situations, lead to environmental damage due to the excessive consumption of some inputs and too far-reaching simplifications in the production structure.

### ***Conflicting objectives of the CAP***

The Common Agricultural Policy in the European Union attempts to implement a set of conflicting objectives. As a result, the CAP is a specific compromise, which does not fully satisfy different stakeholders. Without going into details (they could be the subject of separate, extensive analysis), Table 4 summarises the basic “conflicts” of the CAP objectives.

Table 4

#### *Conflicting objectives of the CAP*

Increased productivity	Consolidation of the structure and employment in agriculture
Competitiveness of the agricultural sector	Production of public goods, including the environmental protection
Development of agriculture	Rural development
Farmers' income	Availability of food (prices) for consumers
Maintenance of the European model of agriculture	Creation of non-agricultural jobs

Source: own study.

The existence of the conflicting objectives inevitably leads to the application of antagonistic agricultural policy instruments, as underlined by some authors (Kulawik, Pawłowska-Tyszko and Wieliczko, 2011; Chlebicka, Fałkowski and Wołek, 2009). For instance, Kulawik et al. (2011), referring to the position of the Scientific Council at the Ministry of Food, Agriculture and Consumer Protection of Germany, quote the opinion of the Council criticising the CAP due to the lack of vision of the CAP for the 21<sup>st</sup> century; application of expensive, partially counter-effective instruments for achieving the set objectives and the existence of important areas of action for which basically no specific instruments were designed.

### ***Diversified expectations of the Member States***

The EU Common Agricultural Policy is a compromise not only for diversified objectives but also for the expectations of individual Member States. The views on the shape of the CAP are illustrated by the results of interviews with the representatives of the EU Member States in 2008 (Cristoiu, Sammeth, Gomez and Paloma, 2009). The representatives from Denmark, Finland, Sweden, Great Britain and Latvia pointed to a need for further liberalisation of the CAP and market orientation, while the respondents from Austria, France, Portugal and Spain were less enthusiastic as to the liberalisation process. Also the role of the CAP was perceived differently – Austria, Portugal and Spain treated the CAP as a tool supporting mainly the functions and formulation of the structure of European agriculture, while Italy, the Netherlands and Sweden preferred the broad CAP impact on the development of rural areas.

The importance of two pillars of the agricultural policy was also seen differently. Great Britain, the Netherlands, Finland and Italy preferred strengthening the

second pillar, Austria – maintaining both pillars in the existing form, and the inclusion of the second pillar in the regional development policy was opted for by the representatives of Finland, Italy and Latvia. The scope of the political debate has also become the area of freedom in shaping the agri-environmental priorities and rural development policy objectives – the strengthening of the Member States' powers in this field was supported by the representatives from the Netherlands and Great Britain.

The postulate of renationalisation of the CAP also appeared in the public debate, which was unanimously rated negatively by the respondents from Austria, Denmark, Portugal and Spain, while representatives from Great Britain, the Netherlands and Sweden allowed partial financing of the agricultural policy from national funds (Cristoiu et al., 2009). Similar differences in views persist among the countries even now (E. Erjavec, Lovec and K. Erjavec, 2015; A. Sahrbacher, Balman and C. Sahrbacher, 2015).

### ***Common Agricultural Policy vs Brexit***

The consequences of withdrawal of Great Britain from the European Union can be assessed from the perspective of British farmers, as well as from the perspective of the CAP and the EU agricultural sector. As for the first issue, the implications for British agriculture are currently difficult to be determined as they depend on the still unknown provisions on the future agricultural policy in this country. Swinbank (2016) points to a number of factors that Great Britain must take into account when creating a post-Brexit agricultural policy, such as the WTO commitments, budgetary constraints, diversified expectations of land owners, tenants and environmental lobby as well as various points of view of highly autonomous Scotland, Wales and the Northern Ireland. Model simulations do not give clear indications as to the potential financial implications for British farmers, because their results depend on the agricultural policy scenario to be implemented in the future. Of particular importance will be the hardly predictable level of direct payments in Great Britain (Jongeneel, van Berkum and Vrolijk, 2016).

