

CAP Subsidies: An Institutional Recap

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1 General Comments

Should be known that France was overproducing in cereals before the introduction of the CAP (see policy of the ONIC). Hence the introduction of the CAP as a central piece of the European construction was for France an opening of agricultural new markets, which were all facing underproduction in cereals. See New York Times article on this below - opening of a market for German industry, and for French agriculture.

The interventionist stock policy which was implemented pre-1992 is thought [1] to have led to the increase of the share of the UE budget being allocated to buy agricultural budget - leading to a peak in 1985, with 73% of the European budget being allocated to the PAC. One of the answers was to introduce production quotas for milk and sugar. The second step was the MacSharry 1992 reform, which cut price support and moved to direct payments. The 1992 reform was also timed to make European law comply with the ongoing Uruguay round negotiations, for which price support was an issue. Two commissioners following MacSharry (Fischler and Fischer Boel, resp. for 1995-2004, and 2004-2010) continued with the reform of the CAP in the early 2000s, mostly by decoupling direct payments from production levels.

Should be known that the term full decoupling implies the following: "Full Decoupling (policy is fully decoupled if it does not influence production decisions of farmers and if it permits free determination of market prices. Importantly, both the shape and the position of the supply and demand curves should not be changed).¹ This is obviously wrong in the case of the CAP, area-based payments are input subsidies, and will definitely impact production levels.

The Two Pillars:

- Pillar 1 measures are purely supra-national policies, they are decided and financed directly at the EU level, and apply equally to all MS. These are meant to be market, trade and income policies. The fund associated to 1 pillar policies is the European Agricultural Guarantee Fund (EAGF);
- Pillar 2 policies are pursued in joint responsibility of the union and member states. There is a common EU framework, but member states select the specific measures within the framework, which they want to use. Measures are co-financed between the EU and the MS, within a given budget ceiling for EU contribution to each MS's rural development policies. The fund associated to pillar 2 measures is the European Agricultural Fund for Rural Development (EAFRD);

The financial frameworks (only in EU?) define the EU's budget, including the provision for spending in specific areas such as agriculture. As such, according to Tangermann and Cramen-Taubadel [1], the expiry of one framework inevitably triggers a debate about the role of the CAP in the next financial framework. Pre-Lisbon [1], agricultural policy was subject to consultation - meaning that the Commission would issue proposals, which would be looked at by the Special Committee on Agricultural (SCA), which consists of permanent officials from the ministries covering agriculture in Member States, plus a representative from the Commission. The SCA can pass proposal to a technical working group for a closer analysis

¹<https://www.tcd.ie/Economics/staff/amtthews/FoodCourse/LectureTopics/EUAgriculturalPolicy/Lecture9.htm>

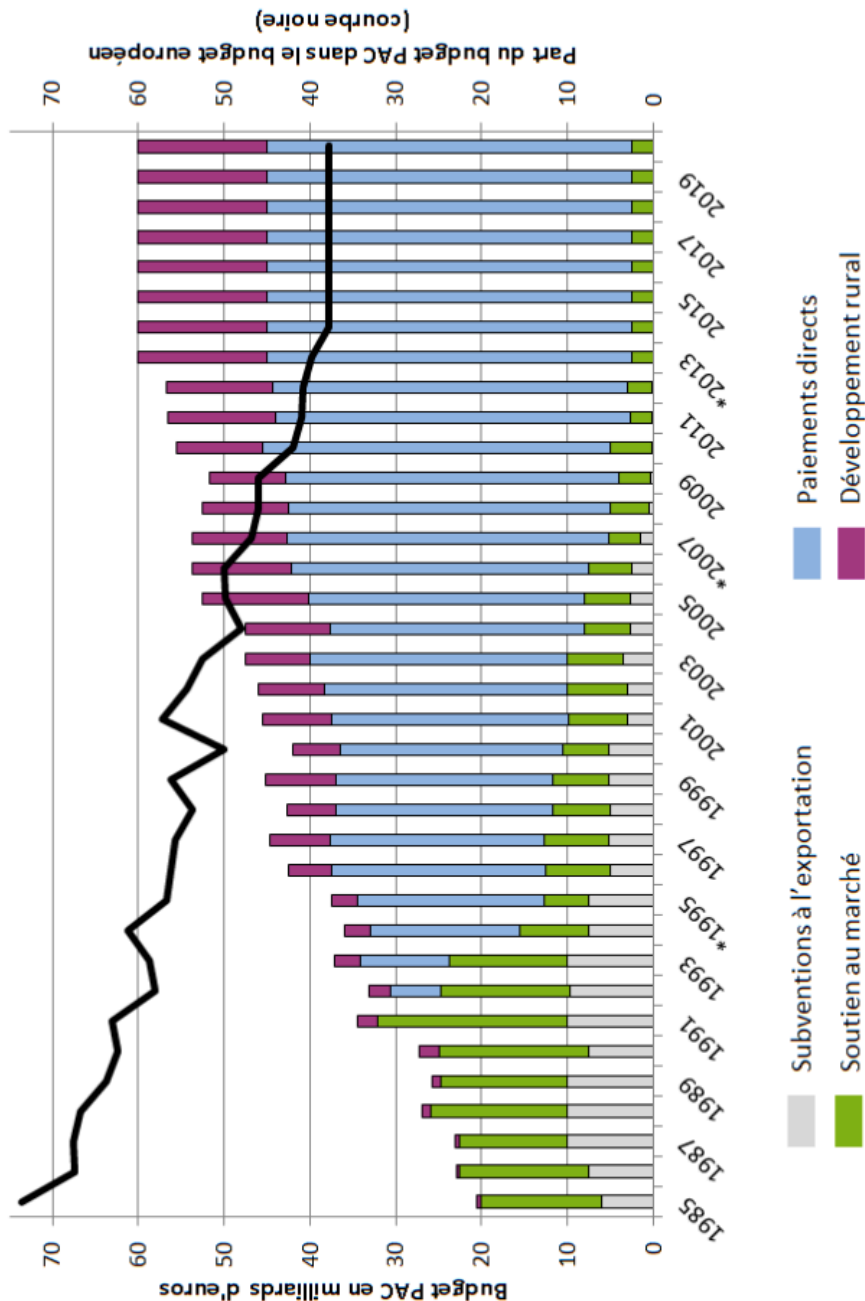


Figure 1: Evolution Subsidies (CAPEye)

- if the proposal also affects non-agricultural issues (such as trade or the environment), the proposal will also be analyzed by the COREPER.

Both the SCA and the COREPER prepare these proposals for discussion in the Council of Ministers - those for which agreement was already reached in the SCA or COREPER are "A-Points" on the Council's agenda, passed without debate. Others are denoted as "B-points", open for debate.

Under the Lisbon Treaty, agricultural-related decisions are subject to co-decision, rather than consultation - hence the Parliament must also approve a proposal before it becomes EU law[1].

2 1962 - The First PAC

2.1 *Setting of a Common Market*

A 1967 Council decision (120/67) sets a free market for most agricultural products, and the price-setting system². It reads: "From 1 July 1967, trade in wheat, meslin, rye, barley, oats, maize, buckwheat, millet, canary seed, grain sorghum, wheat or spelt flour, meslin flour,

²<http://aei.pitt.edu/6453/1/6453.pdf>

rye flour, wheat groats and meal, and a series of other processed grain products will either immediately or after a short time be exempt from the intra-Community levies still in force.”

This was the result of a December 15th 1964 decision (and the regulation 19/62 on the step-by-step introduction of the common market organization for cereals), on the setting up of the EEC Common Cereals Common Market Organization, and was following the goals set out in articles 38 to 47 of the 1957 E.E.C. Treaty. Cocereal (EU organization for trade in cereals, rice, feedstuff, oilseeds,...) describes the Common Agricultural Market as the driving force behind European integration.³ They further declare that between 70 and 80% of E.E.C. regulations and more than 50% of the budget was dedicated to the agricultural sector. Article 39 lists the goal of the CAP (productivity listed as first goal!!): ”La politique agricole a pour but: a) d’accroître la productivité de l’agriculture en développant le progrès technique, en assurant le développement rationnel de la production agricole ainsi qu’un emploi optimum de facteurs de production, notamment de la main d’oeuvre; b) d’assurer ainsi un niveau de vie équitable à la population agricole, notamment par le relèvement du revenu individuel de ceux qui travaillent dans l’agriculture; c) de stabiliser les marchés; d) de garantir la sécurité des approvisionnements; e) d’assurer des prix raisonnables dans les livraisons aux consommateurs.”

French grain policy prior to the common market was governed by 3-year economic plans. campaign prices were set for producers each year on July 31st, oats was the only non-regulated product. An additional premium was paid on each ton of maize delivered. Regulation for wheat was more strict as there was already some over production, and there was only a certain amount that could be covered by the campaign price. The administration of the grain market was covered by the ONIC. In Germany, things were more regulated and the gap between world prices and German prices was larger.

The 1967 regulation (120/67) reads: ”Acting on a Commission report, the Council fixes before 1 August each year the following new prices which are to apply to the marketing year beginning in the course of the following calendar year:

- A target price for each of the following: durum, other wheat, barley, maize and rye;
- individual basic intervention prices for durum, other wheat, barley, rye - and for maize (provided that the quantity of home-grown maize marketed accounts for more than 45% of the quantities consumed in the Community).
- The target price and the basic intervention price are fixed at the wholesale stage for Duisburg - the marketing centre in the north of the community with the largest cereal deficit.
- The guaranteed minimum price for durum wheat is fixed for the marketing center of the Community region having the largest surplus, at the same stage and on the same conditions as the target price.
- In order to give producers a guarantee that the market price will not fall below a certain minimum, derived intervention prices are fixed for various regions of the Community for durum, other wheat, barley, maize and rye, in addition to the basic intervention price.
- For maize, unlike the other types of cereal, only one intervention price is fixed for all maize marketing centres, provided the quantities of home-grown maize marketed after a normal harvest do not reach 45% of the quantities consumed in the Community.
- For France: A compromise has been arrived at to the effect that all storage agencies which already have official status (cereal cooperatives and dealers), together with all processing plants (mills, maltings and starch, maize and animal-feed manufacturers) and any other person who can show that he has sufficient storage capacity and the necessary technical equipment, may be authorized to buy and sell cereals. Evidence of technical qualification must be produced however. French farmers will then be able to offer their cereals to any authorized dealer or direct to processors as well as to the official storage agency.

