

# HOW DOES THE EUROPEAN UNION MANAGE AGRICULTURE AND FISHERIES?

ECIS: 2



Europe ...  
questions and answers



Europe  
on the move



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Directorate-General for Information, Communication, Culture and Audiovisual  
Publications Unit, Rue de la Loi 200, B-1049 Brussels

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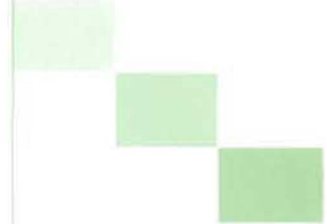
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EUROPE ... QUESTIONS AND ANSWERS

HOW DOES THE EUROPEAN UNION  
MANAGE AGRICULTURE AND FISHERIES?



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*The terms 'European Community' and 'European Union' are used in this text to speak of that political entity which was born as the European Economic Community (or Common Market) through the Treaty of Rome in 1957 and subsequently evolved first into the European Community and finally to the European Union through the Maastricht Treaty of 1991, or the 'Treaty on European Union' as it is formally known. The legal construction of the latter treaty, in so-called 'pillars', stipulates that most policy matters fall legally under the scope of the still existing European Community (e.g. everything relating to the single market and the common agricultural policy), but two important areas, the common foreign and security policy and justice and home affairs form the second and third pillars. They have a different legal framework under the 'roof' of the European Union.*



**T**he EU means many things to many people. For some it has been at the core of efforts to help maintain peace over the past 50 years in a continent which in the past has been riven by rivalry and suspicion. Others, however, talk of its political impotency. Why, they wonder, as a supposed political union, has it not been able to intervene effectively in the former Yugoslavia?

For many the EU is primarily about the single market and the opportunities and benefits this presents to businesses, students, pensioners and holidaymakers.

A number of people feel that it is becoming increasingly difficult to see the wood through the trees. They look back and ask whether the EU's current responsibilities really are fulfilling the visions of its founders, or whether those visions have themselves become lost in the ambiguities of post cold-war Europe? A fair question would be: What exactly is the EU for now?

Likewise, you may want to know how the EU benefits you directly, in practical terms.

The EU's institutions are inundated daily with enquiries by people hoping to get to the root of many such questions. This booklet, in a series of several, seeks to give brief but concise answers to the most frequent of these questions.

Ultimately, the EU is more than just the sum of its parts. Its Member States created it to help solve problems that cannot now be effectively tackled by countries acting alone. The point is that the EU offers opportunities, not restrictions.

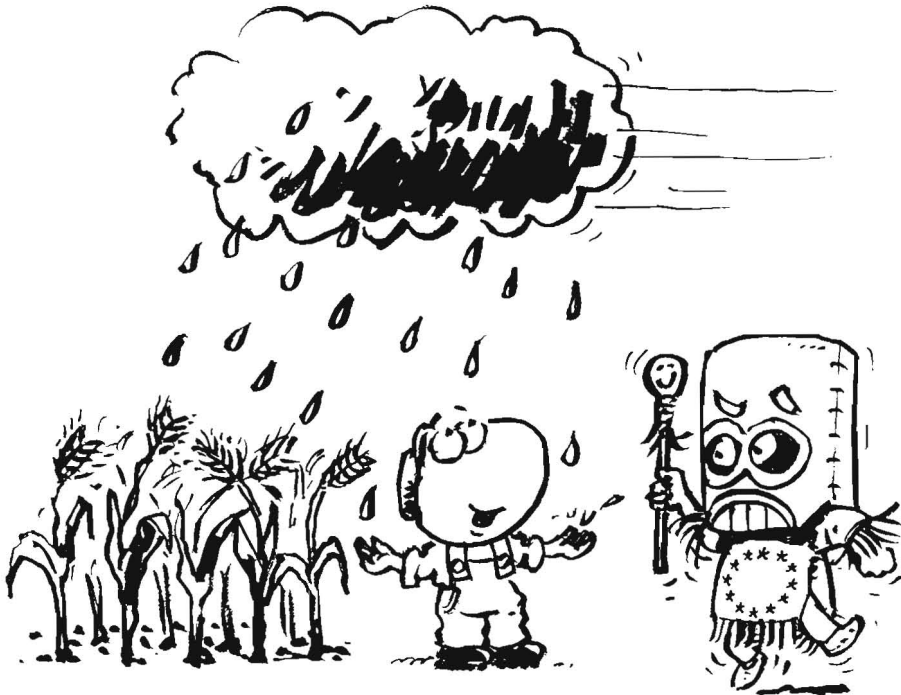
# 1 The common agricultural policy

## What is the common agricultural policy, and why was it originally set up?

Agriculture has always been one of the focal areas of state concern. Ensuring a country's self-sufficiency (often resulting in overproduction so that supplies are guaranteed when harvests are poor) is central to this, as is the assurance that farm incomes do not fluctuate too wildly due to uncontrollable factors such as climate, soil and disease, in the hope that not too many rural families leave the land. Therefore agricultural policy tends to rub off on a wide range of other concerns, including population shifts and regional and employment policies.