The impact of Brexit on the future CAP is also unclear, although generally it is predictable. Matthews (2016a) distinguishes five areas where the Brexit effects will be visible for the agri-food sector and the EU Common Agricultural Policy:

- 1) Direction of the future CAP due to the absence of Great Britain, which was an influential promoter of more liberal and pro-environmental solutions in the EU forum.
- 2) Future regulations for farms and agri-food processing in the field of the quality standards for the food production as well as animal welfare and health standards. Great Britain has been a European promoter of higher standards on these issues, as well as increased control of the effectiveness of the introduced policy instruments.
- 3) Research work in the field of agricultural sciences – after Brexit, the unquestionable research potential of British scientific centres can be more difficult to use in joint research projects.

- 4) Trade relations between the EU and Great Britain, which so far has been the net importer of food from the European Union territory. The potential reduction in the food import from the EU will inevitably have a negative impact on the trade balance of the agri-food sector. The loss in this respect is obvious and measurable. The resulting effect on the CAP budget is less explicit.
- 5) The European Union budget and its part intended for financing the Common Agricultural Policy. Great Britain was the second largest contributor to the CAP (after Germany). For example, British contributions amounted to EUR 1,166 billion in 2014 and EUR 3,066 billion in 2015 (Matthews, 2016b). According to Matthews' estimates, if it was decided to keep the CAP budget unchanged, the absence of the British contribution would be compensated for, above all, by the four largest net payers: Germany, the Netherlands, France and Italy. The "contribution" of Poland to restoring the CAP budget at the existing level would be relatively small, at the approximate level of 1% of existing net benefits.

Therefore, the real impact of Brexit on the situation of the EU agriculture and on the CAP budget will not be as significant as it seems. From the point of view of shaping the EU future agricultural policy, it can be expected that along with Great Britain's withdrawal from the European Union, the reformatory group of the Member States will be seriously weakened.

### **CAP after 2020 – overview of opinions**

In reforming the CAP in 2013, the European Commission indicated three categories of largely external challenges facing the EU agriculture. Those challenges have been defined as:

- economic (including: food security, globalisation, decreasing productivity growth rate, price variability, rising production costs due to high input prices, declining position of farmers in the distribution chain);
- environmental (resource efficiency, soil and water quality, risks to species diversity);
- territorial (demographic, economic and social aspects in rural areas, including depopulation and relocation of enterprises).

The CAP answer to those challenges were three long-term objectives:

- effective (viable) food production,
- sustainable management of natural resources and climate action,
- balanced territorial development (European Commission, 2012, p. 2).

After only a few years after the reformed CAP has been implemented for 2014-2020, it is difficult to identify the clear effects of the currently pursued agricultural policy, the more that agriculture functions in the more and more dynamic environment. Therefore, it seems reasonable to conclude that the challenges identified in 2013 remain valid and that only the importance of various factors, such as the issues of risk in the agricultural production, are changing.

At this stage of the public debate on the shape of the future EU agricultural policy, it is then difficult to outline clear indications which of the possible CAP scenarios will be adopted after 2020. There are only premises allowing us to make certain hy-

potheses. It is still difficult to determine the most likely scenario, taking into account the diversity of opinions and the multitude of suggested and contradictory proposals. Here are some opinions on the problems and challenges for the European agriculture and the Common Agricultural Policy, which explain the legitimacy of this statement.

***Changes against the debate on the shape of the Common Agricultural Policy before the 2014-2020 budgetary perspective***

The ongoing debate and decision-making process to define the future CAP are hampered by a number of adverse developments which have recently taken place on a global scale in the agricultural and food markets, uncertainty as to the future non-agricultural economic policies, as well as the increasing scale of risks posed by climate change.