³TheHistoryoftheEuropeanGrainMarket-StohrandSchumacher

- On buckwheat, millet and canary seed? Also when was sorghum included? What about oats?
- In France, a minimum purchase amount was also set at 500 tonnes.
- A major issue for the 1967 decision was the monetary one. At the time, it was decided to fix prices in units of account (EUA), which was an artificial common currency, corresponding to 0.88867088 gr of fine gold, and worth one USD. Then the parity between a national currency and either gold or the USD was used for conversion. One EUA was worth 4.937 Francs. This system was kept until the introduction of the ECU in 1979 (which was used in agriculture starting March 13th 1979). The ECU represented the contents of a basket, in which fixed amounts of the nine participating currencies were put, in relation with their share of the Community's gross national product and intra-community trade. The guiding rate was set at 5.79831 for the franc.
- With 1967, there were 278 intervention centres in France - each with its own intervention price. The quantities bought up by the intervention agencies had to be channelled back into the market, generally via tenders with first price mechanism.
- A follow up regulation consolidates texts on cereals - 2727/75 (1766/92 is the next major consolidation). It reads: "Simultaneously and before 1 August of each year, the following prices shall be fixed for the Community for the marketing year beginning during the following calendar year: a target price for each of the following: common wheat, durum wheat, barley, maize, rye; a basic intervention price for common wheat; a guaranteed minimum price for durum wheat. These prices shall be fixed for a standard quality to be determined for each of the above cereals. The target price and the basic intervention price shall be fixed for Duisburg at the wholesale stage, goods delivered to warehouse, not unloaded. The guaranteed minimum price for durum wheat shall be fixed for the marketing centre of the region with the largest surplus, at the same stage and under the same conditions as the target price. (...) In order to guarantee to producers that the market price does not fall below a minimum level, derived intervention prices for common wheat shall be fixed for the Community, in addition to the basic intervention price. (...) For barley, rye, durum wheat and maize, for which no basic intervention price is laid down, single intervention prices shall be fixed for the Community for all the marketing centres for those cereals. These prices shall correspond to the lowest derived intervention prices which should have been fixed in the Community, had paragraph 1 been applied in respect of the said cereals. (...) The target prices, intervention prices and threshold prices shall be the subject of monthly increases phased over all or part of the marketing year. (...) Throughout the marketing year the intervention agencies designated by MS shall be obliged to buy in cereals mentioned in art 4 (common wheat, barley, rye, durum wheat, maize) which are offered to them and have been harvested in the community, provided that the offers comply with conditions, in particular in respect of quality and quantity, to be determined in accordance with paragraph 5. The intervention agencies shall buy in at the intervention price for the marketing centre at which the cereal is offered (...)
- Major elements of the 1975 reform: increasing the difference between intervention and threshold prices (increasing preference for E.C produces), improving the price relation between individual types of grain, abolition of the regionalisation in the wheat market, and introduction of separate intervention prices for feed wheat and bread-making wheat.
- Then in 1983, a quota was set-up for all cereals (but durum wheat and rice) - if total E.C. production exceeded 119.5 million tonnes, then intervention prices would be reduced by 1ppt for every extra 1 million tonne (up to 5ppt). This is implemented from 983/84 onwards (ONIC doc) - and intervention prices are reduced by 1ppt.
- Region-specific intervention prices are slowly abandoned for all cereals: it was the case for maize prior to 1970, then for durum wheat in 1970-71, rye in 1972-73, barley in 73-74, wheat in 75-76, and sorghum in 83-84 (from the 50 years anniversary ONIC doc).

- For the choice of the intervention center, see Regulation 2738/75, which states "1 . In pursuance of Article 7 of Regulation (EEC) No 2727/75, all offers for intervention shall be made to an intervention agency in respect of a marketing centre chosen from among the three centres nearest to the place where the cereals are when the offer is made. 2. The nearest marketing centres mean centres for which intervention prices have been fixed and to which the cereals can be sent at least cost. These transport costs shall be determined by the intervention agency."
- On the selling of purchased cereals by intervention agencies - this is done by tender. See Regulation 1836/82, which sets that "Successful tenders must offer a price at least equivalent to the market price for a similar quality recorded on the market for the place of storage or, failing such a price, the price on the nearest market taking account of transport costs. The tender price may not, in any circumstances, be lower than the intervention or reference prices applicable on the closing date for the submission of tenders."

On oil seeds:

- As a step towards a single market for oils and fats (soy, sunflower, rape/colza), the Council adopted the following regulations at its session from May 29th to June 1st 1967: a regulation fixing the norm prices and basic intervention prices for oilseeds in 1967/1968; a regulation laying down criteria for determining the world market price for oilseeds and the frontier-crossing point; a regulation on aid in respect of oilseeds;
- Concerns colza, rape and sunflower - first regulation on the topic being 136/66 ⁴;
- the 136/66 Regulation reads: "Each year in time to allow farmers to plan their production, and for the first time in 1966, the Council, acting in accordance with the voting procedure laid down in article 43(3) of the Treaty on a proposal from the Commission, shall fix a single target price for each species of oil seed from the Community and a basic intervention price calculated for an intervention centre to be determined in accordance with the same procedure. (...) They shall relate to a standard quality and shall be fixed at the wholesale marketing stage exclusive of taxes. (...) Target prices shall be fixed at a level which is fair to producers, account being taken of the need to keep Community production at the required level. (...) The derived intervention price, which guarantees that producers will be able to sell their produce at a price which, allowing for market fluctuations, is as close as possible to the target price, shall be equal to the target price reduced by an amount large enough to allow for the fluctuations. (...) To enable sales to be staggered, the target price and the intervention price shall be increased each month, for a period of at least five months beginning with the third month of the marketing year, by an amount which shall be the same for both prices. (...) The intervention agency shall buy at the intervention price and at that price only."
- The system is clarified by regulation 2727/75 on the common organization of the market for cereals.
- The third large regulation on this is 1491/85 on soy beans.
- The multiple intervention price systems for oil seeds is repealed and replaced by a single intervention price on in 1980 (regulation 1585/1980), which reads in its introduction; "Whereas Articles 22 and 24 of Council Regulation No136/66/EEC of 22 September 1966 on the establishment of a common organization of the market in oils and fats (3), as last amended by Regulation (EEC) No590/79 (4), provide for an intervention system for oilseeds based on a basic intervention price and derived intervention prices, the purpose of which is to ensure in particular the fluidity of the market ; whereas it appears, however, that this system is no longer required for that purpose ; whereas, moreover, there is a risk that intervention prices may be fixed at levels which do not correspond to the actual market situation and may, therefore, run counter to the purpose in view ; whereas, therefore, the system of derived intervention prices for oil seeds should be abolished and replaced by an intervention system with a single price

⁴<https://op.europa.eu/fr/publication-detail/-/publication/f5ef0761-2d02-4ddd-b2ea-f154581e4cb4/language-en>

level throughout the Community;”. The implementation of this system begins in year 1982/83.

On protein crops (peas, beans, sweet lupins):

- Regulation 1119/78 - sets an activating price for peas and beans used for animal feed. Same system as in regulation below.
- Regulation 1431/82 - extension of the market control to peas and beans for human consumption, and to sweet lupins. Peas are all types of peas buck chickpeas. This regulation introduces: an activating price for aid, for products used in animal feed, and a guide price for products used for human consumption. The activating price shall be fixed for soya cake at a level which enables the products rereferred to in art 1 to be used in animal feed under conditions of normal competition with oilcake and which ensures a fair return to producers of peas and field beans. The guide price shall be fixed for peas and field beans at a level whcih is fair to producers. (...) When the average world market price for soya cake is lower than the activating price, aid shall be granted for products used for animal feed. The aid will correspond to 45ppt of the difference between the two prices. When the average world market price goes below the guide price (for these commodities), aid corresponding to the difference between the two prices shall be granted to producers.

On rice (paddy and husked):

- First regulation is 359/67/EEC.
- Big regulation 1418/76 - which states ”Whereas the common organization of the market in rice should include a single price system for the Community; whereas this system may be established through the annual fixing of a target price for husked rice valid for the whole Community, of an intervention price for paddy rice at which the competent agencies are obliged to buy in the rice which is offered to them, and of a threshold price for husked rice, wholly milled rice and broken rice to which the price of imported products must be equated by means of a variable import levy.”. It further reads in article 4: ”In order to guarantee to producers that the market price does not fall below a minimum level, intervention prices for paddy rice shall be fixed for the Community. These prices shall be fixed for round grain paddy rice, of a standard quality determined by reference to the variety chosen (...). Intervention prices shall be fixed for Arles and Vercelli and determined as follows: by calculating the derived targt price for husked rice for Arles and Vercelli, by converting that price into a price for paddy rice on the basis of the conversion rates, processing costs and the value of the by-products. (...) For other large marketing centres in areas of surplus production within the Community, the following prices shall apply: the intervention price for Arles to centres in France (...). Throughout the marketing year the intervention agencies designated by MS shall be obliged to buy paddy rice harvested in the Community which is offered to them, provided in respect of quality and quantity, to be determined in accordance with paragraph 5.”
- Then a reform in 1995, with regulation 3072/95. Still an intervention price for paddy, and introduction of a per-hectare subsidy, based on historical yield data. It sets intervention prices until 1999. Restricted four months period for intervention buying.

On textile crops (hemp, cotton, flax):

- For flax and hemp, the market is regulated by regulation 1308/70, and the Management Committee for Flax and Hemp.
- It’s repealed by regulation 1673/2000.
- For cotton, there is regulation 2169/81, setting a mechanism with a minmum price for unginned cotton, and a quota. There is also something for unlined cotton. Price is set as price at the farm gate. This one reads: ”when the world market price determined in accordance with article 3 is below the guide price, aid equal to the difference between these two prices shall be granted for unginned cotton harvested in the Community.

(...) the amount of aid to be paid shall be the amount applicable on the day when the application for aid is made. (...) Aid shall be granted only to cotton ginning undertakings which apply for it and which have submitted either a contract stipulating payment to the producer of a price at least equal to the minimum price referred to in Art. 9 and containing a clause specifying that in the event of application of article 7 (2), the agreed price will be reduced by the amount by which the aid is reduced.”

