

ORGANIZATIONAL AND FINANCIAL ASPECTS OF THE FORMATION OF THE COMMON AGRICULTURAL POLICY OF THE EUROPEAN UNION

ОРГАНІЗАЦІЙНО-ФІНАНСОВІ АСПЕКТИ СТАНОВЛЕННЯ СПІЛЬНОЇ АГРАРНОЇ ПОЛІТИКИ ЄВРОПЕЙСЬКОГО СОЮЗУ

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The features of the evolutionary formation of the Common Agricultural Policy of the European Union, the problems of its institutional reformatting in modern conditions of the globalization recession of the world economy are considered. The author identifies unique features that characterize the modern model of agrarian relations in the countries of the European Union. The risk factors and prospects of adaptation of the domestic agricultural sector to the conditions of the Common Agricultural Policy of the European Union and the need to stimulate the development of the agricultural sector of the Ukrainian economy are identified. It is proved that the possibility of implementing the experience of countries with developed market economies will accelerate the convergence of the agricultural models of Ukraine and the countries of the European Union. The priorities of forming an agrarian policy strategy are substantiated, the essence of which will be to ensure a balance of interests of all subjects of agrarian relations and create the necessary prerequisites for further sustainable development of the industry in the context of Ukraine's global integration into the world economic space.

Key words: common agricultural policy of the European Union (EU CAP), reform of the EU CAP, agricultural sector, the European integration prospects, global integration, intensification of development.

Рассмотрены особенности эволюционного становления Общей аграрной политики

Европейского Союза, проблемы ее институционального переформатирования в современных условиях глобализационной рецессии мировой экономики. Автором выявлены уникальные черты, характеризующие современную модель аграрных отношений в странах Европейского Союза. Выявлены факторы риска и перспективы адаптации отечественного аграрного сектора к условиям Общей аграрной политики Европейского Союза и необходимость интенсификации развития агропромышленного сектора экономики Украины. Доказано, что возможность имплементации опыта стран с развитой рыночной экономикой, обеспечит ускорение процесса сближения аграрных моделей Украины и стран-членов Европейского Союза. Обоснованы приоритеты формирования стратегии аграрной политики, сущность которой будет заключаться в обеспечении баланса интересов всех субъектов аграрных взаимоотношений и создании необходимых предпосылок для дальнейшего устойчивого развития аграрной отрасли в условиях глобальной интеграции Украины в мировое экономическое пространство.

Ключевые слова: общая аграрная политика Европейского Союза (ОАП ЕС), реформа ОАП ЕС, аграрный сектор, евроинтеграционные перспективы, глобальная интеграция, интенсификация развития.

Розглянуто особливості еволюційного становлення Спільної аграрної політики Європейського Союзу, проблеми її інституціонального переформатування в сучасних умовах глобалізаційної рецесії світової економіки. Автором виявлено ключові складові Спільної аграрної політики, серед яких елементи регуляторно-ринкової, цінової, зовнішньоторговельної й структурної політики. Виявлено унікальні риси, що характеризують сучасну модель аграрних відносин в країнах Європейського Союзу. Крім того, зроблено спробу проаналізувати основні тенденції глобальної трансформації Спільної аграрної політики Європейського Союзу та встановити фактори впливу на європейську економічну інтеграцію та світову глобалізацію аграрного сектора економіки України. Доведено наявність недоліків у Спільній аграрній політиці Європейського Союзу, серед яких відсутність конкурентних стимулів для сільськогосподарників, підризи фінансової стійкості, торговельні конфлікти на міжнародній арені. У дослідженні використовувався системний підхід, який передбачає загальнонаукові (діалектичний, наукової абстракції, індукції та дедукції, аналізу й синтезу, закони логіки) та спеціальні економічні (історико-економічний, порівняльного аналізу, статистико-економічний, монографічний) методи дослідження. Доведено необхідність адаптувати власну політику, зокрема і аграрну до європейських стандартів. Виявлено фактори ризику та перспективи адаптації вітчизняного аграрного сектора до умов Спільної аграрної політики Європейського Союзу і необхідність інтенсифікації розвитку агропромислового сектору економіки України. Доведено можливість імплементації окремого досвіду країн із розвинутою ринковою економікою, що забезпечить прискорення процесу зближення аграрних моделей України та країн-членів Європейського Союзу. Обґрунтовано пріоритети формування стратегії аграрної політики, сутність якої буде полягати в забезпеченні балансу інтересів усіх суб'єктів аграрних взаємовідносин та створенні необхідних передумов для подальшого сталого розвитку галузі в умовах глобальної інтеграції України до світового економічного простору.