Despite the optimistic forecasts on the long-term increase in the food demand, the agricultural sector is subject to perturbations resulting from adverse weather events and price fluctuations on the world markets. In these circumstances, one of the main problems of agriculture is the ability to mitigate the risk. In addition, there is also the institutional risk – it is created by the uncertainty as to the future level and forms of subsidising EU agriculture, as well as not fully defined the EU policies: energy-climate, cohesion and trade. The future of trade agreements negotiated with the US (TTIP) and Canada (CETA) is also uncertain. In the case of TTIP, a threat to the agreement is the reluctant position of new administration in the USA, and in the case of CETA a threat that the agreement will not be initialled by all the EU Member States.

***Determining the priorities for the new CAP***

The future debate on the CAP points to the existence of diversified visions and views on the objectives and tasks of the agricultural policy and the agricultural sector in the future – this applies both to public opinion and experts and politicians. An example is the public consultation conducted by the European Commission in 2017. Table 5 summarises the most important challenges facing agriculture and rural areas in the EU.

On average, challenges related to economic and social issues (56%) have advantage over environmental impacts (41%). It is significant, however, that economic aspects are clearly more important for farmers and organisations (most commonly associated with agriculture, including possible opinions of public or regional administration units), while for other stakeholders (non-farmer members of the public), the environment (55%) is of paramount importance.

The distribution of opinions on the agricultural policy objectives (Table 6) was similar as in the case of challenges facing the EU agricultural sector (Table 5). Similar proportions in the response rate occurred with regard to economic and market issues (more important for farmers and organisations) and for environmental issues (more important for the general public). It results from the fact that the CAP should continue to reconcile various objectives, as it has been the case throughout its period of existence.

Table 5

*Public consultation – challenges facing agriculture and rural development in the EU  
(response rate)*

Specification	% of responses			
	Farmers	General public	Organisations	Median
<b>Economic aspects, including:</b>	<b>72</b>	<b>45</b>	<b>71</b>	<b>56</b>
- fair standard of living for farmers	32	22	31	27
- adjustment to trends in consumption and social affairs	14	12	13	13
- no jobs and opportunities to develop activity in rural areas	14	7	15	8
- uneven territorial development in the European Union	12	5	11	8
<b>Environmental aspects, including:</b>	<b>28</b>	<b>55</b>	<b>29</b>	<b>41</b>
- pressure on natural resources and natural environment	15	32	16	23
- climate change (mitigation, adaptation)	13	23	13	18
Total	100	100	100	100

Source: Ecorys (2017).

Table 6

*Public consultation – assessment of the importance of the EU Common Agricultural Policy objectives (response rate)*

Specification	% of responses			
	Farmers	General public	Organisations	Median
Provision of the fair standard of living for farmers	21.1	14.4	20.1	17.8
Solving problems resulting from deficiencies of market mechanisms	10.0	2.8	10.3	6.6
Supporting the competitiveness and innovation of agriculture	13.6	4.4	14.2	9.3
Provision of food supplies at affordable prices to consumers	6.6	6.1	6.6	6.3
Encouraging to supply healthy and high-quality products	15.3	20.5	15.2	17.8
Achievement of the sustainable territorial development	6.2	4.6	6.3	5.4
<b>Summary of the assessment of economic aspects</b>	<b>72.8</b>	<b>52.9</b>	<b>72.7</b>	<b>63.3</b>
Contribution to the high level of the environmental protection throughout the EU	7.1	19.2	7.4	12.9
Mitigation of and adaptation to climate change	5.3	13.9	5.8	9.5
Rural development while keeping landscape values	14.8	14.0	14.1	14.3
<b>Summary of the assessment of environmental aspects</b>	<b>27.2</b>	<b>47.1</b>	<b>27.3</b>	<b>36.7</b>

Source: Ecorys (2017).

The survey results indicate that social approval for the CAP is constantly high in the European Union, just like in the former studies of the Eurobarometr (2014).