- It's repealed in 1995, with regulation 1554. It reads "The world market price for unginned cotton shall be determined by taking account of the historical relationship between the world market price for ginned cotton and that calculated for unginned cotton. It shall be determined periodically on the basis of the world market price for ginned cotton." And "when the world market price determined in accordance with article 3 is below the guide price, aid equal to the difference between these two prices shall be granted for unginned cotton harvested in the Community." AND "The amount of the aid to be paid shall be the amount applicable to the day the application is made. However, the amount of the aid applicable on the day the application is made shall be adjusted on the basis of the difference between the guide price on that day and that applying on the day when the cotton is placed under control."
- End of 2001 simplified scheme includes flax (regulation 1/2002).

On sugar (white sugar and beets):

- On sugar we have regulations 246/68 on beets delivery, and 2497/69 on the price increases and reductions applicable to beets. They are repealed by regulation 1261/2001. And 1260/2001 on the common markets in the sugar sector.
- Before 1981, an intervention price for beets up to a threshold, and which would differ across regions. From 1981 onwards, one basic price, derived into two prices for different types of beets.

On lentils, chick peas and vetches:

- Regulation 762/89 on lentils, chickpeas and vetches. It introduces an aid per hectare sown and harvested. Same base area mechanism, the regulation states: "Where the areas, on which the grain legumes are grown, exceed a maximum guaranteed community area, the aid shall be reduced for the following marketing year on the basis of the amount by which the maximum guaranteed area is exceeded. The max. cultivated area in the community shall be the average of the areas cultivated in the community in the 1985/86, 86/87 and 87/88 marketing years."

On potatoes, there was something for potatoes used to produce starch.

On vegetables and fruits:

- An explainer on the 1972 regulation ⁵ - 1035/1972 regulation seems to be the one setting up the common market for fruits and vegetables (not a reform).
- The determinants for support measures on the internal market are the basic price and the purchase price. These prices are determined for the following kinds of fruits and vegetables which are of particular significance for the income of producers: cauliflowers, tomatoes, oranges, mandarins, lemons, table grapes, apples (except for cider apples), pears (except for perry pears), and peaches (except for brugnolles and nectarines) and serve to determine the price levels for intervention and also the compensatory amounts to be granted within the intervention framework.
- The purchase price for cauliflowers and tomatoes continues to be established at between 40 and 45% of the basic price, apples and pears between 50% and 55%, and for the rest of the products named above between 60 and 70%.
- From the regulation (1035/72) - first on withdrawals - producers' organizations or associations of such organizations may fix a withdrawal price below which the producers' organizations will not offer for sale products supplied by their members; if a withdrawal

⁵<http://aei.pitt.edu/6704/1/6704.pdf>

price is so fixed, in respect of products listed in the annex, producers' organizations or, where appropriate associations of such organizations, shall grant an indemnity to members for the quantities that remain unsold, without prejudice to the option of grant an indemnity for other products not listed in the annex. MS may fix a cap for the withdrawal price.

- The council shall fix each year a basic price and a buying-in price. The basic price shall be equal to the arithmetic mean of prices recorded on the representative Community market of markets which are situated in the surplus production areas with the lowest prices during the three marketing years immediately preceding the date on which the basic price is fixed for a production with defined commercial characteristics. The buying-in price corresponds to the fraction of the basic prices mentioned above.
- Where, for a given product on one of the representative markets the prices communicated to the Commission (...) remain below the buying-in price for three consecutive market days, the Commission shall without delay record that the market in the production in question is in a state of serious crisis. Upon such findings the MS shall, through the bodies or natural or legal persons appointed by them for the purpose, buy in products of Community origin offered to them, provided these products satisfy the requirements of quality and sizing laid down by the quality standards and that they were not withdrawn from the market.

2.2 *Further Implementation*

The 1998 French Senate Report on the CAP describes the original CAP as set up between 1958 and 1970, with the creation of the Common Market Organizations (OCMs), for pork, cereals, eggs, and with the introduction of the first financial measures, like the FEOGA in 1962. Then, this was consolidated between 1970 and 1980, with new OCMs for hop (1971), fishing goods (1971), dried and dehydrated hay and fodder (1974), sheep meat (1980), plus with two directives in 1972 and 1975. The 1980s is the period of large over-production, leading to the introduction of milk quotas in 1984, and budgetary stabilizers in 1988.

On that period, Silvis and Jongeneel state in their chapter on Common Market Organizations (EU Bioeconomy Economics and Policies 2019) that: "In the period 1958–1968, the so-called transition period, the CAP was gradually phased in. The emphasis from the start was on common market and price policy (rather than, say, 'structural' or farm development policy). "

The annual price review was at the time the centrepiece of agricultural policy-making. Two broad policy instruments were established: price and markets policy, designed to influence and support farm prices and incomes, and funded by the Guarantee Section of FEOGA, the Agricultural Guarantee and Guidance Fund; and socio-structural policy, designed to encourage the modernisation of farming, funded by the Guidance Section of FEOGA. Although it was initially foreseen that expenditure on the latter instrument would amount to around one-third of the total CAP budget, it rarely exceeded 5% of CAP expenditure until very recently ⁶ Note the use of three support pillars: import levies, intervention buying and export subsidies. Additional support can be provided through consumer subsidies, aids to private storage, withdrawals, deficiency payments.

Price control was made of two elements: import and export measures, and intervention and sales subsidies (Chapter on CMOs):

- Import and export measures: products from third countries were not allowed to enter at the EU border below the 'threshold' price, derived from the target price. Whenever the world offer price was lower than the threshold price, a variable import levy bridged the difference. The counterparts of the import levies were subsidies for exports, the so-called export refunds, which facilitated exporting to third countries when world market prices were below the internal level.
- Intervention and sales subsidies: alongside the external measures, the market organisations for basic products also provided measures for the internal market, giving the intervention agencies established in each Member State the opportunity to buy up

⁶<https://www.tcd.ie/Economics/staff/amtthews/FoodCourse/LectureTopics/EUAgriculturalPolicy/Lecture7.htm>

products (fulfilling certain quality criteria) at a specified ‘intervention’ price, below which the product price was not supposed to drop. Initially, the possibility of intervention purchase was permanent for some products (butter and skimmed milk powder), and for others only during a certain period (e.g. grain) or depending on the market situation (wine, beef).

The market organisations for products other than the basic products did not provide much price protection. As a rule, intervention purchases were not possible, for example, because the product was not easily stored. For products such as eggs, poultry meat, pork and many types of fruit and vegetables, which were less important at the start of the CAP, or whose production was less land-dependent, intervention purchases were seen as undesirable because production could easily be expanded. Moreover, price stabilisation was less necessary for some of these products because the market mechanism functioned adequately and excess stocks did not build up. Oilseeds, and peas and beans grown for cattle fodder, formed a special case. In the 1960s, an agreement had been made in the GATT to allow the import of these products (e.g. soybeans from the USA) to take place almost free of import tariffs or customs duties. In order to guarantee a minimum price for domestic growers, premiums were granted to the EU processing industry for such products.

Traditionally, the Council of Agricultural Ministers established support prices and the cost of maintaining these support prices was then picked up by the budget in an open-ended way. An important change was introduced in 1988 at the same time as the new financial perspective mechanism for EU budgets. This saw the introduction of the agricultural guideline which placed a maximum rate of increase on EU agricultural spending. For the first time, Agriculture Ministers had to operate within a fixed budget. This budget constraint was tightened in the Agenda 2000 agreement which specified that EU agricultural spending should not increase on average in real terms over the 2000-2006 period. The conclusions to the Berlin European Council meeting at which Agenda 2000 was agreed specified that total expenditure, excluding rural development and veterinary measures, in the 2000-2006 period would not overshoot an average annual expenditure of 40.5 billion euros. In addition, it invited the Commission to submit a report in 2002 to the Council on the development of agricultural expenditure accompanied, if necessary, by appropriate proposals.

CAP support prices are fixed in euros (previously ecus), and require conversion rates to translate these into national currencies for countries which have not yet adopted the euro. These conversion rates are referred to as green rates. Unlike market exchange rates, these were administrative rates which were altered (or not) by government decision.

These differences were compensated for by border taxes and subsidies (monetary compensatory amounts, or MCAs). Farmers in countries with revalued currencies were protected by taxes on imports and subsidies on exports (so-called positive MCAs), and vice versa for countries with devalued currencies (negative MCAs). In the absence of these border taxes and subsidies, there would be an incentive for traders to sell their produce in countries which had revalued currencies without revaluing their green rates (because the trader would get the same nominal price in the revaluing country’s currency, and this would be worth a lot more in his own national currency). There was a gentleman’s agreement that positive MCAs would be removed only if this could be done without reducing nominal farm prices in domestic currency in countries with an appreciating currency (for example, by revaluing the green rate at the same time as a price review increase in the nominal ECU value of support).

On the agri-monetary system:

- Regulation 129 in 1962 introduces a special rate for agriculture, and sets the unit of account as worth 0.88867088 grammes of fine gold. The procedures to modify the value of the unit of account was laid down in regulation 653/68: “Where, in instruments concerning the common agricultural policy or the special trade systems for certain goods resulting from the processing of agricultural products, sums are expressed in units of account, the value of that unit of account shall be 0 88867088 grammes of fine gold. This value may be changed only in the cases and in accordance with the procedures laid down in Articles 2 and 3 of Regulation (EEC) No 653 /68 1 of the Council of 30 May 1968 on conditions for alterations to the value of the unit of account used for the common agricultural policy.” It also specifies that when all members jointly modify the value of their currencies, then the value of the unit of account should follow. If one does unilaterally, then the Council should meet to decide about it. Further rules for modification are fixed in Regulation 134/68.

- Introduction of the MCAs in December 1971 following the economic shock (Regulation 974/71). The article states: "The compensatory amounts for the products covered by intervention arrangements shall be equal to the amounts obtained by applying to the prices the percentage difference between : 1) the parity of the currency of the Member State concerned declared to and recognised by the International Monetary fund, on the one hand, and 2) the arithmetic mean of the spot market rates of this currency against the US dollar during a period to be determined."

In 1988, market stabilizers were introduced, setting maximum quantities for price guarantees, and an automatic reduction in case these were crossed).

The introduction of the single market on 1 Jan 1993 required a thorough reform of the MCA system as it was no longer possible to administer border taxes and subsidies on intra-EU trade. MCAs and the switchover system were abolished, but a 'floating franchise' system to protect strong currency countries was introduced.

