

OVERVIEW OF THE EVOLUTION OF AGRICULTURAL AND RURAL POLICY IN EU FROM 2004 TO 2040

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Abstract. The fourth period of the European Union (EU) Common Agricultural Policy (CAP) is currently being implemented since Lithuania's accession to the EU. All these periods have features, objectives, priorities that are unique to themselves, and their formation, maintenance and modification took place each time for different reasons, the analysis of which is significant, in order to identify the problematic places in the evolution of the EU's agricultural and rural development policy. The targeted and effective implementation of the CAP depends on proper analysis, preparedness, planning, engagement and a vision and foresight for the future. The article aims to identify the reasons for the changes that influenced the strategic planning of the CAP, why the objectives of the programming periods were not achieved, what planning challenges were faced, how much and how member states were involved in the preparation and planning of programming periods.

Keywords: EU CAP policy, agriculture, rural development.

JEL Classification: O4.

1. Introduction

The paper reviews and assesses the evolution of EU agricultural and rural policy from 2004 till 2040. It should be noted that till present time (2024) in these 20 years, three different programming periods have been implemented, and a fourth is now under way. All of them have their own characteristics, objectives and priorities, and have been shaped, maintained and modified for different reasons, the analysis of which is important in order to identify the problem areas in the evolution of EU agricultural and rural development policy. It also provides a brief overview and assessment of the planned changes in the CAP up to 2040. The objective of this research is to review and assess the evolution of EU agricultural and rural policy from 2004 till 2040 and to create the background for future researches focusing on impact of the CAP on the economy of the EU.

“From a historical perspective, the CAP dates back to the early 20th century. In the post-war years, when Europe was experiencing economic hardship with food shortages and the threat of famine, the search for common solutions led to the signing of the Treaty of Rome in 1957,

establishing the European Economic Community, which referred to the need to create a CAP” (Jurkėnaitė, 2011). This was the beginning of the CAP in 1962. The CAP is the body of legislation adopted by the EU to create a single agricultural policy in the EU countries. It is the oldest EU policy still in force, created in 1962 by the six founding countries of the then European Communities (European Council, 2024). These facts show that the CAP retains its relevance in the overall EU policy framework, as the problems it addresses remain relevant regardless of the amount of funding it has received, and the new challenges that are emerging show that the sector's potential economic development in a global context has not been anticipated. Therefore, the evolution of the CAP uses methods of analysis and synthesis, logical analysis and abstraction to analyse existing economic and policy insights and empirical research.

2. Overview of related literature and works

2.1. Launch of the CAP and budget

The essential parts of the CAP's scope have remained the same up to the present day – the activities of the actors

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involved in the agricultural sector, the production, processing and marketing of products. The Treaty of Rome gave the CAP an important role (Articles 38 to 47). However, the most important of these is Article 33, which defines the objectives of the CAP Treaty on the Functioning of the European Union (The European Union, 2012): to enhance agricultural productivity, with aim to promote technological advancements and optimize the efficient utilization of production factors, especially labor; to ensure a decent standard of living for the farming community by increasing the personal income of those involved in agriculture; to stabilize markets, guarantee sufficient supplies, and maintain consumer-friendly prices for the products supplied.

However, as the economic, political and environmental situation has changed, so have the objectives of the CAP. The European Union budget allocates a significant share of agricultural and rural development funding (European Parliament, 2023a; 2023b; Carles, 2018; European Commission, 2023b; Allen, 2012) to the implementation of the CAP and the achievement of its objectives. However, compared to 1980, when 65.5% of the total EU budget was allocated to the CAP, in 2022 it is already significantly less, at only 23.64% of the total EU budget (European Commission, 2022). The information summarised below (see Table 1) is based on the sources of information mentioned in this paragraph.