The common agricultural policy (the CAP) was established in 1962 and was specifically designed to increase the Community's agricultural production, to ensure a fair standard of living for the agricultural community, to stabilize markets, to guarantee that supplies are always available to the consumer and to make those products available reasonably priced.

The CAP was and remains based on three interdependent principles. The first was that there should be a single market in all agricultural products, and for this to work common market rules were necessary, followed in 1968 by unified prices which marked the completion of the single market. The second part of the jigsaw saw that



all Member States had to show preference to products grown within the Community, resulting in duties being imposed on imports so that they became more expensive than competing home products. In parallel with this, a system of export subsidies was put in place to enable Community products to be competitive on world markets. Thirdly, the financial subsidies to farmers were pooled to make sure that no one Member State was unfairly propping up its own agricultural community. Thus the Community budget became the main financial instrument for operating and managing the CAP.

### **What benefits has the CAP brought to the consumer?**

Consumers have benefited in a number of ways. Firstly there is now a much wider choice of goods available, and food shortages in the single market are basically unheard of. Despite price rises, the amount the average Community household spends on food has in fact fallen in the past 20 years from 28% of the family budget to nearer 20%. For this, the CAP costs Community citizens no more than ECU 2 per person per week. Some say this is too high a burden for the consumer, but practically all other industrialized countries operate broadly similar systems to ensure that farmers' incomes remain comparable to those in other economic sectors, especially when in Europe there are still a comparatively large number of small farms.



*One of the aims of the CAP is to ensure that consumers get better quality products.*

### **Quality standards for fruit and vegetables**

across the Community were introduced when the CAP began in 1962. Brought in to bring into line the often very different standards each country had developed, they ensure that Member States cannot fix standards which can act as technical barriers to trade for producers from other countries. They also make it possible for traders to buy fruit and vegetables in distant countries without actually having to see what they are buying. As is equally important, they make sure the consumer gets a high quality product, while new rules on labelling go further to confirm a product's quality.

As with the great majority of Community legislation, the Member States are responsible for implementing and monitoring these standards. However, if the produce is destined for the grower's local market these rules do not apply. Similarly, some do not yet apply to the three new Member States, giving their farmers time to adjust, if necessary.

### **What were the less positive side effects of the original CAP?**

There were, unfortunately, a number of these. For one, in unifying the prices for products in the Community, the price set was generally the price of the country where the product was most expensive, resulting in the gap between world market and EC prices, which were already higher for most products, widening even further. This

also contributed to the rise of farm imports, despite the principle of Community preference. The Community actually imports more farm products than it exports, especially tropical products, fruit juices and oilseeds for animal feed, while its main exports are cereals, beef, butter and wine.

*Size grading of vegetables makes it possible to verify compliance with quality standards.*

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Secondly, and perhaps more importantly, the fact that farmers got a minimum price for their produce even if they only sold them as surpluses to be stockpiled by the Community intervention authorities for later resale at subsidized prices on the world market meant that surplus 'mountains' were created. This was compounded by technological advances leading to farmers increasing their yields, in some cases almost exponentially. The intensive production techniques employed tend to cause local ecological damage, which when coupled with the over-use of fertilizers and pesticides encourages unlimited production and has brought about all sorts of environmental problems. In Italy milk production increased by half between 1970 and 1990; for the same period cereal yields doubled in the Netherlands.

The stockpiling of surpluses and the subsidies involved in selling them on to the world market also meant the continued rise of the agricultural budget. Equally, it became clear that the CAP was no longer bringing the essential support many farmers, especially the smaller ones or those in less productive areas needed. On the eve of reform more than 80% of Community spending went to only 20% of the Community's farmers.