With the introduction of the euro on 1 Jan 1999, agricultural support prices are no longer influenced by currency fluctuations for euro members, but the agri-monetary system continues to apply to EU countries outside the euro zone. Farmers in a country whose currency has experienced a significant appreciation may be granted financial compensation partly funded by the EU.

This period can be quickly summarized by: 1968 the Mansholt Plan 1977 prudent pricing policy and abandonment of the 'objective method' of price setting 1984 milk quotas 1988 agricultural stabilisers

All the relevant archives for prices seem to be here: http://aei.pitt.edu/view/eusries/AGRICULTURE=3ANewsletter_on_the_Common_Agricultural_Policy.html

3 A Dive in Common Market Organizations in France

In 1960, creation of the FORMA (Fonds d'orientation et de régularisation des marchés agricoles). It comes to replace the former private companies which were in charge of agricultural markets: la Société Interprofessionnelle du Lait et de ses Dérivés (INTERLAIT), la Société Interprofessionnelle du Bétail et des Viandes (SIBEV) et la Société Interprofessionnelle de la Pomme de Terre (SNIPOT). Pour assurer le financement de ces opérations, trois comptes spéciaux du Trésor furent organisés : la Fonds d'Assainissement du marché de la Viande, le Fonds d'Assainissement du Marché du Lait et des Produits Laitiers, puis le Fonds de Garantie Mutuelle et d'Orientation de la Production Agricole (FGMOPA).

Their fusion in 1960 creates the FORMA. Which becomes an EPIC following the 1961 law. In 1982, the FORMA is dissolved into several new organisms: ODEADOM, OFIVAL, ONIFLHOR (Office national interprofessionnel des fruits et légumes et de l'horticulture), ONILAIT, ONIPPAM, ONIVINS, FIRS and SIDO. All the notes from the FORMA are present in the National Archives ⁷.

There are other agricultural organizations. Like the ONIB (Office national interprofessionnel du blé) created in 1936 by the Front Populaire, which has a monopoly for the import and export of wheat. In 1940, it becomes the ONIC when its mission is extended to all cereals. See note on ONIC in papers folder. On the implementation of price control (source is note on ONIC): Freedom of price, no price guarantee for producers, mais organisation d'un filet de protection avec l'instauration d'une grille de prix à l'intérieur et aux frontières de la CEE, ces prix s'entendant pour une qualité type: 1. un prix indicatif valable pour la zone la plus déficitaire de la CEE (Duisbourg en RFA) 2. un prix d'intervention par céréale décliné pour différents lieux déterminés avant chaque campagne entre les Etats membres et la CEE. Dans la pratique, quand le prix de marché d'une céréale, à un endroit donné est inférieur à ce prix, le détenteur d'un stock peut le vendre à la CEE à ce prix, à condition que le lot de céréales concerné réponde aux critères qualitatifs et quantitatifs définis en début de campagne. L'ONIC est, en France, l'organisme d'intervention, représentant la CEE. Ces quantités acceptées à l'intervention, sont donc retirées du marché, stockées, puis remises sur le marché quand les prix remontent à un niveau jugé suffisamment élevé. 3. un prix de seuil établi pour les transactions imports/exports aux frontières de la CEE. Si les prix du marché

⁷https://www.siv.archives-nationales.culture.gouv.fr/siv/rechercheconsultation/consultation/ir/consultationIR.action?irId=FRAN_IR_007591

mondial sont inférieurs aux prix intérieurs à la CEE, les céréales devront acquitter une taxe à l'importation dite "prélèvement", et bénéficieront à l'exportation d'une subvention appelée restitution. Les montants en sont variables selon les fluctuations du marché. Quand les prix du marché mondial seront supérieurs à ceux du marché intérieur à la CEE, le système s'inversera : des prélèvements seront facturés lors des exportations pour éviter la fuite des céréales aux dépens des besoins du marché intérieur.

The intervention price corresponds to the price at which the stocking organisms can sell to ONIC - see report from the French Senate <https://www.senat.fr/rap/r02-238/r02-2389.html>. So it only indirectly sets a price for producers. "Dans le secteur céréalier, le prix d'intervention est le prix auquel les organismes stockeurs que sont les coopératives et les négociants propriétaires de silos peuvent vendre aux organismes publics les quantités qui ne trouvent pas preneur sur le marché. Cependant, ce prix sert indirectement à définir le prix que ces organismes versent aux céréaliers."

In 1970, the SIDO (Société interprofessionnelle des oléagineux) is created. Replaced by the ONIOL (Office national interprofessionnel des oléagineux, protéagineux et cultures textiles) in 1998. In 2006, there is a fusion of the ONIC, ONIOL and FIRS (sugar) into the ONIGC. In 2009, all of this is regrouped under FranceAgriMer.

There's also this group in charge of following market prices in France: <https://rnm.franceagrimer.fr/>.

On substitution across crops, see the EU regulation of 1967 (June 13th, no 120): considérant qu'il a été prévu par la voie du règlement no 19 (2) que l'organisation commune des marchés serait, dans le secteur des céréales, établie graduellement à partir de 1962 ; que cette organisation de marché ainsi établie comporte principalement la fixation annuelle de prix indicatifs, publiés avant les ensemencements d'hiver afin de permettre aux producteurs d'orienter leurs plans de culture, et la fixation, en fonction du prix indicatif, d'un prix d'intervention, au quel les organismes compétents sont obligés d'acheter les céréales qui leur sont offertes, et d'un prix de seuil au niveau duquel le prix des produits importés doit être ramené au moyen d'un prélèvement variable.

This text also lists the crops regulated by the common market for cereals: soft wheat, rye, barley, oats, corn, sorghum, buckwheat, durum and all other cereals.

A lot of useful information on French market organizations can be found at <https://web.archive.org/web/20210517030524/https://www.histoire-offices.com/root/DGAll/racine/fr/navigation-gauche/sido-1970-2006>.

4 1992 - MacSharry Reform

The MacSharry reform cut the support prices, and compensated this with the introduction of direct payments [1]. "As direct payments were introduced, payment rates were calculated by multiplying the cut in support price with the respective volume of production. For crops, regional averages of yields were used to determine the payment per hectare, and each farm was allocated a payment entitlement according to the number of hectares it had planted under the respective crop in a given period of reference. In the livestock sector, payments were calculated in a similar way. Originally, farmers had to produce the respective products in order to receive the payments."

One of the concerns of the reform was for international trade, as the CAP was considered as one of the most protectionist agricultural policy in the world. "Responding to widespread criticism from trading partners, the Uruguay trade round of the General Agreement on Tariffs and Trade (GATT) focused specifically on agriculture. This round not only resulted in the establishment of the World Trade Organisation (WTO) in 1995 but also in the Uruguay Round Agriculture Agreement (URAA). Under this agreement, the contracting parties agreed to reduce agricultural support and protection by establishing disciplines in the areas of market access, export subsidies and domestic support."

With this system, rates per hectare differed widely across farms in a given member state, depending on production structures and intensities.

The reform focused on 4 items: a significant drop in guaranteed prices, compensating subsidies, a compulsory freeze of agricultural lands (or switching lands to industrial crops). Finally, a set of measures to support pro-environmental practices, and for farmers' retirement. The reform resulted in an increase of budget expenditure for arable products by 80% almost entirely for area payments.

The system for compensatory payments and the set-aside rule is set-up by Regulation 1765/92, and focuses on the following arable crops (which i guess defines the extent of the 92 reform): the cereals, durum wheat, other wheat and meslin, rye, barley, oats, maize, grain sorghum, buckwheat, millet, canary seed, then the oil seeds, soya bean, rape seed, sunflower, and the protein crops finally, with peas, field beans and sweet lupins. Set a marketing year going from July 1st to June 30th. There was a regional limit in terms of hectares that can receive subsidies. The regulation reads: "In the case of a regional base area, and when the sum of the individual areas for which aid is claimed under the arable producers' scheme, including the set-aside provided for under that scheme, and set-aside provided for under regulation 2328/91, is in excess of the regional base area, the following will be applied in the region in question: (i) during the same marketing year, the eligible area per farmer will be reduced proportionately for all the aids granted under this title, (ii) in the following marketing year, producers in the general scheme will be required to make, without compensation, a special set-aside. The percentage rate for special set-aside shall be equal to the percentage by which the regional base has been exceeded." An earlier part of the same article reads "The compensatory payment is granted for the area which is down to arable crops or subject to set-aside in accordance with Article 7 of this regulation and which does not exceed a regional base area." The computation of the base areas is explained a few paragraphs down for France.

France did not choose the option to set up an individual base area system for all its territory - "a base area for each holding is established as the average number of hectares which were down to arable crops, or which were fallowed in conformity with a publicly funded scheme during 1989, 1990, 1991." Hence for France, this does not discriminate between large and small farmers.

- The cereals compensatory payment is calculated by multiplying the basic amount per tonne by the average cereals yield determined in the regionalization plan for the region concerned. Where maize is treated separately, maize and other cereals' respective average yields shall be used. The basic amount per tonne is fixed at: 25 ECU for 93/94, 35 for 94/95, and 45 for 95/96. A supplement to the compensatory payment shall be granted for the area down to durum wheat in the traditional production zones (297 per ha - in France PACA and Languedoc Roussillon).
- the compensatory payment per hectare for oil seeds is calculated in the following way: a projected reference price for oil seeds of 163 ECU per tonne, a community reference amount for oil seeds at 359 ECU per hectare for 1993/94 onwards.
- From 1993/94 onwards, the compensatory payment per hectare of protein crops is 65 ECU per ha, multiplied by the regional yield for cereals, excluding maize yields in those regions where a separate yield is calculated for maize.
- For small producers (have an area small than the one needed to produce 92 tonnes of cereals) - no set-aside requirement, the compensatory payment shall be paid at the rate applicable for cereals for all areas sown to arable crops.
- Set-aside land can be used for grazing for extensive livestock farming, and growing lentils, chickpeas and vetches.

For oil seeds, this regulation supersedes regulation 3766/91, which had already reformed, ending the price support system for year 1992. That regulation was already setting up a direct payment plan with a regionalization system. Then a projected reference price for oil-seeds was set at 163 ECU per tonne, and a reference amount at 384 ECU per ha. More specifically, the follow-up Regulation 2294/92 establishes the framework for the implementation of the oil and protein land subsidies. And every year, a reference amount per hectare will be set by countryXregion - to be re-estimated towards the end of the season. Half of the payment is made at the beginning, while the other half is at the end, corrected for the new amount of

subsidy per hectare. We record the evolution of these rates in the same database as the one for the intervention prices.