Ключові слова: спільна аграрна політика Європейського Союзу (САП ЕС), реформа САП ЕС, аграрний сектор, євроінтеграційні перспективи, глобальна інтеграція, інтенсифікація розвитку.

Problem statement. Agriculture is an important branch of the economy of any country. Focusing on the European values and wanting to create a new management system for agricultural and rural development, Ukraine must refocus on strategic social goals with clearly defined priorities and effective implementation mechanisms. The EU has such experience and mechanisms, namely the CAP (Common Agricultural Policy), as a separate independent component of the EU economic policy. In the middle of the last century, CAP actively stimulated the production of agricultural

products and their exports, and, finally, their containment. Such actions are the result of constant changes in the environment and many years of experience of the CAP, which should be used by other countries, including Ukraine, which try to combine market and state mechanisms of coordination of agricultural processes, as well as seek to enter the EU or consider the EU market a potential market sales.

Analysis of recent research and publications. The main directions of development domestic agro-industrial complex in the context of European

integration processes are reflected in the works V. Andriichuk, O. Borodina, V. Vlasov, V. Zinovchuk, Y. Lopatynskiy, T. Ostashko, B. Paskhaver, P. Sabliuk, V. Yurchyshyn and others. Problems of formation and implementation measures of the Common Agricultural Policy (CAP) of the EU are studied by the following domestic researchers, as S. Demianenko, T. Zinchuk, S. Kvasha, K. Kvasha, V. Bilozubenko and others.

Formulation of purposes of the article. The purposes of the article are: the research of CAP, genesis, evolution, goals as a component EU economic policy; the transfer of successful economic reforms of the CAP to the development strategy of the agricultural sector of Ukraine.

Research results. CAP combines elements of regulatory and market, price, foreign trade and structural policy. Since in the sectoral and territorial factors of the agrarian economy are integrated into one whole, gradually the goals of the CAP have shifted from solving agricultural problems to the tasks of rural development. Therefore, speaking about the modern EU agricultural policy, it should be understood that it has been formed and operates on the foundation and within the framework of regional, primarily structural, policy [1]. The EU CAP in the broadest sense is a direction of the general EU policy aimed at:

- improvement of the legal regulation of relations in the agricultural sector;
- improvement of the administrative relations between relevant institutions and economic entities in agriculture;
- adoption of the cost-effective and efficient regulatory acts that help to increase the competitiveness of the EU agriculture and rural development;
- promotion of the further liberalization of EU agriculture in line with WTO requirements.

The main objectives of the CAP were enshrined in Art. 39 of the founding Treaty of Rome on the establishment of the EU (1956) and remain unchanged [2], in particular:

- increasing the productivity of the agricultural sector by promoting technical progress;
- ensuring the rational development of agricultural production and the optimal use of factors of production;
- ensuring an acceptable standard of living for those employed in agriculture, in particular by increasing their income;
- stabilizing the agri-food markets, protection of producers and consumers from external factors;
- guaranteeing the population of the Member States of the Community with quality food at the expense of their own production of agricultural products;
- providing the population with food products at affordable prices.

The achievement of the main goals of the CAP was to be facilitated by the principles set out in the

Stresa Conference in July 1958, which were as follows. Market unity, which provides for free trade in agricultural goods between the countries party to the agreement, the abolition of quantitative restrictions, duties and taxes, as well as the establishment of uniform prices for agricultural products within the EU and the only mechanism to support them. As a result, a high-level price support mechanism has been introduced in the EU. Therefore, the minimum allowable prices for the most important agricultural products are determined in advance; if market prices fall more than 10% below this level, the EU regulators make a guaranteed purchase of the product, ensuring price levels are maintained. There are several basic types of prices in the EU. The basic ones are “indicative prices”, which the EU countries consider necessary to maintain in the national markets in intra-regional turnover. “Intervention prices” are the prices, at which surplus agricultural products are bought or sold, when price fluctuations reach the established limits from the level of the indicative price. “Foreign trade prices” are the prices of sales of agricultural goods in foreign markets.

Giving preference to products manufactured in the Community, countries over imports protected the common market from cheap imports and fluctuations in agricultural prices on world markets. To this end, high duty rates have been introduced on imported products, which have increased its value to the level of domestic prices. Agricultural products move within the EU according to the principles of the common market. Imports are subject to a system of countervailing duties, which protects producers from competition from countries where the cost of agricultural production is lower than in the EU. When exporting agricultural products to third countries, producers receive subsidies from the EU bodies, which allow them to sell products at lower world prices. For some goods, the EU has concluded agreements with external suppliers, under which they undertake not to export certain goods to the EU countries at prices below the established level. The intergovernmental bodies of the EU (Council and Commission) are responsible for the practical implementation of the common agricultural policy.