Table 1. Allocations for the CAP periods (source: European Parliament, 2023a; 2023b; Carles, 2018; European Commission, 2023b; Allen, 2012)

Period	EU CAP budget bill. Euro	Part of the total EU budget
2023–2027	386 602	23.28
2014–2022	408 313	23.5
2007–2013	458 102	45.81
2004–2006	141 842	46.42

This aspect adds to the importance of the sector and is significant for the evolution of the CAP, since in 2024 the CAP budget represents only 23.28% of the total EU budget, compared to 46.42% at the beginning of the period in 2004. The growth of the EU budget itself has been influenced by the accession of new Member States and by inflation. Given the declining volume of CAP funding, its appropriateness and efficiency are becoming critical to ensure the effectiveness and stability of the CAP itself.

2.2. CAP 2004–2006

Since 2004, Europe and the world have witnessed global changes which are reflected in the evolution of the CAP objectives. The financial period 2004–2006 started with rural development measures, which became the second pillar after the 2000 CAP reform, integrating measures to promote the development and structural transformation of less developed regions (Objective 1), and are being implemented alongside measures to support the economic and social transformation

of areas (Objective 2) experiencing structural difficulties. These measures have been implemented in conjunction with the other objectives of the CAP, in pursuit of the objectives set out in Article 33 of the Treaty establishing the European Community (Council of the European Union, 1999). During this period, direct payments to agricultural operators were decoupled from production, allowing them to choose the type of agricultural production (Jurkėnaitė, 2011). The focus of support for rural development has been on the multifunctionality of agriculture, a multisectoral and integrated approach to the rural economy, flexible support based on the principle of subsidiarity and the promotion of decentralisation, consultation at regional and local level and with the partners, and the transparent preparation and management of programmes on the basis of simplified and more accessible legislation. (European Commission, 2023a).

These changes can be seen as a result of the MacSharry reform of 1992, which marked the beginning of a series of changes that hoped to compensate for the loss of income due to price falls by direct payments based on specific area and livestock numbers. Agenda 2000 reinforced these principles with a reduction in market price support and an increase in direct payments. The 2003 reform led to an expanding forage area and a decrease in the area of land used for crops. Together with lower herd sizes and lower forage yields, this has led to an extensification of livestock production (a reduction in stocking densities) (Organization for Economic Co-operation and Development, 2011).

The CAP reforms since 1992 have implemented the principle of payments being made without any requirement for, and irrespective of, the volume of production, which has led to more passive farming, but the introduction of cross-support requirements has led to greater environmental protection, and the Rural Development Regulation has been amended to widen the scope of eligible costs. Modulation of decoupled direct payments has also been introduced. What are the overall benefits for the EU of these reforms and has the potential for reduced production been taken into account? An overall increase in production capacity was expected due to the future accession of a large number of new countries, but by 2004 the total value of agricultural production had increased by only 20% with the accession of 14 new countries, even though the number of farms tripled (Organization for Economic Co-operation and Development, 2011).

To summarise the reforms affecting the period 2004–2006, they were designed to strike a balance between farming and environmental protection and animal welfare, and to force farmers to analyse markets in terms of demand for production and production costs.

With a number of changes to the CAP in the short term, it is necessary to assess their consequences and effects. Stead criticises the new CAP for continuing inequalities, with the largest single farm payments being distributed to the largest (and usually the richest) farm owners (Stead, 2007).

EU agriculture has witnessed a consistent trend over the 2000–2006: a gradual reduction in the number of farms and

a continuous exodus of farming households from the sector. Between 2003 and 2007, the EU-27 in some countries the rate of farmer outflows from the EU was more than twice the average (Raggi et al., 2013).

Malheiro notes that while many of the problems have been solved by previous CAP reforms, some problems remained again in 2007–2013. The main among these is the distribution of financial support: in 2003, according to an OECD study, only 50% of CAP expenditure went to farmers, with the remainder going to landowners or to cover running costs (Malheiro, 2024).