The second important regulation for that reform is 1766/92, which deals with the continuation of the price system for cereals. It sets the decrease for the intervention, threshold and target price over 1993-1995, then plans that the levels will remain the same in the future, while allowing for monthly increases throughout the year to account for storage costs. This goes on until the 1999 Agenda 2000 reform.

As decoupling was introduced, some member states were worried that the production of certain products would decline more than they thought was appropriate. It was agreed that member states would be granted the option to maintain some coupled payments, requiring active production from the farmers to obtain the associated subsidies.

Details of the reform in France.

- Cereals: 30% reduction in intervention prices over three years, compensation for price cuts on a per hectare basis, compensation paid conditional on set-aside to larger producers;
- On land freezes, producers of cereals, oleagineux and proteagineux had to reduce to withdraw 15% of their land to receive the compensatory payments from 1993/1994 onwards. This requirement did not apply to smaller producers. Compensatory payments were based on regional yields between 1986-87 and 1990-1991. Frozen hectares could be cultivated but for non-food purposes (like biogas). For cereals, seems like the price decrease was of 10 ecus per year for year 93-94, 94-95 and 95-96. For oleagineux, no more guaranteed price but a subsidy per hectare. Same for proteagineux, flax, hay and tobacco. So reform implemented in 93, 94 and 95. Removal of price control for rye. In [2], we get the following details: "L'abandon de l'ancien mode de soutien se caractérise donc pour les céréales par la baisse du prix de soutien (une préférence communautaire de 45 écus par tonne est cependant conservée) : les prix indicatifs sont ainsi ramenés à 130 écus/tonne pour la récolte 93, 120 écus/tonne pour la récolte 94 et enfin 110 écus/tonne pour la récolte 95. Pour les protéagineux, il n'y a pas de fixation des prix institutionnels, leur prix est fonction des prix de la protéine sur le marché de l'alimentation animale et notamment du tourteau de soja. Enfin, pour les oléagineux, le système de soutien qui était jusqu'à présent réglé sur le mode des "deficiency paiements" distribués par les transformateurs étant abandonné, le prix donné aux agriculteurs pour leurs oléagineux sera le prix mondial. Le prix de référence prévisionnel est maintenu à 129 Flquintal par rapport à son niveau de la récolte 92. Le montant de l'aide communautaire sera révisé en fonction des variations des prix observés par rapport au prix de référence prévisionnel si le différentiel est supérieur à 8% dans un sens ou dans l'autre."
- In [2], we have the following details on the PCS: "La France dispose d'un montant, associé aux 13,523 millions d'hectares que représente sa surface de référence. L'enveloppe budgétaire globale a cependant été scindée en plusieurs sous-enveloppes, chacune étant attachée à une surface de base. Il en existe treize : la première est nationale et concerne les céréales en général et les oléoprotéagineux, les 12 autres sont des surfaces départementales liées au maïs. La différenciation d'une surface de base maïs dans un département est facultative et permet de traiter cette culture à part en prenant en compte, pour le calcul du montant exact des aides, un rendement spécifique maïs. De façon générale, les surfaces de base sont calculées sur une base historique : la moyenne des surfaces de 1989 à 1991. Pour la surface S.C.O.P., il s'agit de la moyenne des surfaces en céréales en grain, céréales ensilées, oléagineux et protéagineux (non compris pois de conserve) à laquelle on ajoute le gel quinquennal et les semences. Pour les surfaces de base maïs il s'agit de la moyenne des surfaces maïs grain, maïs ensilé, maïs semence, iniguées ou cultivées en sec. Chaque agriculteur se doit de déclarer les superficies qu'il escompte cultiver, en spécifiant le type de culture. Si la somme de ces demandes individuelles dépasse les surfaces de référence historique, les exploitants agricoles s'exposeront à des sanctions. La distinction de surfaces plafond irriguées est facultative et relève, comme les surfaces de base maïs, d'une décision départementale. Elle conditionne l'accès à une aide spécifique sous forme d'un rendement de référence spécifique

Document 9 : Correspondances entre les surfaces différenciées et les rendements de référence.

	Cas I	Cas II	Cas III	Cas IV	Cas V
Surfaces de référence définies :					
- Une surface de base maïs	non	non	oui	oui	oui
- Une surface plafond irrigation incluse dans la surface S.C.O.P.	non	oui	non	non	oui
- Une surface plafond irrigation incluse dans la surface maïs du départ.					
Les rendements correspondants :					
- toutes céréales	C, Ci, M, Mi P et Pi	non	C, Ci, P et Pi	non	non
- toutes céréales non irriguées	non	C, M et P	non	non	C, P et Pi
- toutes céréales irriguées	non	Ci, Mi et Pi	non	non	non
- toutes céréales sauf maïs	non	non	non	C,Ci,P,Pi	non
- maïs non irrigué	non	non	M	non	M
- maïs irrigué	non	non	Mi	non	Mi
- tous maïs	non	non	non	M et Mi	non
- toutes céréales irriguées sauf maïs	non	non	non	non	Ci
-rendement indemnisation du gel	oui	oui	oui	oui	oui

Légende :
C : toutes céréales sauf maïs
Ci : toutes céréales (sauf maïs) irriguées
P : protéagineux non irrigués
Pi : protéagineux irrigués
M : maïs
Mi : maïs irrigué

Figure 2: Description of PCS System of the 1992 Reform

aux cultures irriguées. Ces surfaces ne sont pas calculées à partir de moyennes sur les surfaces de référence 89-90-91 comme les surfaces de bases. Elles sont évaluées à partir des superficies en céréales et en protéagineux réellement irriguées en 1992 auxquelles s’ajoutent les superficies dont l’irrigation a été prévue avant le 1er août 92. Ces surfaces plafond sont des surfaces départementales. Les superficies nouvellement irriguées au cours des campagnes suivantes à partir d’investissements datant au plus tard du 1er août 92 viendront compléter les surfaces plafonds calculées pour la campagne 93/94. Les rendements de référence déterminent le montant de l’aide à l’hectare pour les grandes cultures. La diversité des surfaces de référence évoquée précédemment conduit à une différenciation des rendements de référence : quatre rendements différents peuvent être ainsi définis par département, comme le montre le document 9. Les cas I, II, III, IV, V sont définis à partir des différents cas de différenciation de surfaces de base rencontrées dans les départements, sans tenir compte des particularités du système oléagineux. Ainsi on peut différencier :

- Cas I : Les régions Champagne Ardennes, Lorraine, Nord Pas-de-Calais, Basse et Haute Normandie, Bretagne, ainsi que de quelques départements comme les Alpes maritimes, le Vaucluse, la Haute-Saône, l’Yonne ou la Côte-d’Or.
- Cas II : C’est le cas le plus général, comme dans les régions Centre, Pays de la Loire, Poitou-Charentes, Picardie (sauf l’Oise), Limousin (hormis la Conèze), Midi-Pyrénées (sauf les Hautes-Pyrénées), Languedoc-Roussillon (sauf la Lozère) et Rhône Alpe (sauf la Savoie).
- Cas III : La Gironde, les Landes, les Pyrénées-Atlantiques, les Hautes-Pyrénées, la Savoie et la région Alsace.
- Cas IV : C’est le cas des départements suivants : la Conèze, les Bouches-du-Rhône et les Hautes-Alpes.
- Cas V : C’est le cas de la Dordogne uniquement.”

Les rendements de référence sont tous calculés sur le même modèle. On prend la moyenne départementale des rendements de la ou de l’ensemble des cultures en question sur la période 86-90, on pondère par le rendement moyen national qui est de 58,67 q/ha en toutes céréales de la surface SCOP, ou de 77,47 q/ha en maïs (pour les départements ayant opté pour la différenciation), selon le coefficient suivant : 2/3 rendement départemental, 1/3 rendement national. Cette pondération conduit à accroître le niveau des primes des départements se situant en dessous de la moyenne nationale au détriment des départements qui ont un niveau de rendement plus élevé.

Il n'existe pas de rendement de référence particulier pour les oléagineux, les aides sont calculées à partir des résultats céréaliers. Cependant, l'échelle départementale n'a pas été retenue comme référence. La régionalisation a été effectuée selon trois zones au sein desquelles un rendement de référence a été établi. Ainsi on peut discerner directement trois niveaux d'aides en France qui ne coïncident pas avec les 5 cas déjà définis ; le recouvrement s'effectue comme suit, ce qui conduirait à prendre neuf sous-cas en compte. A tous ces rendements, dont l'existence est liée directement à des surfaces de références, s'ajoute un rendement de référence dit d'indemnisation au gel qui permet le calcul des aides au gel et des primes "petit producteur". Il est calculé en prenant un rendement toutes céréales ($\frac{2}{3}$ rendement de référence départemental toutes céréales + $\frac{1}{3}$ rendement national [59,7 q/ha]) ; le rendement national tient compte de toutes les céréales y compris le maïs, des départements ayant opté pour une différenciation du maïs ; c'est là que réside la différence entre le rendement indemnisation au gel et le rendement toutes céréales des départements du cas I.

Les aides compensatoires sont distribuées aux producteurs du régime général qui ont appliqué la clause de gel et aux exploitants bénéficiant du régime "petits producteurs". Ces aides sont distribuées à l'hectare cultivé et déclaré, et ne dépendent pas de la quantité réellement produite. Ces aides seront croissantes pour les céréales sur les trois campagnes d'application de la réforme, compensant en cela la décroissance des prix de soutien. Pour les céréales et protéagineux, leur calcul se fait à partir d'un même rendement de référence adéquat que l'on multipliera par un forfait. Pour les céréales il sera de 19,74 Flq, 27,63 Flq et de 35,53 F/q pour les récoltes 93, 94 et 95 respectivement. Pour les protéagineux il sera de 51 ,32 Flq sur les trois récoltes, et sera appliqué au rendement toutes céréales (sec ou irrigué le cas échéant).

On oleo-proteagineux - Les aides compensatoires pour les oléagineux ne sont pas calculées par département. Elles ont été calculées de façon à tenter de maintenir un rapport de prix plus ou moins constant entre les oléagineux et les céréales. La relation prix d'équilibre a été choisie de 2,1 à 1 en faveur des oléagineux. Le calcul de l'aide aux oléagineux se fait en prenant pour référence le rendement régional des céréales comme suit.