Financial solidarity, which provided for the joint responsibility of all Member States for the financial consequences of the CAP. Single funding for agriculture is provided through the European Agricultural Guidance and Guarantee Fund (EAGGF). Guidance funds are intended to increase productivity and modernize agricultural production, and guarantee funds, which account for 3/4 of the fund, are used directly to support prices. EAGGF is formed at the expense of compensatory fees levied on imports of agricultural products from third countries, deductions from customs duties on imported industrial goods, direct contributions from the EU budget, VAT revenues.

The main goal of the CAP, which has remained unchanged for more than 30 years, is to guarantee purchase prices for agricultural producers and maintain a stable level of income of agricultural producers. At the same time, responding to current economic, technological and political challenges, the member states of the European Union made adjustments to the current agricultural policy and changed the current priorities depending on the actualization of agricultural issues. Thus, in the initial stages of CAP implementation in the EU, sectoral approaches dominated, which were focused exclusively on the regulation of the agro-industrial complex and the fishing industry; at later stages, the policy was significantly expanded to cover rural development, food security, environmental development, and so on. A brief overview of the stages of development of the Common Agrarian Policy of the European Union allows us to predict the main trends in the development of the agro-industrial complex of the European Union and to identify factors influencing the agriculture of Ukraine.

The first stage of the CAP implementation (1962-1973) was related to the need to provide the EU population with the most necessary food products. Purchase prices were fixed centrally and at a fairly high level, there were no import restrictions. As 9 countries were members of the EU at this stage, for the first time there was a need to harmonize the general policy of price regulation for agricultural products, market regulation tools were also proposed, the principles of setting purchase prices and procurement volumes were formulated. Agricultural entities received significant amounts of subsidies. Expenditures of the general EU budget on agriculture in this period exceeded 65%, and the high level of support for the production of certain agricultural products led to their overproduction.

A feature of the second stage (1978-1992) of the reform of the CAP was the struggle with the consequences of the successful implementation of the tasks of the first stage, namely, the overproduction of agricultural products. Among the main means of CAP there was strict regulation of purchase prices, which limited the overproduction of agricultural products and their supply to the market. For the first time, export subsidies were introduced, which, together with other measures, created more favorable price conditions for the sale of goods in foreign markets. Quotas for milk production were also introduced, which radically changed the CAP system later, because for the first time quantitative restrictions were introduced on the volume of production of a certain type of product. Subsidies were tied to fixed production volumes.

The third stage (1992 – 2000) is related to the reforms of MacSharry. During this time, the European Union has experienced several waves of enlargement, which has led to a radical overhaul of the conditions for financing the expenditure of CAP.

Thus, in accordance with the MacSharry reforms, the system of regulating purchase prices was abolished, and instead direct payments per hectare of agricultural land were introduced. This approach unified payments and created preconditions for the producer to rationally use material, financial and natural resources, based on the analysis of real changes in the market. In addition, producers could independently choose the optimal strategies for the development of their own economy, including – to determine the volume and range of agricultural products. During this period, new methods of financial support are introduced to stimulate structural changes in the EU agricultural sector: the introduction of subsidies for early retirees; assistance is provided to farms located in regions with a relatively unfavorable climate for high yields. Requirements are set for farmers regarding mandatory crop rotations, mandatory standards for natural restoration of land yield have been introduced (annually 10% of agricultural land had to remain under steam) [3].

The current situation on world markets, progress in the WTO agreements on the liberalization of trade in agricultural products, on the one hand, and differences in the levels of development of the agricultural sector of individual EU countries (historical level of direct payments, labor productivity, farm structure), others, necessitate regular review of the CAP, improvement of policy instruments and setting new goals. Since the 2000s, the leading idea of the CAP has been to ensure the sustainable functioning of the EU agricultural sector by financing rural development and strengthening the requirements for environmental protection and safety of agricultural products.

Agenda 2000 marked the beginning of the liberalization of the agricultural production process and the adoption of new fundamental principles of the CAP.

Firstly, the principle of “multifunctionality” was introduced, which put the agricultural producer at the center of the social, cultural and natural system (the socio-cultural approach replaced the functional-production one).