The Institute for Agriculture and Trade Policy highlighted that small farmers expressed concern about the 2003 reform because payments were determined based on historical production. Consequently, the most productive farmers – namely, large corporations – received the majority of these payments. However, the agricultural lobby demonstrated superior organization and effectiveness compared to the loosely aligned coalition of consumer groups, environmental advocates, and development NGOs that aimed to contest the CAP reforms (Delayen, 2007).

The results and impacts of the CAP 2004–2006 can be summarised in the light of the results presented here as a result of the polarisation of different groups of farmers, allowing larger farms to receive a larger share of the support, but more importantly, allowing a large share of the support to go to landowners rather than farmers. This may also have contributed to the almost 10% reduction in the number of farmers across the EU between 2003 and 2007 (Raggi et al., 2013).

These results may also have been influenced by the CAP policy-making process itself, where it is clear that there was no broader debate on the changes envisaged. In 1997, the European Commission (EC) produced the Agenda 2000 material (Delayen, 2007). The 1999 Berlin European Council (CE) set out the conditions for the reform outlined above. And in 2003, an agreement was reached at a meeting of EU agriculture ministers in Luxembourg, which led to a major overhaul of the CAP and the introduction of a number of new principles/mechanisms (European Parliament, 2003).

Thus, the sources reviewed do not provide any information on the wider debate on shaping the CAP changes. The negotiations refer to the national agriculture ministers and the CE, which has shaped the proposals, but there is no mention of agricultural representative organisations, nor of farmers themselves. This suggests that by not involving agricultural representative organisations in the debate, a significant part of the potential insights and rational arguments to make CAP changes meet the needs of a larger part of the sector are lost.

2.3. THE CAP 2007–2013

In the 2007–2013 period, the CAP consisted of two pillars. Pillar I, direct payment to farmers and market regulatory measures that target farmers' needs, and Pillar II targeting rural evolution with targeted measures for

agri-competitiveness, environmental and rural economic diversification and social life activation. A framework of support for agriculture and rural development has been developed with three thematic areas: the agricultural and food economy, the environment, the wider rural economy and population (Jurkėnaitė et al., 2011).

Support for rural development has evolved over the period 2007–2013 from supporting structural adjustment of agriculture to support that recognises the multifaceted role of farming in the wider rural context (European Commission, 2023a). It should be noted, however, that the sharp rise in food prices in 2008 and beyond has shown that CAP measures have not been able to meet one of the objectives of the Treaty of Rome: 'to ensure that food reaches consumers at affordable prices'. There has also been considerable criticism of the differences between the financing principles of the new and old EU Member States and the distribution of funds between the pillars. The mere fact that different possible funding strategies and orientations were discussed and evaluated in the run-up to the 2014–2020 period shows that the previous principles did not fully meet expectations. Researchers who have analysed the results and issues of this period have unanimously concluded that changes are needed, starting with the funding objectives and orientations. However, there was no consensus on which of the possible schemes was the most appropriate and would address the current and future problems of the sector. Some scholars have even suggested "eliminating the rural population from the CAP 2014–2020", while others have argued that it "leaves the right to respond to the needs of this target group through adaptation policies, but that the proposed model nevertheless has a strong orientation towards the needs of other groups. This approach is justified by the name of the policy and by the EU programmes that address similar problems" (Jurkėnaitė, 2011). Other authors (Jambor & Harvey, 2010) state that the role of farmers in adding value to the countryside is declining, and that the orientation towards addressing rural development problems is therefore a particularly important feature of the new CAP. Some authors even suggest changing the name of the policy to reflect the content of the new development phase. The fundamental problems raised were the inability to achieve environmental objectives and the link between funding and the scale and objectives of the problem to be addressed. On 18 November 2010, the EC published a Communication proposing three alternative scenarios for the CAP 2014–2020. Member States subsequently expressed their views on which of the scenarios presented was the most acceptable (Jurkėnaitė, 2011).

Looking at the results of the 2007–2013 CAP, it is worth noting that it takes time to see the effects, so the fact that in 2016 the agricultural policy situation was still problematic, with 20% of beneficiaries receiving 85% of the subsidies, reflects the long-term consequences of the policy of the previous period. It is also noted that NGOs have called for reforms to strengthen ecology, and

internationally criticised the CAP as European protectionism, preventing some countries from accessing the European market and subsidising cheap European produce (European Commission, 2015).