- Dairy: Quota system extended until 2000, Small reductions in intervention prices, but otherwise no change
- Beef: 15% cut in intervention prices over three years, restrictions on the use of 'normal' intervention, existing direct payments (male cattle premia, suckler cow premium) increased but subject to 'extensification criteria'
- Sheepmeat: Support provided through premiums paid per ewe, Number of premiums limited to those paid in 1991, Accompanying measures
- Else: Early retirement (for farmers of at least 55, can be a bonus for retirement, a yearly subsidy independent of the farm size, a supplement to their retirement), Agri-environment scheme, Afforestation
- On the freeze - also from [2] - "Le régime d'aides est conditionné par un gel de 15% du total surfaces cultures aidées plus surfaces gelées (demande d'aide compensatoire + demande d'indemnisation de gel). Il est toutefois possible de ne demander des aides que pour une partie de l'exploitation, et de produire sur le reste des céréales, oléagineux ou protéagineux au prix de soutien ou de marché. Le gel de 15ppt des terres ne se fera alors que sur la superficie des cultures aidées et gelées. Le gel est lié aux surfaces de bases en vigueur ; ainsi en cas de différenciation d'une surface de base maïs, le gel devra se faire de façon spécifique : l'exploitant devra geler 15% de la surface qu'il désire affecter au maïs d'une part, puis geler 15% du reste des surfaces aidées et gelées au titre des céréales autres que maïs, oléagineux ou protéagineux; la spécification ne porte pas sur le caractère inigue."

[2], the authors describe the PCS (Paiements Compensatoires aux Surfaces). They argue given for cereals and oleo-proteagineux, and are computed at the department-level with some department differencing between irrigated and non-irrigated farms.

4.1 *More on the 92 Reforms*

- On the green rates - regulation 3813/92 - from now on the green rate for floating currencies shall be fixed to the market rate average over the last month. Whenever fluctuations lead to a jump in the avg rate of more than 2ppt, then there should be an adjustment, and the green rate shall be fixed such as to reduce the gap by half, taking effect at the beginning of the following month. From 1999 onwards, France was using the euro and aids were set in euros. Before 1992, we have the green rate data.
- Nothing happens for rice in 1992 it seems. The regulation 1418/76 continues, with monthly increases in the prices.
- For cotton, textile flax and hemp - nothing specific.
- For vegetables and fruits
- For sugar and sugar beets - nothing specific.
- For oil seeds (colza, rape, sunflower) - the 1992 reform is set by regulation 3766/92, removes price control and sets a EU price per ton, and yield per ha to be used for the computation of area subsidies - knowing that in France they used 3 zones in France for average yields.
-

The 1997 Senate report on the CAP reforms computes a dependency ratio for ag. producers in France as direct subsidies received/disposable income (gross surplus minus interest and reimbursement in capital). The average dependency ratio in France was of 50%, 95% for cereals and oleo-proteagineux. Without subsidies, almost half of producers would not have an income. It also computes the share of agricultural expenses in the EU budget: 59ppt in 1993, 60 in 94, 56 in 95, 55 in both 96 and 97.

4.2 *An Aside on the Marge Brute Standard and Production Brute Standard*

From INSEE -i "La MBS totale d'une exploitation était obtenue en appliquant à chaque hectare de culture (ou de jachère) et à chaque tête d'animal un coefficient, dit coefficient MBS, puis en sommant ces MBS partielles. Elle s'exprimait en unité de dimension européenne (UDE) ou en équivalent-hectare de blé."

The 2003 reform and its decoupling for the subsidies led to a change from the MBS to the PBS. The PBS aims at estimating the potential of production of an hectare, and is computed at the regional level every time this makes sense. It's computed over a 5 years period to get some smoothing, and is not replaced every year in order not to give shocks too big of a role.

5 2000 - Agenda 2000

This reform follows the conclusion of the 1997 Luxembourg European Council[3], which declared that European agriculture had to be multifunctional, sustainable, competitive and spreadout through the European territory. Then, a more specific agreement was reached at the end of the 1999 Berlin European Council (24-25 March 1999), setting the following lines for the upcoming reform:

- a new alignment of EU prices with world prices, partly offset by direct aid to producers (so new drop in guaranteed prices);
- the introduction by MS of environmental cross-compliance as a condition for granting aid, and modulation as a means to shift resources from direct payments to finance rural development;
- in line with the 1996 Cork Conference, the reinforcement of socio-structural and accompanying measures, within a new rural development policy known then on as the 2nd pillar of the CAP;
- budgetary stabilization underpinned by a strict financial framework for 2000-2006;

From the 1998 French Senate Report: "La Commission souligne que la baisse des prix qu'elle préconise rendra les productions Européennes plus compétitives sur le marché communautaire comme sur le marché mondial, réduira le risque de réapparition de surplus invendables, facilitera l'adhésion de pays d'Europe de l'Est et fortifiera la position Européenne dans le prochain cycle de négociations commerciales multilatérales."

In more details: a reduction in the cereals intervention price by 15% in two equal steps of 7.5% in the marketing years 2000/2001 and 2001/2002. Area payments increased to compensate for 50% of this reduction in intervention prices. The possibility of a further reduction in the intervention price in 2002/2003 is held open depending on market developments. The base rate of compulsory set-aside is fixed at 10% for all the period 2000-2006. These cuts were expected to lead to support prices for wheat falling below world prices during the planning period, although not for barley.

A reduction in the beef intervention price by 20% over three years. In addition, public intervention was replaced by private storage aid triggered when prices fall below a figure some 18% below the present trigger point for public intervention. 'Safety net' intervention for bulls and steers is retained after 2002, but only when prices drop below 60% of the intervention price. This is equivalent to a 44% drop in the point at which intervention is triggered. The clear message is that the Council does not want to get involved in beef storage again. Premium amounts in the beef sector were increased to compensate for these reductions. The changes may allow some beef to be exported without export refunds, but it is unlikely that they can be eliminated altogether. The intervention arrangement for rye was fully removed. A reduction in dairy support prices of 15% spread over three years, but implementation was postponed to the 2005/2006 marketing year because of the budgetary costs of compensation. Compensation in the form of a dairy premium per tonne of quota will be paid. The compensatory payments in Agenda 2000 were limited to about 50% of the gross price reduction.

An integrated rural development policy introduced as a second pillar of the CAP. This brings together the accompanying measures of the MacSharry reform plus compensatory allowances under the less favoured areas measure, as well as rural development measures previously financed by the FEOGA Guidance Fund, into a single Rural Development Regulation.. Note that the lowering of support prices does not necessarily mean that EU producer prices will fall to the same level. The actual level of EU producer prices will be influenced by the degree of activism shown by the EU Commission in administering the export refund policy. The Agreement established tight budgetary limits on EU agricultural spending in the context of the current financial perspective. It limits Guarantee Fund agricultural spending to an average level of 40.5 billion euros (in 1999 prices, which can be adjusted upwards by an inflation factor of 2% per annum) but included in this amount spending on the accompanying measures and rural development measures outside of Objective 1 regions. A separate sub-heading was introduced for these rural development measures. The agricultural guideline (with growth indexed at 74% of the increase in the Union's GNP, is maintained, but its scope is broadened to include not only CAP expenditure but also agriculture-related expenditure in connection with enlargement. The objective was to stabilise agricultural expenditure over the period. The Commission is to report in 2002 on the development of agricultural expenditure and, if necessary, to propose further changes which would ensure that the overall financial limits are not breached.

In terms of regulations, in also came as a package and our focus can be on the following texts:

- Regulation 1251/99 on direct payments;
- Regulation 1253/99 on the market of cereals, and further reducing the intervention and threshold prices. Removes all target prices, and sets the intervention prices for cereals at 110.25 EUR for 2000, and 101.31 for 2001.
- Regulation 1251 states in its introduction: "Whereas set-aside under the support system for producers of certain arable crops, introduced in 1992 in addition to a lowering of the intervention price, has helped to keep production under control, while increased price competitiveness has allowed significant additional cereals quantities to be used on the domestic market, mainly for animal feed;" – the term "price competitiveness" is really central to the project here.

- The simplified schemes listed in the set of the Mid term review is further modified in 2001 with regulation 1/2002.

6 2003 Mid-Term Review - Franz Fischler

At the 1999 Berlin Summit, the 15 MS adopted the proposals of Agenda 2000, and asked the Commission to conduct a mid-term review in 2002 to asses the impacts of the latest CAP reform. Agreement on this reform was reached on June 26th, 2003. ⁸ This reform had 4 key objectives:

- forcing stronger links between European agriculture and global markets;
- preparing for EU enlargement;
- to better meet demands regarding environmental conservation and product quality;
- making the CAP more compatible with the demands of 3rd countries;

The actual reform concerned the following:

- further decoupling aid from volumes produced: decoupled aid became a "single farm payment", based on guaranteeing income stability;
- cross-compliance, making the single payments conditional on a whole series of criteria concerning the environment and public health;
- compability with WTO rules - the ultimate objective of decoupling was that these aid would now be included in the green box (type of WTO-permitted governmnet aids);
- public redistribution of payment entitlements allocated to farms on historical bases, with the help of two mechanisms: modulation, and the potential application of a regional decoupling model to allow harmonization of payments per hectare allocated according to regional criteria;
- financial discipline: a principle subsequently enshrined in the 2007-2013 financial perspective - whereby the budget of the 1st pillar was frozen and annual compulsory ceilings imposed;
- a single common market organization, established in 2007 ⁹, by codifying the regulation mechanisms of the existing 21 common market organizations;
- Intervention price cuts (rice and dairy - which seems like these where the last remaining);

Then in April 2004 (Mediterranean Package) - focus on tobacco, olive oil, hops and cotton.