Secondly, the formation of a special “European model of agricultural activity” was proclaimed, which was to strengthen the viability and competitiveness of the EU agriculture, including regions with relatively poor production conditions. Therefore, among the most important priorities in this period there were the following: the protection of natural landscapes and maintaining the viability of rural areas, the development of rural communities, ensuring their activity and sustainability. An important element of the model is the strengthening of requirements for producers in terms of food quality and safety, environmental protection and maintenance of welfare standards. The rules for regulating rural development have also been simplified, and a large number of instructions have been eliminated, in particular those concerning the

production of grain crops. Legislation has become clearer, more transparent and more accessible. Particular attention is paid to the regulation of production and marketing of grain, beef and veal, milk and dairy products, tobacco, olive oil and wine. The second most important direction of CAP reform at this stage was rural development, i.e., the implementation of integrated policies through common policy measures that ensure greater interaction between rural development and price and market policies within the CAP.

The last reform of the CAP began in 2007, largely under pressure from global liberalization processes (with demands for the abolition of subsidies), threats of food crises and food security challenges. Therefore, the new strategic program for the development of the EU agriculture for 2007-2013 identifies the following key areas of regulation and support of the agricultural sector:

1. Strengthening the competitiveness of agriculture. To address this challenge, the EU members should focus on the following areas: restructuring and modernization of the agricultural sector; support of integration and food relations; providing access to scientific and technical achievements and supporting their implementation; providing access to information and implementation of information technologies; support for the production of new agricultural and forestry products; support for cooperation of producers.

2. Environmental protection in rural areas. State support in this area should focus on the introduction of energy-saving technologies; conservation of water, soil and forest resources; reducing the harmful effects of the agricultural sector on the climate and related areas.

3. Improving the quality of life in rural areas and stimulating non-agricultural employment. The development of small business and crafts in rural areas needs state support; tourism development; preservation of landscapes; development of education for the needs of multidisciplinary rural economy; modernization of rural infrastructure; creating conditions for innovative use of renewable energy sources with the use of agricultural products, etc.

Within the framework of the defined program target priorities, the EU member states undertook to develop their own plans for agricultural development and to determine the directions of regulation and financing of the agricultural sector. In 2008, an interim review of the 2003-2004 CAP reform (so-called "health checks") was conducted. It made it possible to take into account new challenges (for example, climate change, environmental catastrophes, etc.). As a result of the survey, the requirement for farmers to leave 10% of arable land for steam was abolished; it was also decided to increase milk quotas gradually and eliminate them in 2015. An important step towards the liberalization of the CAP was

changes in the policy of centralized procurement. It has been decided that the EU will resort to purchasing surplus products only to protect the market and farmers' incomes when food prices fall to alarmingly low levels. As a result, direct payments to farmers will be limited and financial resources will be directed to rural development.

In general, the goals set by the CAP reform can be divided into three groups. The first two groups included what the EU itself seeks to gain from reforms. The third goal is the perception of reform among the population of the EU countries.

Reduction of expenditures from the EU budget. Until recently, the European Union did not feel the urgent need to reduce agricultural spending. Wealthy EU member countries were able to fund CAP through consumers and taxpayers. In addition, the EU's political weight in the WTO also ensured that the CAP's approaches would be protected from adjustment and pressure from other WTO members. The agrarian lobby, well organized both at the national and the EU levels, provided protection for the CAP from radical changes within the EU. The lobby represented the interests of farmers and rural areas in general, as well as the agricultural supply industry and a large share of the food processing industry. The political system of the Member Countries such as Germany and France attached great importance to agricultural interests.

Thus, despite drastic reforms, the CAP remains the most integrated policy of the Community and therefore absorbs a significant part of the EU budget. The European Union spends more than 40 billion EUR a year on CAP, or almost 45% of its budget, while agriculture contributes only about 2% to the EU's gross domestic product and the EU's working population is less than 6%. Currently, when discussing the directions of reforming the CAP, it is noted that the implementation of reforms should result in a reduction of the CAP in the total EU budget share to 34% in 2013. To a large extent, the EU's desire to reduce budget expenditures on CAP is due to the commitment of WTO members to abandon export subsidies since 2013. And although these requirements are formulated in the context of the WTO Doha Round, which is not yet complete, there is a high probability that this commitment will be met.

In contrast to the goal of reducing budget expenditures, caused mainly by external pressure factors and current EU debt problems, food security issues have both domestic political importance (ensuring high quality food in the EU) and foreign economic importance (combating the US lobbying for genetically modified products). According to the reform agenda, it is expected that in the future the CAP should pay more attention to improving the quality of food, ensuring its safety, maintaining a high standard of living of the rural population, environmental

protection, ensuring decent living conditions for livestock and poultry.