All this shows that, as in the 2004–2006 period, in the 2007–2013 period the majority of support went to a small number of applicants and large landowners continued to be the main beneficiaries. The funding for environmental protection also fell short of expectations, but the European policy of supporting its own production has had an effect, as the access of other countries' production to the European market has been limited.

The process of shaping the CAP for 2007–2013 was based on a more consultative process than in the 2004–2006 period. The EC's Agriculture Commissioner drew up a proposal for a new CAP on the basis of consultations with Member States and stakeholders. This proposal has been revised and decided by the European Council of Agriculture Ministers (Organization for Economic Co-operation and Development, 2011).

However, the Lisbon Treaty, approved on 13 December 2007 and entered into force on 1 December 2009, gave more powers to the European Parliament (EP). The EP was included into the legislation processes and could make collegial decisions with the member states. In this way, along with the increase of democracy process in decision-making, considerable problems arose. Since the right of veto was in effect, the proposals made by the European Parliament had to be acceptable to all member states, which meant being more conservative (Raggi et al., 2013).

Since 1980, a number of reforms of the CAP have been carried out. They have been the result of the external global changes, environmental challenges and changes in financial resources. Various scientific evidence note that fundamental CAP changes became possible due to institutional changes, which showed with corrections of the EU Treaties even before reforms of CAP (Lovec & Erjavec, 2015).

In conclusion, the objectives of the CAP in the 2007–2013 period were not fully achieved. The main reasons for this are the inflexible and untimely adaptation of the policy to changed circumstances, the failure to foresee the various economic development strategies that could be adapted in the event of a change of circumstances, and the untimely evaluation of the results achieved, which has led to delayed decisions.

2.4. The CAP 2014–2020

For the 2014–2020 financial period, the EU Strategic Framework has focused more on results. However, this objective has been subject to the persistent planning problem of starting a new programming period without adequate, relevant data on expenditure and results in previous periods (European Court of Auditors, 2017). Six priorities have been identified for rural development measures: to promote knowledge transfer and innovation;

to increase farm viability; to promote the organization of the food supply chain; to restore, preserve and improve the associated ecosystems; to promote the efficient use of resources; and to foster social inclusion, poverty reduction and economic development in rural areas (European Parliament & Council of the European Union, 2013).

Despite the initial expectations, the outcomes of this financial period fell short. According to the European Court of Auditors, their report highlights that underperforming economies and unauthorized private usage have implications for the sustainability of certain diversification projects. The quality of the selection procedures in 2014–2020 has improved compared to 2007–2013. However, the selection procedures did not have a significant impact on the overall quality of projects. European Court also recommended that the Commission better target funding to promising projects, tighten the rules for projects whose results can easily be used by beneficiaries for personal purposes, and exploit the potential of large databases (European Court of Auditors, 2022).

Thus, even with a stronger focus on results, planning and anticipation were not sufficient, results were not achieved, and new solutions had to be found in the face of global challenges without a clear plan.

There were several key reasons for this policy design. First of all, the emergence of more result-oriented indicators is worth mentioning. The CAP has been criticised by countries that are much less dependent on agriculture as mere contributors to the system. In 2007, the Swedish government was the first Member State to propose the complete abolition of farm protection and subsidies, with the exception of those related to the environment. The UK has taken a similar position to Sweden, calling for the phasing out of all market price support and all direct payments to farmers by 2020. This was supported by the governments of the Netherlands, Denmark and Malta. The CAP has been criticised because 80% of direct payments go to 20% of farms, some of which were owned by large corporations and very wealthy individuals. It has been argued that subsidies often increase the incomes of landowners more than the incomes of the actual farmers who work the land. Another area of criticism is the unequal distribution of payments between countries, for example in 2010 it was found that farmers in Greece receive an average of €560 per hectare, while in Latvia only €90 (Balkan, 2014).