EAFRD Creation

The states goals of rural development policies (Pillar II, financed by the EAFRD ¹⁰):

- improving the competitiveness of agriculture and forestry by supporting restructuring, development and innovation;
- improving the environment and the countryside by supporting land management;
- improving the quality of life in rural areas and encouraging the diversification of economic activity;

⁸<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32003R1782>

⁹Regulation n 1234/2007

¹⁰Regulation n 1698/2005

2006 - The "New Sugar Regime: This reform follows some TWO troubles, among which a complaint from Brazil ¹¹ regarding export subsidies given to the sugar sector. The reform implemented a significant cut in price support, compensated through direct payments. https://ec.europa.eu/commission/presscorner/detail/en/IP_17_3487 <http://capreform.eu/the-2006-eu-sugar-reform-in-review/>

The sugar regime is an example of the 21 CMOs (Common Market Organization) tools which existed pre-2007 - these were the set of market interventionist policies, mostly price guarantees. Each of the CMO has its own set of rules, and targeted a specific set of products.

Due to market pressures, it was decided in 2007 to lower the set-aside percentage to 0%, and set-aside was abolished in the 2008 Health Check. Import tariffs for cereals were also suspended (though re-imposed in autumn 2008).

In terms of texts:

- the first one is regulation 1782/2003 regarding the CAP support scheme for farmers ¹²
- the second one is on the continuation of intervention buying, and of import and export control for cereals, and is Regulation 1784/2003;

A very small number of amendments is passed for these two. One in 2007 limiting intervention buying for maize in 2007.

7 2007 - 2014 (developed under Mariann Fischer Boel)

7.1 *History and Context*

When looking at this new round, one has to consider the radical change in the constitution of European farming which was brought by the 2004 5th enlargement to 8 Eastern countries (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia) + 2 Mediterranean countries (Malta and Cyprus). And the later 2007 6th enlargement to Bulgaria and Romania. Finally, to Croatia in 2013.

According to Tangermann and Cramen-Taubadel [1], farms in the first 15 member states were mostly small family farms - while the ones for the 12 Eastern and Central European countries which entered starting 2004 were descendants of large scale former collective farms.

In terms of legal text, the 2003 regulations are repealed and replaced by Regulation 1234/2007, or the single CMO regulation. This is a full re-writing of the CAP.

The major reform of this financial round was the 2008 Health Check, which aimed at consolidating the 2003 framework.

Health Check Reform (2008):

- further decoupling for direct payments - through the gradual elimination of the remaining payments coupled to production, by moving them into the single farm payment scheme;
- All 21 CMOs were gathered in a single CMO ¹³ - measures included the end of milk quotas, to be fully phased out by 2015 - with a gradual increase of quotas until then;
- partially reorient the first pillar funds toward rural development by increasing the modulation rate for direct aid;
- "inject flexibility into the rules for public intervention and control of supply, in order not to have an adverse impact on the ability of farmers to react to market signals" [3];

¹¹https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds266_e.htm, to check the European arguments in favor of the sugar export subsidies at the time, check: https://ec.europa.eu/commission/presscorner/detail/en/IP_03_993

¹²<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32003R1782>

¹³<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32007R1234>

Under shared management of the budget, the task of actually disbursing EU funds is delegated by the Commission to the member states, who themselves employ 85 national or regional disbursement agencies. These agencies must be accredited by the Commission. The Integrated Administrative and Control System (IACS) ¹⁴ checks how direct payments are made. In order to do so, farmers are identified in a detailed electronic database maintained by the IACS, which includes information on the sizes of their holdings, past application and receipt of aid. Member states are reimbursed by the Commission for the payments that they have made to beneficiaries. Payments on direct aids and market regulation measures such as export refunds under Pillar 1 are reimbursed on a monthly basis, while payments under the second pillar are reimbursed only on a quarterly basis [1]. Between 1999 and 2007, the Commission claimed back a total of 4.17 billion EUR funds via financial corrections, the bulk of these came from Spain, Greece, France and Italy. The type of CAP spending which led to the most financial correction were direct payments on land and livestock (resp. 900 millions and 670 millions), followed by market regulation in the areas of olive oil, oils and fats, fruits and vegetables.

7.2 *Pillar 1*

Intervention Buying: at predetermined floor prices [1] concerned the following goods: cereals, rice, sugar, olive oil and table olives, beef and veal, milk products, pork, sheep meat and goat meat. There are now limits to the quantities that can be purchased into intervention, and intervention prices are now much lower.

In most sectors [1] without intervention buying, there are other forms of domestic measures to provide price support. For example, in the fruit and vegetables sector, member countries are encouraged to establish producer organizations which can then engage in crisis management such as non-harvesting, so as to reduce supplies (this is co-financed by the EU). Another element of domestic market policy is supply control, in the form of production (or marketing) quotas for milk and sugar. These were introduced in 1968 for sugar, 1984 for milk. However, the Health Check reform of 2008

Finally, in some product sectors, domestic policies under the CAP also foresee subsidies per unit of product, including for the use of certain agricultural products in processing activities (dried fodder, flax, starch, skim milk), for the distribution of school milk, and silkworm rearers.

7.3 *Direct Payments*

As mentioned previously, these were introduced as compensation for cuts in support prices in 1992. For this session of the CAP, they accounted for 2/3 of the CAP expenditures, and 60% of the European PSE (Producer Support Expenditures) in the EU-27. The system in place for this period, and past the 2008 reform is referred to as the Single Payment Scheme (SPS), and is applied to the 15 oldest MS, while the 12 newer ones are still in the process of phasing direct payments gradually in, under a transitional simplified regime, known as the Single Area Payment Scheme (SAPS). The legal basis for both the SPS and SAPS is a 2009 regulation ¹⁵.

Under the SPS, each farm is allotted entitlements for flat rate payments per hectare for all of its eligible area. The allocation of entitlements to individual farms was based on the payment rights farmers had following the reforms of 1992 and 2003. Payment entitlements are tradable among farmers. However, in order to activate an entitlement (receive the payments), a farmer has to dispose of eligible area. Eligible area is essentially all agricultural land with the exception of land used for permanent crop and forestry. Farmers receive these decoupled payments irrespective of what they produce and whether they produce anything at all. However, in order to receive the payments in full, farmers have to

¹⁴https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/financing-cap/financial-assurance/managing-payments_en

¹⁵Regulation n73/2009 of January 10th, 2009 - <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32009R0073&from=en>

respect cross-compliance conditions, requiring them to keep their land in "good agricultural and environmental conditions" and to observe statutory management standards.

The point of the SPS system was also to smooth differences in payments per hectare within member states, as such allowing member states to redistribute payments across farms, within the overall budget envelope for direct payments in the country concerned. [1]. SAPS directly provided equal payments to all eligible hectares in a given country, within that country's overall envelope.

Under this session of the CAP, it was tried to gradually shift expenditures from Pillar 1 to the more targeted Pillar 2 - as such a schedule of gradually increasing deductions from the direct payments was introduced, referred to as modulation. Under that provision, directly payments were reduced in 2011 by 9%, to rise to 10% in 2012, and these savings were then transferred to the budget for rural development measures in the respective member states. Member States were also allowed to shift larger amounts from direct payments to Pillar 2 measures, but only Portugal and the UK used this "voluntary modulation".

Member states can also retain up to 10% of their national budget ceiling for direct payments, and use it in measures providing assistance to "sectors with special problems". These are called "Article 68 measures", and can include coupled payments to the dairy, beef, veal, sheep and goat meat, as well as rice sectors.

7.4 *Pillar II Measures*

the overall budget is set by the 2007-2013 financial framework, then broken down by year, finally allocated to member states. Some objective criteria for the obtention of funds were set in the 2005 regulation, however member states often negotiate around them at the Council of Ministers [1]. Member States having joined the EU more recently often used their accession negotiations to secure a particularly large allocation from the Pillar II budget. Tangermann et al quote Austria as an example for this, Franz Fischler being the Minister of Agriculture in Austria at the time.

Member States propose a rural development program for the entire financial period, and the Commission checks whether these match the strategic guidelines set in the overall framework. In establishing these plans, MS can choose among a list of 42 measures. The three first axes for these development plans are set in the 2005 regulation, and a 4th one aims at providing support to local action groups engaged in rural development. MS have to provide a plan with policies referring to each axis, allocating budgets with a minimum of 10%, 25%, 10% and 5% for axes 1 to 4.

7.5 *Other EU Agricultural Policies*

The last set of EU agricultural policies concern:

- the quality of agricultural and food products - for example sanitary and phytosanitary standards, including standards for imports from 3rd party countries;
- regarding the nature of the production process - including regulation to improve animal welfare;
- regarding the marketing of agricultural and food products (promotion of exports, organic good, for geographical indications, the regulation of contractual relations along the food chain);
- support to the production and use of bioenergy, in particular of biofuels;
- R&D;

7.6 *National Policies*

There are some remaining national domains, but its extent is regulated by the EU. This is a whole set of rules regarding state aids granted by the MS, including for a long list of state aids in the agricultural sectors:

- assistance to productino insurance (like crop insurance);
- disaster insurance;
- certain types of investment aids in agriculture and the processing sector;
- aids for the setting-up of young farmers and for early retirement;
- aid for meeting standards;
- aid for the advertising of agricultural products;

8 2014-2020 (developed under Daçian Ciolos)

Steps which led to the adoption of this CAP[1]:

- April-June 2010: Public Consultation Process by the Commission;
- November 2010: Publication of Commission Consultation;
- October 2011: the Commission publishes a legislative proposal;
- Late 2011-2012: Trilog among Commission, Council of Ministers and Eu Parliament;
- Late 2012-early 2013: Adoptoin of the reform Legislation;
- 2013: Translation into national law,preparation of programs;
- January 2014: start of implementation;

The 2013 reform ¹⁶ was the fifth significant reform [3] of the CAP after 1992, 2000, 2003, and 2008. This reform aimed at transforming decouple aid into a multifunctional support system. The system of decoupling agricultural aid and providing generic income support instead, which began in 2003, gave way to a system in which instruments are once again coupled to specific objectives, and historical reference periods ceased to play a role (targeting)[3]. Single farm payments were replaced by a system of payments in stages or strata, comprising seven elements: a basic payment; a greening payment for environmental public goods; an additional payment for young farmers; a redistributive payment whereby farmers may be granted additional support for the first hectares of farmland; additional income support in areas with specific natural constraints; aid coupled to production; a simplified system for small farmers.

Only active farmers are now eligible for the new basic payment per hectare. The direct paymnet envelopes will gradually be adjusted until they are all at a minimum per hectare payment in euros by 2019 (external convergence).