Recognizing the importance of supporting CAP reform among the EU population, in mid-2010 the European Commission organized a public discussion of expectations from the reformed CAP. Based on the results of public discussions and exchanges of views with the Council and the European Parliament, the European Commission presented a report "CAP until 2020" on November 18, 2010, which set out forecasts for the future development of CAP. In addition, on the basis of this report, the Commission was preparing proposals to change the EU legal framework, which were scheduled to be presented in 2011.

Currently, CAP is implemented through a number of interrelated instruments, which the European Commission groups into two main pillars: the first pillar includes joint market organization (through measures such as export subsidies, market price support, product storage, customs tariff) and direct support to farmers (through measures such as the single land payment, the single farm payment, payments partly related to the level of production and additional payments). Moreover, direct support is provided to farmers only if they comply with the conditions of cross-compliance, which is a list of requirements for animal welfare, keeping land in good condition and preserving the environment.

The second pillar of the CAP envisages rural development (in particular, measures to ensure the competitiveness of the agricultural sector and forestry, preservation of the environment and rural landscapes, improving the quality of life in rural areas and diversification of the rural economy, as well as the LEADER program). Both "pillars" are connected through the principle of modulation, which provides for a gradual reduction in the amount of direct payments and the direction of the released funds for rural development. It should be noted that an important element of the modern system of regulation of the EU CAP is financial discipline, which is to approve the maximum amount of allocations for the implementation of this policy.

For the financial perspective, the CAP is funded through two main funds: the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD), with a total expenditure of about 60 billion EUR. Annually, 60% of which goes to non-production payments and 20% to rural development financing measures that belong to the WTO green box.

At this stage, discussions are underway on the future reform of the CAP, which involves representatives of the European environmental organizations and farmers, consumer and animal rights organizations, multinational companies and the European Commission, and so on. No decision has been made yet, but it is proposed to reduce overall support and

conditionality by the "public good" provided by farmers (and which requires further formalization), as well as to raise animal husbandry standards, protect the environment and ensure product quality by fully tracking the origin of all components.

Agriculture in the European Union is a sensitive sector of the economy that requires constant subsidies from the common budget. The EU has the greatest protection of its own agricultural producers among the largest agricultural producers, liberalizing this sector is a difficult task for the EU.

In order to compensate for the potential losses of the EU from the more liberal rules of world trade in the reform of the CAP, the emphasis is on the following steps:

1. Reformatting of subsidies. Under the influence of the tendency to abandon direct subsidies, price support and other measures that fall under the WTO "box" set out in Annex 2 to the Agreement on Agriculture, the CAP reforms will direct an increasing part of such subsidies to measures related to regional development programs, research and infrastructure improvement ("green box" measures). Unlike the "yellow box" measures, the measures related to the "green box" can be financed in any amount depending on the budget of the WTO member countries.

2. Sanitary and phytosanitary measures In the face of tariff protection, the EU will increasingly apply non-tariff barriers to agricultural products competing with its own production. First of all, food safety requirements will be used, namely in the field of sanitary and phytosanitary control. These requirements will apply not only to food products but also to areas related to their production, such as wrappers or bottles. Thus, since January 2011, the EU has banned the use of the chemical compound bisphenol (used in the manufacture of plastic bottles) in the manufacture of baby bottles.

3. Protection of intellectual property rights (geographical indications). A significant number of agricultural products contain references to geographical names in their titles. Historically, these geographical indications are located in the territory of the EU member states. As a result, the EU seeks to use the geographical indications tool to give its agricultural products a better position in both domestic and global markets. In parallel, the EU will lobby for changes to WTO rules aimed at tightening the protection of geographical names and intellectual property rights in general [4].

Conclusions. Given the above, it can be concluded that a fairly long stage of formation and development of the CAP, which has begun in 1956 and continues to this day, makes it possible to analyze all the successful and unsuccessful reforms. With the desire to join the EU, Ukraine needs to adapt its policies, including agricultural ones, to the European standards. The agricultural policy of the CAP is constantly changing. This is influenced not only by internal processes in the

EU, but also by the requirements of the external environment: increased competition, increased attention to environmental protection, food safety, food security. Ukraine needs to focus on the new CAP policy of 2014-2020, which got rid of a number of ineffective reforms and made many mistakes in its own experience. Lack of competitive incentives for farmers, undermining fiscal sustainability, trade conflicts in the international arena – a small list of mistakes that have occurred in the CAP. We need to understand the direction of the new CAP policy and take reasonable and adequate steps towards rapprochement with the EU and reform of our own agricultural sector.

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