To summarise the CAP change during this period, it can be seen as the result of multilateral negotiations between different interest groups, a process characterised by inconsistencies resulting from political compromises (Lietuvos agrarinės ekonomikos institutas, 2014).

The process of creating this financial period was initiated in 2010. At the beginning when the European Commission started the active and broad discussion, which sought to discuss the future CAP. In the fall of the same year, a communiqué appeared in which the European Commission presented its vision for the new period. The respondents of the discussion drew attention to environmental issues, topical issues of the food sector, uneven

distribution of support, when larger farms receive more support, and differences in payments between countries that joined the European Union at different times. Taking into account the essential comments, the European Commission has formulated three options for proposals – to continue to phase out the remaining support for price support, to create a reasonable and clear support system for areas with elements of the green economy, or to radically change the support system CAP (Lovec & Erjavec, 2015).

This was the first time the EC presented as many as three options for the future policy, allowing for a broader discussion and exchange of views.

The organization representing huge part of the agricultural entities in EU (COPA-COGECA) demanded that the support should not decrease and that new requirements should not be established, which would increase operating costs. Environmentalists welcomed what was being proposed for the Green Deal, but wanted real action plans with details. Other agricultural associations spoke positively about the gradual introduction of environmental requirements and suggested continuing the reforms. After almost 50 related discussions of all trilogue parties with the right to a decision in 2013 summer strategic aspects other than finance were agreed (European Parliament & Council of the European Union, 2021).

Negotiations on the budget were not easy and took a lot of time. The EC defended the position of the regionalization and environmental protection, but in the process retreated from their essential goal. The EP took a conservative position, so the EC could not follow the direction of the reforms in the Council and sought a qualified majority. In the course of the negotiations, it was necessary to reduce the upper limit. Lack of the time had a significant role – by not making decisions, postponing them, the start of the already reformed new policy had to be postponed for one year. Thus, the co-decision procedure, although increasing the debate and involving a wider range of interested parties in the negotiations, still led to a time trap. The actions and role of the EP directly depended on the political majority prevailing in it, with mainly conservative ideas. CAP (Lovec & Erjavec, 2015).

In summarising the CAP 2014–2020, the EC's efforts should be highlighted, with a broad discussion and three policy proposals, which meant a wider debate, and an option that seemed acceptable to many stakeholders, indicating that the decision-making process would be faster. However, the EP, for the first time involved in such a process, played the role of a stalling element, which delayed the start of the programming period by a full year. Thus, in this case, for the first time in the entire period 2004–2024, the delay in the implementation of the CAP was due to political reasons.

2.5. COVID and the recovery and resilience facility

In 2020, as the 2014–2020 programming period continues, the world is facing a pandemic with new global economic challenges. This has also led to a delay in the

timing of the end of the period and the start of the new one. The European Union had to not only address the challenges quickly, but also help all sectors of the economy, including agriculture and rural development. New financial mechanisms and funds were created which did not single out the agricultural sector as a separate sector with dedicated funding. It was able to compete for the funds allocated to each Member State on the basis of priorities and objectives.

Despite the challenges posed by the coronavirus outbreak, the European Union's agri-food sector remains steadfast in supplying Europeans with safe and high-quality food. However, farmers and producers are encountering hardships and mounting pressure. Ensuring food security remains a top priority for the European Commission, which collaborates closely with EU countries and sectoral organizations to vigilantly monitor the situation.

The Commission has taken the necessary steps to support all actors involved:

1. Guidelines for ensuring an efficient food supply chain.
2. Measures directly supporting farmers and rural areas.
3. Exceptional market support measures.
4. Simplification of the CAP and increased flexibility measures. (European Commission, 2022a).

