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On the Common Agricultural Policy of the European Union

The Common Agricultural Policy (CAP) is one of the most valuable policies of the European Union, whose role in managing current challenges, and in general in achieving sustainability, is of almost inestimable importance. From the time of its establishment, after several reforms, the CAP still strives to guarantee a safe, fair price food supply for the citizens of the European Union. During its presidency of the Council of the European Union in 2011, Hungary effectively contributed to the reform process of the CAP, thus contributing to the development of the policy. Declaring the multifunctional nature of agriculture, the CAP supports the actors of agriculture and the development of the countryside, as well as generational renewal by empowering young farmers. In addition it favours good management practices that are environmentally friendly, counteract the harmful consequences of climate change, and comply with agri-environmental protection requirements.

Introductory thought

The Common Agricultural Policy (CAP) is one of the defining policies of the European Union, the changes of which currently and in the long run have a decisive role in respect of the development of the economy, society, environment and culture of the European continent, overall, it is no exaggeration to say that the Common Agricultural Policy is fundamental to the European Union in terms of its future.

About the beginnings of the Common Agricultural Policy

In Europe, after World War II, ensuring the population's food supply and dealing with the food shortage due to the devastation caused by the war and the destruction affecting agriculture were objectively the most important tasks among others.¹ The contractual foundations of the Common Agricultural Policy appeared in the Treaty of Rome, signed on 25 March 1957.² The Treaty of Rome under Title III "Agriculture" in Paragraph 1 Article 38 stated that the common market covers agriculture and the trade of agricultural products. Paragraph 4 of Article 38 contained that the operation and development of the common market for agricultural products must be accompanied by the establishment of

¹ For the reasons of the establishment of the Common Agricultural Policy see SOMAI 2014: 225–246.

² It is important to emphasise that the Messina conference of 1955 is a milestone, because after long discussions a decision was made to imply agriculture in the system of the common market to create European integration.

a common agricultural policy among the Member States, the objectives of which were also recorded. After a series of negotiations characterised by long and heated debates, the CAP was actually introduced³ in 1962 along the contractual foundations indicated above, and its basic principles were also formulated.⁴

On the contractual foundations of the Common Agricultural Policy

On the basic provisions and objective system of the Common Agricultural Policy

The relevant contents of the contractual foundations of the Common Agricultural Policy did not fundamentally change compared to those laid down in the Treaty of Rome. Currently, the Treaty on the Functioning of the European Union (hereinafter: TFEU) under Title III “Agriculture and Fisheries” contains in Articles 38–44 the contractual basis for the Common Agricultural Policy.⁵ Paragraph 1 Article 38 of the TFEU states that “the Union shall define and implement a common agricultural and fisheries policy”.⁶ Paragraph 1 Article 38 of the TFEU also includes the fact that the internal market covers agriculture and fisheries, as well as trade in agricultural products. The TFEU also establishes the concept of agricultural products, namely, the range of products to which the regulation is directed.⁷

Among the contractual foundations, the provision formulating the system of objectives may be regarded as fundamental. Evaluating the system of objectives, it may be concluded that the CAP has unique, equivalent objectives, while at the same time general objectives applicable to all policies also contribute to those of the CAP. The specific objectives of the Common Agricultural Policy laid down in Article 39 of the TFEU are the following: increasing agricultural productivity by promoting technical development and by ensuring the rational development of agricultural production and the best possible utilisation of production factors, especially labour; in this way, ensuring an adequate standard

³ European Commission 2012.

⁴ The basic principles of the CAP are the following: “principle of the single internal market”; “principle of community preference”; “principle of financial solidarity”. The single internal market means the free flow of agricultural products within the Community. On the basis of the CAP, the Member States have decided to eliminate customs duties and other import barriers for the circulation of goods among them. The principle of Community preference is the preference for the Community’s agricultural products, which includes protection against cheap goods from third countries. Financial solidarity means that the member states jointly undertake the expenses related to the Common Agricultural Policy and the financing of it.

⁵ Regarding the CAP, an important provision on competition law based on Article 42 is that the general competition law provisions are applied with limitations. The legislative issues of the CAP are also settled among the contractual funds, see Article 43 TFEU.