### ***Market- or environment-oriented CAP?***

The European Association of Dairy Trade (Eucolait), which represents the interests of 500 European importers, exporters and wholesalers of dairy products, adopts a clearly market-oriented attitude towards the CAP. Given the nature of the organisation, it is understandable that it expresses its position on the future CAP from the perspective of the dairy sector. Nevertheless, it should be recognised that Eucolait is a significant stakeholder, of key importance to the milk supply chain. The Eucolait Association expresses a very decisive view: “The CAP should remain market-oriented as much as possible” (Eucolait, 2017, p. 1). In its position, Eucolait stresses, however, that the leading position of the EU dairy sector in the global markets of certain product categories requires strengthening, e.g. by consolidating and capitalising own investments. At the same time, regardless of the use of market instruments, the Association presupposes the maintenance of the safety net, including public intervention and private storage.

Eucolait explicitly opts for the EU single market and is against the application of protectionist practices used by some Member States and “tolerated” by the European Commission. At the same time, a postulate to recognise trade as the third pillar of the CAP appears, which is clearly an attempt of lobbying in the interest of the Association members. In spite of this, the confirmation of the market-oriented position of the Eucolait can be a statement that the Common Agricultural Policy needs a single market, but also a market free from excessive regulations on supply chain management<sup>3</sup>.

The market-oriented option is also declared by the Danish Agriculture and Food Council (DAFC), which represents the agricultural sector and the food processing industry, by bringing together producers, trade companies and agricultural associations. According to the DAFC, what is needed is a progressive common policy oriented towards the competitiveness, development and sustainability of agriculture, reinforcing the agricultural sector as a source of high-quality agricultural products, ensuring food security and export revenues. As a good aspect of the Common Agricultural Policy, the DAFC recognises support for the commercial part of the agricultural sector, which delivers the majority of agricultural production and shows a development potential, while also demonstrating that the development and innovation are basic conditions for the sector’s ability to respond to climate change and environmental challenges. As the major objectives of the agricultural policy the DAFC mentions the improved competitiveness and greater market orientation, promotion and awarding of the intensive production compliant with the sustainable development paradigm as well as promotion of agriculture in the production of public goods (DAFC, 2017).

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<sup>3</sup> Excessive regulations results in interference and “such interference places additional burden on operators and is damaging to the market dynamics without bringing any value added” (Eucolait, 2017, p. 4).

In the debate, however, there are also opinions such as those expressed by van der Ploeg, Ventura and Miloni (2016) which recognise a need to verify the development plans for agriculture. They assign the primary role in the agricultural strategy to low-cost farming, particularly farms oriented towards the agro-ecological route, while suggesting the desirability of verifying the agricultural, environmental and fiscal policies (van der Ploeg et al., 2016). However, it does not seem possible that in the near future the EU agriculture will be targeted in this way in view of the growing demand for food on a global scale and strong pressure on increasing the competitiveness of the EU agriculture.

One of the threads of the environmental discussion on the CAP is the assessment of greening introduced as a significant part of the 2013 reform. In many publications, it is stressed that greening in its final form was a political compromise, undermining the potential environmental effects (Hart, Buckwell and Baldock, 2016; Czekaj, Majewski and Wąs, 2013). There are also doubts as to the real effects of greening. Against this background, proposals for verifying the rules of financing greening instruments appear (Hart et al., 2016).

It seems that in the current discussion there are no suggestions for the radical orientation of the CAP towards the environmental protection and biodiversity. This may be partially due to a change in the global market situation and increased importance of agricultural production functions. Regardless of this fact, also the opinions for the market orientation of the CAP clearly point to a need for conducting the agricultural production in line with the sustainability paradigm (e.g. Ecoulait, 2017; OECD, 2015) and even providing services to ecosystems (Falkenberd, 2016). Similarly, there are frequent expectations that agriculture will be multifunctional, providing also a variety of public goods.

