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Summary Article: **Common Agricultural Policy**

From *The Hutchinson Unabridged Encyclopedia with Atlas and Weather Guide*

System of financial support for farmers in European Union (EU) countries, a central aspect of which has been the guarantee of minimum prices for part of what they produce. The objectives of the CAP were outlined in the Treaties of Rome (1957): to increase agricultural productivity, to provide a fair standard of living for farmers and their employees, to stabilize markets, and to assure the availability of supply at a price that was reasonable to the consumer. The CAP has been criticized for its role in creating overproduction, and consequent environmental damage, and for the high price of food subsidies.

History The policy, applying to most types of agricultural product, was evolved and introduced between 1962 and 1967, but has since been amended to take account of changing conditions and the entry of additional member states. At the heart of the CAP was a price support system based on setting a target price for a commodity, imposing a levy on cheaper imports, and intervening to buy produce at a predetermined level to maintain the stability of the internal market. When the CAP was devised, the six original EU member states were net importers of most essential agricultural products, and the intervention mechanism was aimed at smoothing out occasional surpluses caused by an unusually productive season.

However, the CAP became extremely expensive in the 1970s and 1980s due to overproduction of those agricultural products that were subsidized. In many years, far more was produced than could be sold and it had to be stored, creating 'mountains' and 'lakes' of produce. This put the policy under intense financial and political strain, and led to subsequent reform. The CAP nevertheless remains one of the most important EU policies, with agricultural expenditure continuing to account for a significant proportion of the EU annual budget.

Reforms Several efforts have been made to reform the CAP. In response to the alarming rate at which surpluses were increasing, a package of changes was initiated 1992 to cut prices and compensate farmers for the loss of income through direct subsidies. Cereal farmers who took land out of production received 'set-aside' payments. The reforms helped to cut food mountains to manageable levels and restrained expansion of CAP spending. In 2003 further reforms decoupled most subsidies from production levels and made them dependent on meeting environmental and other standards. They were also intended to make European agriculture more competitive and market-orientated. A major plank of those reforms was the introduction of the Single Payment Scheme (from 2005), encouraging farmers to produce in response to consumer demand. In 2008 EU agriculture ministers agreed the abolition of arable 'set-aside' and measures to ease the phasing out of milk quotas by 2015. A further reform agreement was reached in 2013 concerning direct payments to farmers, market management mechanisms, and rural development support.

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