The Recovery and Resilience Facility (RRF), a central component of Next Generation EU, serves as the EU's strategy to emerge stronger and more resilient from the current crisis. Through this facility, the EC borrows funds from capital markets (issuing bonds on behalf of the EU), which are then made available to Member States. These funds enable Member States to undertake bold reforms and investments that achieve the following objectives:

1. Enhancing the sustainability and resilience of their economies and societies, while also preparing for the green and digital transitions in alignment with EU priorities.
2. Addressing the specific challenges highlighted in country-specific recommendations within the framework of the European Semester for economic and social policy coordination (European Commission, 2022b).

The EC's rapid response and proposals are remarkable in the context of the global challenges facing the world. Key areas have been swiftly identified, changes to EU legislation have been made and resources have been made available.

2.6. The CAP 2023–2027

The new programming period started in 2023, after having started in 2021. Three general objectives were formulated: to foster a smart, competitive, resilient and diversified agricultural sector, to support and reinforce environmental and climate action, and to strengthen the socio-economic situation of rural areas. There are also nine specific objectives that elaborate on the above general objectives.

While ensuring the achievement of the main objectives of the creations, the CAP still faces serious challenges. In a context of continuous and global change and the challenges posed by climate change, it is necessary to analyse the situation more broadly, to anticipate and forecast possible scenarios for economic development, and to provide ways and action plans to adapt to them. In addition to finding ways of developing action plans and applying them where necessary, it is also necessary to propose preventive actions to prepare in advance for possible threats.

In discussing the reasons why the CAP has been designed to be so environmentally focused, it is worth highlighting the European Court of Auditors' view that the EC is "not in line with the EU's ambition to adopt a greener and more robust performance-based approach", stating that the new reform lacks clearly defined quantified climate and environmental objectives (European Court of Auditors, 2019).

The wider number of objectives could have led to delays, given the experience of the previous period, when the process took longer than planned due to the lengthy inter-institutional coordination process, and therefore, in this period, the objectives and the number of objectives have been formulated in such a way as to allow each country to choose its own direction in order to ensure expediency. In essence the CAP for 2023–2027 builds upon the reforms initiated in 2003. Its aim is to grant Member States increased autonomy in implementing the CAP. Under this framework, each Member State has developed a National Strategic Plan, which underwent review and approval by the Commission. This process allows Member States to tailor their policies to address specific challenges and unique needs while adhering to the core principles and objectives of the CAP (Economic Research Service, 2023).

The reason for giving more freedom to Member States may be the transition of society to a post-industrial phase of evolution, where the role of the agricultural sector in the rural economy is diminishing, which poses new challenges for rural and regional policy makers (Vidickienė et al. 2016).

This CAP 2023–2027 reflects the principle of maximum discretion, where Member States identify in their strategic plan the country needs for each specific objective and the corresponding interventions they plan to implement to meet those specific needs.

The drafting process itself was based on surveys and discussions, replicating the CAP 2014–2020. In the light of global world events that have posed major challenges to all sectors without exception, the EC launched a survey for the first time just before the start of the programming period to reduce the burden on farmers, in order to get the direct opinion of EU farmers. The survey asked short questions about the time spent on administrative tasks, the complexity of the procedures and rules involved, and the need for advice. The responses provided information to understand the main concerns of farmers and

will help to identify the sources of administrative burden and complexity related to the CAP and other rules in the food and agriculture sector. In parallel, interviews with farmers' organisations are being conducted to provide a complete picture (European Commission, 2024).

Overviewing the CAP 2023–2027, it should be noted growing importance of climate change and actions related to this change. The green deal had the impact for the higher freedom of every country to identify its special needs and set up budgets according to the needs of it.

2.7. Monitoring the results of CAP periods

Each funding period differed not only in terms of the different objectives set each time, the different funding conditions, the lines of support, but also in the mechanisms and principles used to monitor the results of the programme.

2004–2006 period had monitoring system. Monitoring was the responsibility of the Member States and the EC and was carried out through a single agreed procedure based on specific, pre-agreed and defined physical and financial indicators. Member States submitted annual progress reports to the EC (Council of the European Union, 1999).