⁶ It is important, that from the second half of the 1960s, regarding the specificities of the fisheries area, the creation of an independent policy emerged. In connection with fisheries policy, a decision was made on 25 January 1983, whereby the Community introduced the Common Fisheries Policy (CFP). For the Common Fisheries Policy see European Parliament s. a.a.

⁷ Article 38(1) TFEU: ““Agricultural products” means the products of the soil, of stockfarming and of fisheries and products of first-stage processing directly related to these products.” In addition, Annex I TFEU is relevant for the taxation of agricultural products.

of living for the agricultural population, especially by increasing the per capita income of agricultural workers; stabilising the markets; ensuring the availability of care; ensuring the supply of consumers at a reasonable price.⁸

The general goals that contribute to the realisation of the specific objectives of the CAP are the following: promotion of high-level employment;⁹ environmental protection for promoting sustainable development; consumer protection; animal welfare requirements;¹⁰ protection of public health;¹¹ economic, social and territorial cohesion.¹²

Common agricultural policy: On Common Market Organisations (CMOs)

Pursuant to the TFEU, in terms of the feasibility of the objective system of the Common Agricultural Policy, a common organisation of agricultural markets shall be established. Depending on the product, common market organisation means one of the following forms: common competition rules; mandatory coordination of the various national market regulations; creation of a European market organisation. Regarding the governing rules, common market organisation established in accordance with the forms defined in the TFEU may include all measures necessary to achieve the objectives of the common agricultural policy, in particular, price regulation, support for the production and market sale of various products, storage and inventory management rules, and a common mechanism to stabilise imports and exports.¹³ Common market organisations (CMOs) are supranational, the survival of national market regulations is given if they have not been replaced by common market organisations. Common market organisations (CMOs),¹⁴ in other words, the peculiarity of market regulations is that they are product-specific.¹⁵ Concerning market regulations, it is important to emphasise that they are aimed at regulating market competition.¹⁶ As part of the organisation of the common market, it is also recorded that a possible common price policy may be based on common criteria and uniform calculation methods.¹⁷ In order to realise the objective of common market organisation, Paragraph 3 Article 40 of the TFEU¹⁸ establishes the possibility of setting up one or more agricultural orientation and the guarantee funds.

⁸ See HITIRIS 1995.

⁹ Article 9 TFEU.

¹⁰ Article 11–13 TFEU.

¹¹ Article 168 TFEU.

¹² Article 174–178 TFEU.

¹³ Article 40 (1)–(2) TFEU.

¹⁴ See HALMAI 2007: 66–77.

¹⁵ For market regulation see KURUCZ 2003: 27; see on the concept of market organisation HALMAI 2001: 301–302.

¹⁶ TANKA 1995: 75–80.

¹⁷ Article 40 (2) TFEU.

¹⁸ On 1 January 2007, the European Agricultural Guidance and Guarantee Fund (EAGGF) will be replaced by the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD).

About structural policy

With regard to the contractual basis, it should also be mentioned separately that among the significant areas of the Common Agricultural Policy, besides market policy, structural policy¹⁹ is the other defining area. It is related to structural policy in a way that, based on the Commission's proposal, the Council may authorise the provision of support for the protection of plants disadvantaged due to structural or natural conditions, as well as in the framework of economic development programs.²⁰ It should be highlighted in the scope of regulation the possibility of developing structurally disadvantaged regions, and the chance that the creation of agricultural structures may be accelerated in the direction of the development of rural areas.²¹

On the reforms of the Common Agricultural Policy 1990–2010

On the motivations of the initial reform of the Common Agricultural Policy Internal and external reasons

Among the internal reasons for the initial CAP reform, the most important may be defined as curbing overproduction. The regulatory regime of the Common Agricultural Policy brought significant results, the food supply became safe in the area of the Community. In the first period of the CAP, the prices of agricultural products were characterised by the fact that they were artificially created, high, subsidised prices, above world market prices.²² This price policy encouraged agricultural actors to produce. The operation of the CAP during the period of the initial reforms may be vividly characterised by “mountains of butter” and “lakes of wine”. The system represented complexity and it was expensive. The focus was on controlling and limiting agricultural expenditure as a task.