### **Why did early attempts to reform the CAP not succeed?**

Reform was clearly needed, but early attempts to adjust the market imbalance outlined above came up against the functional rigidities in the system. The first, albeit modest attempt was made in 1979 when agricultural ministers agreed to impose a co-responsibility levy on dairy farmers to help meet the cost of storing their surpluses and selling them off at subsidized prices on the world markets. The

**EU food surpluses** have had one most valuable role — as food and humanitarian aid for countries in distress. Between 1975 and 1987 the Community supplied food aid worth over ECU 4 billion. Since then, in addition to traditional food aid, substantial humanitarian shipments have been sent to the former Eastern bloc, most particularly to Bosnia-Herzegovina.

Food from intervention stocks is also made available to the most needy within the Community. Financed by the Community budget and managed by Member States, close to ECU 1 billion worth of food has been distributed in this way since 1987.

setting-up of the milk quota system in 1984 sought to further curb the ever rising overproduction of milk.

Further attempts were made in 1988 when a ceiling was imposed on future Community spending on agriculture, and 'guarantee limits' or stabilizers introduced for every type of product so that support payments to farmers were automatically reduced once the maximum guarantee level had been reached. Even so surpluses continued to accumulate, especially in beef and milk, and with the loss of some traditional export markets such as the Republics of the former Soviet Union and parts of the Middle East in the wake of the Gulf War, the reforms were hardly effective.

### **What did the 1992 CAP reform package seek to achieve?**

At the core of the CAP reforms in 1992 lay the need to reduce prices, thus gaining competitiveness both at home and abroad. At the same time production needed to be brought into line with demand, and support for farmers focused on those that most needed it. The central element of the reforms envisages gradual price cuts for key products, especially where surpluses were rife, as with cereals and beef. Cereals are to see a 29% decrease in price by 1997, beef 15%. In addition, all but the smallest farmers have been required to take an annual proportion of their arable land out of production under the 'set-aside' system. Initially 15%, this has since been lowered to allow farmers to take advantage of new market opportunities. Farmers suffering from loss of earnings resulting from price cuts will get full and direct compensation, for beef farmers support will depend upon the size of their herds and on their production methods.

The 1992 reforms are also fundamental in realigning CAP to form the cornerstone of a rural development strategy, more conscious of the need for ecological and environmental protection, but equally designed to stem the flow of rural depopulation by encouraging local employment initiatives and improving the water, energy, transport and communications infrastructures on which the successful revitalization of the rural economy depends.

### **Is reform of the CAP working?**

Yes it is, although many of the changes agreed in 1993 will only become visible when the reforms are fully in place in 1997. Nonetheless, reform will succeed in making savings, and expenditure on agriculture continues to fall as a percentage of the Community budget. For instance, it is a little known fact that the Community underspent its 1994 agricultural budget by ECU 3 200 million and forecasts for 1995 show the trend continuing. Unspent sums are returned to the Member States.

It is equally important to point out that the CAP is now more responsive and better targeted. There is no butter mountain to speak of; in May 1995 the entire public butter stock was 28 000 tonnes, less than a week's supply and public cereals stocks had decreased from over 25 million tonnes at the beginning of 1990 to some 5 million tonnes in 1995. The public beef stock has been reduced to less than 15 000 tonnes, less than 5% of production. Furthermore, in addition to the cuts in support prices, the end of surplus stocks and the lower than forecast budget expenditure, average farmers' incomes across the Community rose in 1994 by over 6%.

Another indicator lies in a farm ministers' decision in September 1995 to cut the compulsory level for land taken out of production (or 'set-aside'). With grain stocks low, not just in the Community but worldwide, the demand for our produce is rising again, enabling Community farmers to take advantage of this situation without unnecessarily overproducing.



At the same time, as a premium has now been put on less intensive forms of farming, less pesticides and fertilizers are being used, and the set-aside system is increasingly being used for reforestation programmes, the extension of woodland areas and the development of ecological niches.

### **What is the future for the CAP?**

The CAP remains diffuse and complex. The 1992 reforms go some way down the path of reform, but more will be needed to prepare EU agriculture for the decades ahead. Questions such as whether farmers should be asked to take over the public service function of conservation and management of the countryside need to be asked. If the answer is yes, as many argue, then new costs are foreseen.

Technology will also become ever more important. Higher yielding products and animal strains and the advent of biotechnology will make it likely that the current process of concentrat-

ing more and more farming in especially favourable areas will continue, and the total area under cultivation will continue to fall, as will the number of farmers. Yet, these more intensive forms of farming will be offset by new niche markets developing as farmers respond to sophisticated consumer tastes by producing new products and also increasing the production of traditional, high quality, regional specialities.