The reform continues to redistribute aid across pillards. Modulation for direct payments under the 2nd pillar has been scrapped and replaced with a mandatory reduction in basic payments above 150,000€. Inter-pillar flexibility has also been enhanced. Since 2015, member states have been allowed to transfer funds between the 2 pillars - up to 15% of originally allocated amounts from the 1st to the 2nd, and for some specific member states, this was pushed to 25%. CMO (Common Market Organization) tools: the post-2013 regulation has an internal heading focusing on market interventions, and rules for marketing and prooducer organizations, and an external heading for trade with third parties (import and export certificates, import duties, administration of tariff quotas and export refunds). It also regulates the new reserve fund for crises in the agricultural sector, set up each year

¹⁶Regulations n 1303/2013, and 1308/2013

through reductions to direct payments (under the financial discipline mechanism) - with the provision that any reserve fund monies not used in a given year are redistributed to farmers. Still regarding CMO, the abolition of all supply control measures was confirmed (only in March 2016 were producers in the dairy sector exceptionally authorized to organize to limit production). Regarding milk, there was the milk mini-package of 2012 (reg 261/2012), and then a second package adopted in 2016 with the aim of reducing supply, and helping farmers with the price crash which followed the end of quotas in 2015. The sugar regime expired in September 2017, and the system of vine planting rights was replaced by an authorization system in 2016. .

8.1 *History and Context*

The decoupled aid which existed pre-2014, called "Droit au Paiement Unique", was replaced in 2015 by a subsidy split between 3 categories: the basic payment (DPB ou droit au paiement de base), the green payment, and a redistributive payment.

8.2 *Basic Payment*

This one depends on the surface held by farmers. As such, the basic payment is a de-coupled payment, independent from the type or level of agricultural production. The other types of decoupled payments are built upon this basic payment (redistributive payment, green payment, additional payment for young farmers).

The 2015 value is based upon the value of payments received by the farmer in 2014, and then converges progressively, in order for the subsidy per hectare received by each farmer to converge by 2019 to the national average. In France, two regions were created for the basic payment: Corsica and the Hexagon. The minimum set by the EU text was to cover a third of the gap between the current value of the subsidies, and the national average. In France [4], it was decided to cover 70% of this gap. Again in France, the average value of the DPB in 2018 was of 115€/ha, the total of DPB, green payment and redistributive payment was of 243€/ha, for the 52 first hectares of the agricultural undertaking.

To receive this basic payment, farmers have to meet a set of minimum requirements, to be active farmers, and to have agricultural land at their disposal, which is used for agricultural activity. Moreover, farmers have to submit an aid application declaring all the agricultural parcels on the holding every year. [5]. The minimum requirements are the following: direct payments can only be granted above certain thresholds defined by the member states - these minimum thresholds vary between 100€ and 500€. They are also not granted when the claimed eligible area is less than an area ranging from 0.3ha to 5ha. See annex in [5] for the member specific values.

On being an active farmer: according to regulation n1307/2013, a farmer is a natural or legal person, or a group of natural or legal persons, whose holding is situated within the territory of the EU and who exercises an agricultural activity. No particular legal status is required. For the "active" part, this prevents individuals and companies from receiving support from the CAP when their business is not agricultural or only marginally so. This relates to:

- those farmers who have mainly areas which do not need intervention to remain in a state suitable for grazing or cultivation and who do not perform a minimum activity on those areas, whatever the level of direct payments they were granted in the previous year, are considered non-active and may not receive support. This element is not optional;
- a negative list which includes waterworks, real estate services, railway services, permanent sport and recreational grounds. Until claim year 2017 in all MS, entities operating an activity on the negative list were not considered "active farmers" unless they could prove that their farming activity is not marginal, using one of the 3 possibilities to rebut the negative assumption. The omnibus regulation (n2017/2393) has made this provision optional. As from claim year 2018 [5], only 9 MS apply the negative list (BE, BG, HR, IE, MT, RO, ES, SI, UK-W). When implementing the negative list, MS can

also decide to expand it to introduce similar activities, ie public administration (MT, BG, RO), prisons, forest, management and construction (RO);

- the application of a test on all claimants

The Transparency Principle: the European legislation acknowledges the transparency principle, which allows to attribute subsidies to agricultural businesses, by taking each associated as an independent farmer. The condition for this, is to demonstrate that each associate contributes to the economic reinforcement of the undertaking. Then, the business will receive the same amount of subsidies as if all associates were individual farmers, each bringing their own contribution. In France, only the GAECs (Groupement Agricole d'Exploitation en Commun) can use this principle. However, other legal agricultural businesses can be transformed into a GAEC in order to benefit from it, such as EARL (Exploitation Agricole à Responsabilité Limitée) between spouses. The principle was consolidated into European law in 2020.

8.3 Green Payment (a decoupled payment)

In France [4], farmers in the DOM receive specific subsidies in the framework of the "Programme d'option spécifique à l'éloignement et à l'insularité" (POSEI), and hence do not receive the green payments.

These are payments directly to the farmers, which aim at compensating specific pro-environment activities. Hence, these are decoupled payments, as they are independent from the level of production. In 2018 in France, they represented in average 80€/ha, represented about 30% of the total direct subsidies, or 2€billions a year.

The green payment is to be obtained by any farmer receiving the basic payment, and fulfilling the 3 following conditions:

- contributing to the conservation, at the regional level, of a ratio of permanent grassland areas to the total admissible surface, and who does not plough specific grassland and permanent pastures qualified as fragile;
- respecting the obligation of crop diversification (which is to have on their arable lands - agricultural lands with the exception of permanent pastures and permanent crops - at least three different crop types);
- holding land of ecological interest, which should represent at least 5% of the total arable land, and be located on these arable lands, or adjacent to them. These can be topographical objects (trees, hays, ponds, ...) or surfaces (buffer zones, or crops fixing nitrogen in the soil). For a farmer's who's agricultural holding is completely organic, it is sufficient to respect the required conditions for the organic classification. For a farmer doing some organic farming, the organic criteria are sufficient for their organic land, the 3 criteria detailed above are then applied to the remaining land - however the farmer can opt to have these 3 criteria apply to the entirety of their land. Finally, a farmer can switch the 3 criteria for a mechanism of "agreed-upon equivalence" - that is, for corn farmers, they can switch the crop diversity criterion for an obligation to plant winter cover crops, sowed at the latest 15 days after the corn harvest, and kept at least until the 1st of February of the following year;

8.4 Redistributive Payment (a decoupled payment)

This subsidy is set at the national level (unique value), and paid in addition of the basic payment, for maximum the first 52ha of the agricultural operation. Its aim is to favor high-added value production, or job creation happening on farms smaller than the average (typically, these would target milk production, or the growing of fruits and vegetable). In France, it was set at 26€/ha in 2015, 50€/ha since 2016.

8.5 Additional Payment for Young Farmers (decoupled payment)

This subsidy is paid in addition to the base payment, in the limit of 34ha per farm operation where a young farmer is working. It is part of the first pillar. It is given for a maximum period of five years. It has been instituted in 2015, corresponds to 70 million €a year in France. The specific amount per hectare is set every year, according to what is available financially.

A "young farmer" is a person of, or younger than 40 years old the year the first subsidy is received. The person should also have started farming for the first time in the five years preceding their first demand for the basic payment. Finally, that person needs certain agricultural diplomas when introducing the demand.

8.6 Coupled Subsidies

The production of some specific products gives the right to production-related subsidies. These couple payments can be attributed to any segment of the agricultural industry facing economic hardships, if it is also listed in the EU legislation. There are then set by each country, in the limit of 13% of the total amount of subsidies distributed in direct payments. However, an exception was introduced for plant protein, allowing to increase the subsidies to 15% of the direct payments (so 2% extra for plant proteins).

France uses coupled subsidies at the maximum allowed level. Starting in 2015, these subsidies represent 15% of first pillar subsidies, compared to previously 10%. The following products are concerned: suckler cows, dairy cows, sheeps and goats, veals from suckler cows or organic veals, durum wheat, plums destined to be transformed, transformed fruits, tomatoes destined to be transformed, starch potatoes, hop, hemp, grass seeds, plant proteins (fodder legumes, soy, protein crops (peas, lupin, "févrole"), fodder legumes to be dehydrated, seeds of fodder legumes), rice;

Most of the coupled subsidies are proportionally degressive.

8.7 Compensatory Allowance for Natural Handicaps (ICHN)

These aim to help maintain agricultural activity in disadvantaged areas (mountains, Piémont, simple disadvantaged areas). Their value was increased by 15% in 2014. From 2015 onwards, an additional 70€/ha for up to 75 ha will be given. After its revaluation in 2017, the ICHN represent 1056 millions €in France, 40 years after the creation of this subsidy scheme, this was the largest increase witnessed. The ICHN is part of the second pillar, and is received by 100,000 farmers in France.

Starting in 2019, new zoning rules are implemented, increasing the number of targeted municipalities from 10,429 to 14,210. Certain areas are also excluded from the classification, and will received a decreasing subsidy of 80% of the amount in 2019, 40% in 2020.

8.8 France: Plan de Compétitivité et d'Adaptation des Exploitations Agricoles

This plan supports the investments made in farm operations.

8.9 Young Farmers Endowments

This is part of the 2nd pillar of the CAP. This lump sum payment is available for young farmers who also meet an agricultural capacity condition, and who have established a business plan for the next four years. In France, the amount was increased by 56% between 2016 and 2018, to reach 31,000€on average.

8.10 Agro-Environmental and Climatic Measures & Help for Organic Agriculture

MAEC in French. In 2015, a new type of MAEC was introduced: the "systemic MAECs" - their associated conditions concern the entirety (or almost) of the farm operation, rather than the few parcels for which there is an environmental stake.

There are three types of MAECs: systemic MAECs, MAECs for local stakes (following the 2007-2014 rules), the MAECs for the preservation of genetic resources (different set of measures for animal and plant resources on the one side, and for bees on the other). The yearly amount dedicated to MAECs for the 2014-2020 period doubled compared to 2007-2014.

8.11 (France) Programme National de Gestion des Risques et d'Assistance Technique (PNGRAT)

This program is co-financed by the European Union, through the EAFRD (FEADR in French) - European Agricultural Fund for Rural Development, and has two specific targets:

- subsidizing the climatic multirisk crop insurance, by covering a part of the premium (maximum 65%);
- subsidizing mutual funds for environmental and hygienic hazards - the national agricultural mutual fund for hygienic and environmental risk (FMSE) is the unique fund which was granted authorization by the public authority;

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