During the 2007–2013 period, it was mandatory to report on progress. This reporting was based on a Common Monitoring and Evaluation Framework (CMEF) established through collaboration between the EC and the Member States. The CMEF included a set of common indicators and a shared methodology. Additionally, each program area had its own specific indicators. The primary purpose of these common indicators was to facilitate the aggregation of outputs, results, and impacts at the EU level, aiding in the assessment of progress toward Community priorities (European Commission, 2015).

In the subsequent 2014–2020 period, the quality of selection procedures improved compared to the previous period (2007–2013). However, despite these improvements, the selection procedures did not significantly impact the overall quality of the projects (European Court of Auditors, 2022).

The arrangements and mechanism for reporting to the EC have changed dramatically in the period 2023–2027. This has led to many questions and uncertainties regarding the implementation of the established procedures. Member States had to draw up strategic plans combining the financing of income support, market measures and rural development, indicating how the objectives relating to the nine specific CAP objectives would be achieved. The level of achievement of the objectives is measured against common indicators relating to output, result, impact and context. A major difference with previous financial periods is that the funding of measures is directly linked to the results achieved (European Parliament & Council of the European Union, 2021). Taking into account the presented frameworks for monitoring CAP results in the different periods, it can be concluded that the 2023–2027 monitoring and indicator

framework should be the most accurate and targeted, but its complexity imposes a higher administrative burden on Member States.

2.8. The CAP post 2027

The EU's main institutions have always started planning long-term visions for the future, but 2022 is notable because on 13 December 2022 the EP published a resolution setting out a long-term vision for rural areas in the EU, even up to the year 2040. The main highlights are:

1. The EC's public report and its evaluation in early 2024 could significantly impact the identification of areas where additional support and funding are still required. All EU agricultural stakeholders are actively involved in this ongoing process.

2. The report urges the European Commission to explore alternative policy strategies and funding coordination approaches for the next programming period. These alternatives include the possibility of a single national strategy in collaboration with regional and local authorities, as well as a unified regulation for all shared management funds.

3. The European Commission advocates for future cohesion policy regulations to incorporate a robust rural dimension and allocate funding accordingly.

4. The report underscores the importance of rural areas for Europe's food security, self-sufficiency, and resilience. It also highlights their role in contributing to a sustainable energy mix that enhances the EU's energy independence. Recent events such as the COVID-19 pandemic and Russia's invasion of Ukraine have underscored this significance.

5. To transform the long-term vision into a tangible and measurable rural strategy at the EU level, there should be a strategic dialogue on cooperation with urban areas. Furthermore, coordination across all EU funds and policies is essential to effectively support rural development. (European Parliament, 2022).

The EP is thus using its power, which has been strengthened by the Lisbon Treaty, to take the lead in shaping the CAP by already providing the EC in advance with the orientations on which it calls for action. It is likely that this resolution is influenced by the experience gained since the 2014–2020 CAP shaping process itself. The key question is what the economic and social impact of these proposals will be. Since 2005, gross value added in the agricultural sector in EU countries has increased by almost €10 billion by 2010, but between 2010 and 2022 it has increased by almost €100 billion. This reflects the increasing scale of growth in value added, but must also take into account the overall growth in the economy and output prices (appendix 1).

3. Conclusions

1. The direction of the CAP has been changing continuously over four periods, there has been no permanence, and the changes from the precise requirements to

increasing freedom have influenced the greater choice of countries to adapt to problems and challenges specific to them, but have created an increasingly complex system of supervision.

2. When the provisions for the new programming periods were drawn up and designed, the actual outcome of the outgoing period was often unknown.

3. Since 2004, the process of developing the CAP has become increasingly complex, especially as the Lisbon Treaty has given more power to the EP, but discussions with all the organisations representing both producers and environmentalists have improved accordingly. The use of surveys has not only been introduced before the start of the new programming period, but also during its implementation, looking for ways to simplify processes.