### ***Agricultural policy or rural development policy?***

As early as in the 2013 reform, this issue was strongly accentuated by explicitly linking the agricultural policy to the rural development and highlighting the importance of the second pillar of the CAP. In the priorities formulated for the rural development policy, the vital importance was given to the viability and competitiveness of the agricultural sector through, *inter alia*, improving transfer of knowledge and innovation, vitality and competitiveness of farms, promoting vertical integration within the chain and resource efficiency (European Commission, 2013).

The relationship between the pillars of the CAP was highlighted by the identification of common financing areas (Table 7).

Table 7

*Targeted actions financed from two pillars of the CAP*

Pillar I	Targeted action	Pillar II (main instruments)
Greening payments	Natural environment	Agri-environmental-climate payments Organic production, Natura 2000
Top-up payments	Young farmer	Grants for development Higher financial support for investments
Top-up payments	Less-favoured areas (LFA)	Single area payments
Alternative simplified scheme	Small farms	Grants for creating farms
Improved legal framework	Cooperation of producers	Aid for creating producer groups Cooperation and short supply chains

Source: European Commission (2013).

Proposals radically changing the relationships between the first and the second pillar of the CAP appear in the current discussion. Van der Ploeg et al. (2016) suggest the concept of the “integrated rural development”. This is to determine the maximum payments for farms at the regional level and to eliminate agricultural income support based on the historical production. In their opinion, payment rates should be determined by meeting the criteria relating to landscape management and protection of biodiversity.

They conclude that the architecture of the current CAP could contain elements integrating both pillars. In their opinion, achieving the suggested objectives of the CAP would require radical changes in the links between the pillars, from their co-existence to the full integration of one into the other<sup>4</sup>. This would result in the complete inclusion of the current first pillar in the second pillar.

### *Selected proposals for the future CAP*

Available publications and various information from the ongoing discussion on the CAP after 2020 include a number of proposals for more or less complex concepts and instruments. They are sometimes very divergent, but they indicate a certain direction of exploration. The results of analyses and suggestions published in the materials of the European Commission can be considered to be particularly important, as they will be considered as priorities with high probability.

*The European Commission’s initial proposals* on the future CAP (European Commission, 2017) are of relatively general nature – they only show some objectives, but do not explicitly define agricultural policy instruments. From reading the proposals it results that changes in the CAP will be evolutionary, and the direction of these changes is set, e.g. by the postulate of cohesion with other EU policy areas, as formulated by Jean-Claude Juncker.

<sup>4</sup> “In order to achieve these objectives the CAP needs to radically alter the interrelation of its Pillar 1 and Pillar 2. It needs to move from juxtaposing these two elements to an integration of Pillar 1 within the wider framework of Pillar 2” (van der Ploeg et al., 2016, p. 61).

In accordance to the proposal, the reformed CAP is expected to be “smarter, more modern and more sustainable”. Its main objectives would include:

- Promoting the smart and resilient agricultural sector;
- Increasing environmental care and stepping up climate action to contribute to achieving the EU environmental and climate change objectives;
- Strengthening the socio-economic structure of rural areas.

According to the proposal, the main areas of support to agriculture and rural areas with the CAP funds will include:

- Achievement of the sustainable development objectives, including support for the climate and energy policy by 2030 (in order to reduce emissions by 40% until 2030), inclusion of the EU strategy on adaptation to climate change in this achievement change as well as increasing the contribution of the EU agriculture to achieving other EU environmental objectives.
- Greater degree of implementing innovation in agriculture through closer links between knowledge (science) and agricultural practice, with a focus on a need for the more even absorption of new technologies in the agricultural sector across the Union and better access of small and medium-sized farms to these technologies.
- As part of “support for the smart and resilient agricultural sector”, direct payments will be maintained to provide farmers with decent living conditions and a possibility of continuing their farming activities, especially in less-favoured areas. At the same time, the “proposal” raises the issues of introducing a mandatory upper limit of direct payments and degressivity – limiting payments for larger farms. From the perspective of Polish agriculture, of importance is a postulate of “greater focus on redistribution payments so as to be able to provide targeted support, e.g. for small and medium-sized farms”.
- Support for other activities, such as investments in farms, notably for modernising, strengthening market power and increasing income, or more effective risk management.