The continuous enlargement process of the Community also had an influence on the need for reform regarding Common Agricultural Policy.²³ Agriculture had a strategic importance and played a decisive role in case of several countries that gained membership.

Among the external reasons for the reform of the Common Agricultural Policy are the General Agreement on Tariffs and Trade (GATT) agreements, which fundamentally influence agricultural trade, and the essential ones recorded in the WTO treaty system.

¹⁹ In the framework of structural policy, council directives were already adopted in the 1970s, such as Council Directive 72/159/EEC of 17 April 1972 on the modernisation of farms.

²⁰ Article 42 a)–b) TFEU.

²¹ As issues affecting the agricultural structure, these are the basis of the rural development policy of the EU.

²² In the first phase of the CAP, the level of agricultural prices exceeded world market prices by 40–45%. By the end of the 1980s, producers faced 30–35% higher prices than without subsidies. As a result, consumers had to pay more for agricultural products than would have been reasonable (see PALÁNKAI 2001: 296–297).

²³ The United Kingdom, Denmark and Ireland joined the European Communities in 1973, Greece and Spain in 1981 and Portugal in 1986.

It is important to mention that from 1986 the GATT negotiations focused on the field of world agricultural trade and significant results were achieved in the series of negotiations called the Uruguay Round. The agricultural agreement attached to the Marrakesh Convention²⁴ closing the Uruguay round of negotiations should be pointed out among the external factors affecting the Common Agricultural Policy.²⁵ It had a significant impact on the regulatory regime of the Common Agricultural Policy. In the area of the Common Agricultural Policy, until 1995, there was a strong import restriction along with high customs duties, as well as with the operation of the skimming system.²⁶ Within the framework of the Common Agricultural Policy, in view of the agricultural agreement, instead of skimming, special customs duties were introduced. At the same time, the agreement obliged the European Union to reduce export subsidies. The subsidies that were part of the “green box policies” did not fall under the general obligation to reduce subsidies. Those were, for example, subsidies that help the positive development of environmental protection or represent regional assistance. These subsidies had no fundamental influence on trade. It is important to state that the Agreement on the Application of Sanitary and Phytosanitary Measures, which is part of the Marrakesh Convention,²⁷ established food safety requirements focusing on the basic requirement of transparency.

On stages of the reform process of the Common Agricultural Policy 1990–2010

Regarding the reform process of the Common Agricultural Policy,²⁸ the MacSharry Plan (1991) should be pointed out as the first stage, which aimed to comprehensively transform the Common Agricultural Policy.²⁹ Among the goals of the reform plan is to be found the need to continuously reduce agricultural prices by replacing the price-guaranteed protection system with a supplementary income support system. As a result of the drop in prices, the loss of income had to be compensated for by the producers. The reform meant the *decoupling* of price and income policy, the approximation of prices to the world market price level, the balancing of the income level of agricultural producers, and the provision of the *direct payment* system based on the concept. The reform supported small

²⁴ *Marrakesh Declaration of 15 April 1994*. The Marrakesh Convention and its annexes were established within the framework of the GATT. The convention entered into force on 1 January 1995, establishing the World Trade Organization (WTO).

²⁵ See as above.

²⁶ Skimming is a way of import control regarding pricing policy in relation, for example, to agricultural products. According to economist analysts, it is a moving custom. Its function was protection of the internal market. When the price of the imported agricultural product was lower than the internal price deviated from the world market prices then the skimming system was applied (see HALMAI 2007: 69–72).

²⁷ Marrakesh Convention A) Annex.

²⁸ For the CAP reform process see RÉTI–BAK 2016: 163–182.