4. According to fact, that slowing CAP processes are provided by the delayed start of CAP implementation after EP was included in preparation and approval of CAP, it is recommended to consider limiting the powers of the EP, as the extension of its powers after the Lisbon Treaty has slowed down the whole process of drafting and approving the CAP.

5. By giving more discretion in the choice of support measures, it has allowed Member States to target their support to the selected areas, strengthening them, but this has worsened the overall situation of rural development, excluding areas important for the viability of rural areas, such as education, public infrastructure, health, etc. However, such freedom may result in a lower share of funding in the overall EU budget.

6. Limitation of this research is to review and assess the evolution of EU agricultural and rural policy from 2004 till 2040. Impact of the CAP on the economy of EU was not overviewed in this research, but could be done in future according to the given background of the overview of the evolution of CAP.

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APPENDIX 1

Comparative analysis of the CAP periods (information compiled by the authors)

	2004–2006	2007–2013	2014–2020	2023–2027
Number of areas/priorities/objectives	2	3	6	9
Start of implementing	On time	On time	One year late	Two years late
The role of the EU institutions in the CAP policy-making process	The EC is making one proposal, and has coordinated it with the CE and the EP, who have had no major objections.	The EC's Agriculture Commissioner has drawn up a proposal for a new CAP based on consultations with Member States and stakeholders. This proposal is being reviewed and decided by the European Council of Agriculture Ministers.	The EC makes three proposals, coordinated with the GC and the EP. In the process of alignment and approval, the EP enjoys additional powers under the Lisbon Treaty and has a strong influence on the overall alignment process and its duration.	Negotiations with the CE on the post-2020 CAP started on 10 November 2020 and continued through a series of trilogue meetings. At the end of June 2021, negotiators reached agreement on three proposals for the CAP reform package.
Involving member countries, organisations in shaping the CAP	There was no prior and wider discussion.	The shaping process was based on wider consultation with Member States and stakeholders.	Member countries, organisations representing producers and environmentalists are actively involved in the policy-making process from the start.	Member countries, organisations representing producers and environmentalists are actively involved in the policy-making process from the start. Surveys are organised to streamline processes.
Reasons of policy making	The loss of income is compensated by direct payments based on a specific area and number of animals. Market price support has decreased while direct payments have increased.	Declining value added by farmers, orientation towards solving rural development problems. Failure to achieve environmental objectives.	Criticism that 80% of direct payments go to 20% of farms. Unequal distribution of payments between countries.	Criticism of a greener and more robust performance-based approach. Lack of clearly defined quantified climate and environmental targets.

	2004–2006	2007–2013	2014–2020	2023–2027
Number of areas/priorities/objectives	2	3	6	9
Policy implications	<p>Extensification of livestock production. The largest single farm payments are distributed to the largest (and usually richest) farm owners. The number of farms in the EU-27 has fallen by around 9%, but in some countries the rate of exit from farming has been more than twice the EU average (Eurostat, 2024), with gross value added of production in 2005 amounting to 129,497 billion euro (Lietuvos agrarinės ekonomikos institutas, 2014).</p>	<p>20% of beneficiaries received 85% of the subsidies. The funds allocated to environmental protection did not meet expectations, but the European policy of supporting its own production seems to have had an effect, as the access of other countries' products to the European market has been restricted. In 2010 there were 12.2 million farms (Pakeltienė, 2015), in 2013 there were 10.8 million farms (Vidickienė at al. 2016). The gross value added of production in 2010 was €138.721 billion (Lietuvos agrarinės ekonomikos institutas, 2014).</p>	<p>A small minority of beneficiaries matched the largest share of payments. The number of farms has continued to decline. 9.1 million farms in 2020. Between 2005 and 2020, the total number of farms has fallen by 5.3 million, i.e. by 37% (Eurostat, 2024). Gross value added of production in 2022 was €220.700 billion (Eurostat, 2024).</p>	<p>Global world events have influenced ongoing discussions with countries and organisations representing beneficiaries.</p>