A novelty in the Commission’s proposals is the suggestion regarding the enhanced powers for the Member States to shape national support for agriculture, subject to the compliance with the general CAP assumptions and state aid rules.

Detailed analysis of the suggestions contained in the European Commission’s proposal indicates an intention to continue the existing agricultural policy, except that the accents will be redistributed and the terminology used is also to change.

Based on the review and our own thoughts on the problem, we feel empowered to formulate the following possible scenarios for the CAP after 2020:

**Continuation of the current CAP** – this scenario should be considered as one of possible options and a reference point for other scenarios. It is unlikely, however, that in the light of the ongoing discussion on the effectiveness of the current agricultural policy and the future challenges, the CAP would be left unchanged.

**Liquidation of the Common Agricultural Policy** – this exceptionally extreme, purely theoretical scenario is often taken as a reference point for comparisons with other CAP options. Such a scenario is possible to be designed, assuming that the

issues of agriculture would be included in the general economic, social and environmental policies and in place of existing regulations, agriculture would be fully market-driven. This might help to increase the competitiveness of the EU agriculture, but would undoubtedly result in radical changes in the agrarian structure and social consequences due to the fact that a large part of farms would be thrown out of the agricultural production. Such consequences were indicated by Józwiak and Mirkowska (2006, p. 12) stating that “the liberalisation of the EU Common Agricultural Policy would threaten over agriculture in some countries of the former EU with numerous farm bankruptcies and reduced degree of food self-sufficiency”. Therefore, far-reaching concentration in agriculture would be inevitable, but it does not seem that food security in the EU would be at risk under this scenario.

Given that agricultural support is applied practically all over the world, taking into account the existing political conditions, the possibility of liquidating the agricultural policy in the European Union is very unreal.

**Environment-oriented agricultural policy.** In many countries of the European Union, there is a strong environment-oriented lobby, declaring a need for a stronger focus of the CAP on the production of public goods, mainly for environmental purposes. The impact assessments of the existing CAP environmental tools, in particular greening, are generally critical. Model assessment and results of the first *ex post* analyses point to minimal greening effects. For Poland, they are insignificant, *inter alia*, due to the large share of small farms exempt from the greening obligation (Czekaj et al., 2013). The exclusion of a large number of farms from the greening programme is indicated as one of the weaknesses of the system, since it makes it possible for the part of farms to apply agricultural practices which do not have a sufficient positive environmental impact and generally the impact of greening and payments for small farms is insignificant or even not existing (Serra and Duncan, 2016). In more comprehensive analysis of the agricultural sector in the EU, using the CAPRI model, Gocht et al. (2017) state that both economic and environmental effects of greening are inconsiderable and ambiguous. The above considerations, as well as the expectations of improving the competitiveness of European agriculture, suggest that corrections would be made both in terms of the objectives and directions as well as support instruments.

In these categories, there is a need to understand the emerging suggestions for the allocation of larger funds for strictly targeted payments for environmental services. However, after the withdrawal of Great Britain from the EU, the reformatory group of the Member States potentially supporting this scenario has been greatly weakened. The prospect of the increased global food demand and the pursuit of the improved competitiveness in the EU agriculture also result in the fact that this scenario should be considered hypothetical in the present circumstances.

**Competitive agriculture.** This would be a market-oriented scenario strengthening production functions of agriculture and using market mechanisms to a greater extent. Improving the competitiveness would require the creation of development conditions for the most efficient producers, achieving a permanent ability to compete without financial support for agricultural income. This scenario would contain

a strong component of the liberalisation of the CAP, which currently would certainly face strong resistance in the political arena and in the agricultural environment, especially on the part of the Member States interested in maintaining the state of affairs, such as Poland. It is also unlikely, in view of social pressure on the role of the common agricultural policy in achieving the environmental and social objectives, to some extent conflicting with the objective of increasing the competitiveness.