All these developments together will increase the challenge to switch progressively from a purely sectoral agricultural policy to a comprehensive rural policy which links agriculture, rural development and the protection of the rural environment.

## 2 The common fisheries policy

### Why does Europe need a common fisheries policy?

The common fisheries policy (the CFP) responds to a host of legal, political, economic, social and environmental factors affecting both the fishing industry and the process of European integration. Among the most important of these considerations is the difficulty in sharing out a declining resource, one which can be highly mobile, can disregard national boundaries and

which is being overfished. The sector has its best chance of survival if it is subject to enforceable common rules, even at international level, where very real pressure can be brought to bear on transgressors. Ultimately the CFP seeks to protect species from overfishing, guarantee fishermen their livelihoods and ensure consumers and the processing industry regular supplies of fish at reasonable prices.



At the same time the Community is heavily and increasingly reliant on very competitive imports from non-member countries, partially as a consequence of the general freeing-up of trade worldwide. By negotiating as a unified whole the Community can extract the best possible deals with its fisheries trading partners, including those in the third world, far better than individual Member States would be likely to.

### How does the CFP work?

In order to guarantee a future for fishing communities in the Community it is necessary to ensure that the catching capacity of the fishing fleets remaining in the industry is reduced to a level which is compatible with the available fishing stocks; that there is an agreed limit on the amount of each of the threatened species which can be captured; and that there is social and financial support to fishermen and their communities while they make the necessary adjustments to their traditional ways of life.

At the end of each year, the Council of the EU sets the following year's total allowable catches (or TACs) based on scientific advice on the state of stocks for a certain number stocks important to the Community's fleets.

Each TAC is then divided up among the Member States in the form of quotas, according to historic fishing patterns, the needs of specific fishery dependent areas and the losses in third-country waters resulting from the introduction of exclusive economic zones. The Member States themselves are responsible for seeing to it that these quotas are respected and not overfished.

**International law**, through the 1982 Law of the Sea, agreed that coastal states should have the right to extend their fishing zones to 200 nautical miles, largely in response to the hunt for ever dwindling stocks. These exclusive economic zones (EEZs) had radical implications for the fishing industry across the world; for the Community, in which EEZs overlap very considerably, it meant new rules had to be designed so that all could have an equitable share. The rules devised form part of the CFP.

**In 1957** Member State governments gave the Community the right to set in place common rules for Europe's fishing industry, although it was not until 1983 that a Community-wide system for conserving and managing the various fish stocks was agreed under a deal concluding that each country's share of fish stocks would be allocated according to historic fishing patterns, while respecting each country's 12 mile coastal belts reserved for local boats. The accession of Spain and Portugal in 1986 brought new challenges; the number of Community fishermen doubled overnight, and consumption increased by half. Greater account must now also be taken of a range of new issues, notably relating to the Baltic Sea, on account of the accession of Finland and Sweden in 1995.

As a means of protecting specific rich breeding grounds, such as the Shetland Box off the coast of northern Scotland, access is carefully controlled through the issuing of licences. As evidence of the depletion of stocks has come more to the surface, further rules were introduced in 1992, allowing the Community to define other areas where fishing should be banned or restricted, limit how much fishing can or cannot be carried out therein and the amount of time fishermen can spend at sea, determine the type of fishing gear used, including

**Agreements with other coastal nations**, which provide vital access to fishing grounds for the Community's distant water fleet and help the search for new stocks, form a central element of the CFP.

Marketing measures which resemble those of the CAP are designed to stabilize the market, guarantee a steady supply of quality products, ensure reasonable prices for consumers and support fishermen's incomes.

mesh sizes and length of line permissible, lay down the minimum catch sizes for certain species of fish and establish incentives to encourage more selective fishing so that one species is not caught when fishing for another.