**Integrated rural development policy**, assuming a greater degree of integration of agriculture (agricultural function) with other forms of rural activity. To a certain degree, for many years the CAP has been taking into account the rural development issues by going beyond sectoral agricultural borders through the formulation of the objectives related to the agricultural multifunctionality. However, the multifunctionality as understood today significantly broadens its scope – as a justification, we can quote the exemplary statements: “It is focused outside of the farm and serves to meet many important societal needs: environmental, cultural, economic and social” (Wilkin, 2011, p. 30), or “the countryside slowly ceases to be under the agricultural domain” (Kołodziejczak, 2017, p. 45). From the point of view of the agricultural policy (in a sense, this scenario would be an extension of the scenario of the existing CAP or the scenario of the policy which is more environmentally oriented, with an extension of the set of CAP objectives). This would entail the creation of new policy instruments and the transfer of funds from direct support for agriculture to financing actions for the multifunctional rural development. It can be assumed that in the nearest budgetary perspective there will be no radical changes in the Community agricultural policy. It seems, however, that the integrated rural development policy scenario is very attractive in the long term, which will be largely due to inevitable structural changes in agriculture, particularly in the countries such as Poland, where the share of agricultural population is still high.

**Agricultural and food policy.** The proposal to replace the existing CAP with the “agricultural and food policy” was presented by Fresco and Poppe (2016), reputed representatives of the scientific community. We recognise this proposal as controversial but undoubtedly opening new areas in the debate on the future of the common agricultural policy.

The voice in the discussion presented by Fresco and Poppe on the future CAP contains interesting, even visionary ideas, but it is also not void of certain free assessments and in some cases suggestions that are not sufficiently supported by arguments. Thus, although the paper contains many statements with which we need to fully agree, it is questionable that in the near future there will be a clear change in the CAP in the direction suggested by the authors of this proposal.

In the overall outline, the proposal for the agricultural and food policy after 2020, according to Fresco and Poppe, includes five pillars:

- A. For income support: reduce direct payments by capping and targeting;
- B. For ecosystem services based on contracts: align with regional public contracts and industry sustainability schemes;
- C. For rural development: innovate for competitiveness;

- D. For consumer food policy: address consumers, retail and the food industry for a healthy and climate-smart diet;
- E. For monitoring, reflection and research.

The specification of the pillars shows the idea of broadening the scope of the agricultural policy, but in fact it marginalises the agricultural policy in the strict sense. This raises doubts as to the extent to which this broadening is justified in terms of combining the food policy with agriculture, which has been pursuing the quality and food safety objectives for many years. Some reservations are raised by, *inter alia*, ideas which simply negate the reliance on market mechanisms and introduce suggestions for excessive bureaucratisation of the agricultural policy that are in contradiction with current trends.

The visionary proposals by Fresco and Poppe introduce into the debate on the future shape of the CAP some new, important issues which, to some extent, will affect the course of this debate. However, it does not appear likely for them to become the cornerstone of a realistic CAP scenario for the nearest budgetary perspective.

**Evolution of the existing CAP.** In our opinion, this scenario should be considered most likely. It corresponds to the previously presented European Commission's proposal of November 2017, whereby it is currently difficult to foresee as to the specific solutions. Some corrections will probably be made to the CAP greening programme and other environment-oriented measures. Stronger links with science should result in the CAP-assisted efforts to modernise and improve the competitiveness of the European agriculture while maintaining the high level of environmental and social sustainability, as well as the development of tools supporting the risk mitigation in agriculture.