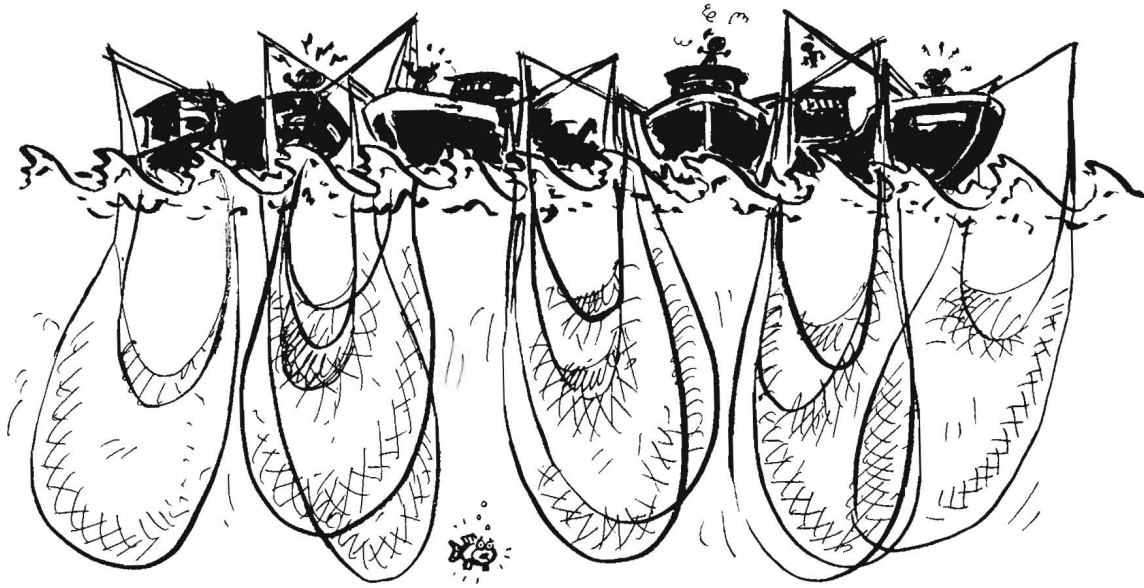
**Indeed**, the Community's commitment to conservation was visible during its talks with Canada after the cutting of a Spanish vessel's trawling wires in March 1995. Improved conservation and enforcement measures were deemed necessary, including the widespread use of satellites.

At the same time the Community funds are being used to establish a modern, competitive fishing fleet, withdrawing, replacing or modernizing existing boats, promoting fish farming — an increasingly important source both of fish and of employment — and giving valuable financial assistance to coastal regions affected by the worldwide crisis in the fishing industry. Thus money is available for basic infrastructure developments to make these areas more attractive to new businesses and to cover the costs of training for the unemployed or for those in danger of losing their jobs.

These measures are central to the way the CFP has been managed and controlled for some time, and they have become a model for other governments with similar challenges.

### **What can be done to help better conserve fish stocks?**

The conservation of existing stocks and the improvement of the balance between fleet capacity and the fishing opportunities are clearly the foremost challenges facing Europe's fishing industry, policy-makers at national and European levels, and the fishermen themselves. Member States and the Community, working in conjunction, set out the rules and regulations with this in mind, but ultimately it is up to the fishermen to obey rules reducing catches of undersized fish, regulating mesh sizes, allowing certain boats in certain areas, and so on. In order to enforce this, the Community has made a huge effort to make sure that fishermen do keep within the boundaries, deploying inspection vessels, dock-side inspections, observers, radar and more recently, satellite. National governments can arrest any boat captain operating within their seas, impounding boats and catches found to be illegal.



All the same it is clear that overfishing continues and careful thought is being given as to how best improve the CFP, both in the short term and, crucially, in the long term. Regarding the former, better monitoring is obviously important, and so computerized databases are being set up, allowing cross-checks to be made on catches landed, catches declared and sales made. Community boats in foreign waters

and foreign boats in Community waters will be subject to these same controls. In the long term much consideration is also being given to ways of achieving greater synergy between conservation and the Community's structural policies, and measures to enable fishermen to plan more effectively for the future.

European Commission

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#### COMMISSION REPRESENTATIONS

<b>Office in Ireland</b>	18 Dawson Street, Dublin 2 — Tel. (1) 662 51 13
<b>Representation in England</b>	Jean Monnet House, 8 Storey's Gate, London SW1P 3AT — Tel. (171) 973 1992
<b>Representation in Wales</b>	4 Cathedral Road, Cardiff CF1 9SG — Tel. (222) 37 16 31
<b>Representation in Scotland</b>	9 Alva Street, Edinburgh EH2 4PH — Tel. (31) 225 20 58
<b>Representation in Northern Ireland</b>	Windsor House, 9/15 Bedford Street, Belfast BT2 7EG — Tel. (232) 24 07 08
<b>Information Services in the USA</b>	2100 M Street, NW, Suite 707, Washington DC 20037 — Tel. (202) 862 95 00 305 East 47th Street, 3 Dag Hammarskjöld Plaza, New York, NY 10017 — Tel. (212) 371 38 04

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