### Summary

The main reforms of the CAP were made in the 1990s as a response to international pressure and the results of the GATT negotiations and, later the WTO negotiations. The current CAP reform must face other external forces, such as the euro zone crisis, disintegration (Brexit) and integration movements within the euro zone, inflow of migrants, threat of terrorism, and aggravating adverse climate change. In these circumstances, it will be difficult to achieve a political compromise among the Member States as to the shape of the future CAP. However, it is likely that there will be no radical change in the CAP in the nearest budgetary perspective, as indicated by, e.g. the proposal of the European Commission. There will certainly be new elements and instruments, but the CAP will continue to be identified by a set of diverse objectives, possibly with a greater emphasis on innovation, sustainable development and environmental objectives than before.

In the long term, the agricultural policy will be subject to further transformations, forced, *inter alia*, by the likely technological revolution, faced by agriculture of the 21<sup>st</sup> century, rural demographic change, climate change or a need to support the rural development taking into account the diversity of rural areas in the Member States.

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## SCENARIUSZE WSPÓLNEJ POLITYKI ROLNEJ PO 2020 ROKU

**Abstrakt**

*Dynamiczny charakter zmian w otoczeniu rolnictwa oraz różne wizje polityki rolnej w krajach członkowskich Unii Europejskiej powodują, że na ogół kształt wspólnej polityki rolnej jest wypadkową wielu sił i czynników. Mają one zarówno charakter egzogeniczny, związany z sytuacją na rynkach światowych, polityką gospodarczą w skali globalnej i w skali Unii Europejskiej, a także endogeniczny, w związku z przemianami w sektorze rolnictwa i w jego bezpośrednim otoczeniu. W aktualnie trwającej dyskusji na temat przeglądu WPR ujawniło się wiele kontrowersyjnych zagadnień i poglądów, które będą wpływać na ostateczny kształt WPR w kolejnej perspektywie budżetowej po 2020 roku.*

*Celem niniejszego opracowania jest krytyczny przegląd ewolucji polityki rolnej oraz określenie możliwych scenariuszy jej zmian w nowej perspektywie budżetowej po 2020 roku. Przystępując do przedstawienia możliwych scenariuszy przyszłej polityki rolnej, autorzy zwracają uwagę na pewne dylematy jej kształtowania, takie jak m.in.: przewidywany wzrost globalnego popytu na żywność, ograniczanie poziomu intensywności produkcji w UE, racjonalność poziomu i alokacji wsparcia, problem kapitalizacji subsydiów w cenach ziemi, sprzeczne cele WPR, zróżnicowane oczekiwania krajów członkowskich czy konsekwencje brexitu dla WPR w kolejnej perspektywie budżetowej.*

*Zasadnicze reformy WPR dokonały się w latach 90. XX wieku w reakcji na presję międzynarodową i wyniki negocjacji GATT, a później WTO. Obecna reforma WPR musi zmierzyć się z innego rodzaju siłami zewnętrznymi, takimi jak kryzys strefy euro, ruchy dezintegracyjne (brexit) oraz integracyjne w strefie euro, napływ emigrantów, zagrożenie terroryzmem, a także pogłębiające się niekorzystne zmiany klimatyczne. Autorzy, na podstawie przeglądu literatury i własnych przemyśleń, przedstawiają sześć możliwych scenariuszy rozwoju WPR po 2020 roku. Z dużym prawdopodobieństwem można przyjąć, że kształt przyszłej WPR będzie wynikiem politycznego kompromisu między krajami członkowskimi, co może wskazywać, że w najbliższej perspektywie budżetowej nie dokonają się radykalne zmiany WPR. W dłuższej perspektywie polityka rolna będzie poddawana kolejnym przeobrażeniom wymuszonym między innymi prawdopodobną rewolucją technologiczną, w obliczu której staje rolnictwo XXI wieku, zmianami demograficznymi na wsi, zmianami klimatu czy też potrzebą wspierania rozwoju obszarów wiejskich z uwzględnieniem ich różnorodności w krajach członkowskich.*

**Słowa kluczowe:** wspólna polityka rolna Unii Europejskiej, reformy WPR, scenariusze polityki rolnej po 2020 roku, dylematy kształtowania WPR.

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