²⁹ For example, the plan provoked resistance from the French side, so it was implemented in a more restrained version.

producers. As a general rule, mandatory set-aside was³⁰ introduced in order to reduce the amount of production.³¹ The Accompanying Measures of the reform, based on the recognition of the multifaceted importance of agriculture, correctly aimed, for example, at protecting the natural environment, preserving traditional landscapes, and ensuring the sustainability of agricultural production in disadvantaged regions. Programs were developed in connection with, for example, protection of waters, afforestation, weeding of arable land, and the extensification of animal husbandry.³²

The new stage of the reform process was marked by “Agenda 2000”.³³ This stage of the reform process was based on the multifunctional character of agriculture, as a result of which, the Common Agricultural Policy was supplemented with a second pillar, the rural development pillar. The CAP became multi-pillared³⁴ and both pillars were financed. The agreement adopted by the Council of the European Union at its meeting in Berlin on 24–25 March 1999³⁵ stated the following: “The content of this reform will ensure that agriculture is multifunctional, sustainable, competitive and spread throughout Europe, including regions with specific problems, that it is capable of maintaining the countryside, conserving nature and making a key contribution to the vitality of rural life, and that it responds to consumer concerns and demands regarding food quality and safety, environmental protection and the safeguarding of animal welfare.”³⁶ In the framework of the further reforms, for example, a stronger adjustment of the internal prices compared to the previous ones was foreseen for the purpose of approximation to the world market prices, namely with the compensation and direct subsidies to the producers.³⁷ In order to supplement direct subsidies, member states could provide them if certain conditions were met, for example, to eliminate regional differences. Environmental conditionality³⁸ came to the fore when granting subsidies. Modulation was introduced on an optional basis from 1 January 2000. Within the framework of the modulation, the member states had the opportunity, if certain conditions were met, to reduce direct subsidies and carry out reallocations to finance rural development. The reform also took into account the intention of Central and Eastern European countries to join.

³⁰ As a background, it is important that set-aside was voluntary from 1988 (see Commission Regulation 1272/88/EEC, 29 April 1988).

³¹ See Council Regulation 1765/92/EEC, 30 June 1992: 7.

³² See HALMAI 2020: 121. In relation to the accompanying measures, it is worth pointing out that the initial pillars of the CAP’s greening process – which has been completed for today – may be seen here.

³³ Agenda 2000: For a Stronger and Wider Union.

³⁴ The Cork Declaration on the future of rural development was issued in November 1996.

³⁵ European Council 1999.

³⁶ See as above. Translated by Dr. Mária Réti and Dr. Klára Bak, ELTE ÁJK Department of Agrarian Law. As a precursor to the spirit of the cited document text, the Council of the EU recorded similars in 1997, in Luxembourg (see European Council 1997).

³⁷ The member states had the opportunity to use support in certain cases in the interest of eliminating discrepancies based on management practices and conditions (national envelope).

³⁸ For environmental conditionality see KRISTENSEN–PRIMDAHL 2006.

The Fischler reform was a milestone in the reform process.³⁹ In the framework of the Fischler reform, on 23 June 2003 in Luxembourg, EU agriculture ministers concluded an agreement that significantly restructured the Common Agricultural Policy.⁴⁰ During the restructuring of the CAP, new principles appeared and new mechanisms were introduced. Among these, the independence of subsidies from the volume of production should be singled out. Agricultural farms had to be made interested in competition (market orientation), and the distorting effects of the previous mechanisms in agriculture and in the trade of agricultural products had to be balanced. The “Single Payment Scheme” was introduced,⁴¹ and single payments are linked to compliance with environmental protection and public health obligations – *cross-compliance*.⁴² The purpose of cross-compliance is to ensure that the standards for sanitary and phytosanitary, as well as for animal welfare in the European Union are obeyed by farmers. The rules regarding cross-compliance were laid down in Council Regulation 1782/2003/EC of 29 September. In terms of cross-compliance, it should be emphasised that according to the Council Regulation, the “Statutory Management Requirements (SMR)” are essential for the awarding and payment of subsidies. Management requirements are a set of public, animal and plant health, environmental and animal welfare requirements laid down in the legislation. According to the Council Regulation, the “Good Agricultural and Environmental Condition (GAEC)” also has to be ensured by the member states.⁴³ In addition to cross-compliance, the regulation sets out modulation based on base years, too.⁴⁴ Regarding the provisions of the Council Regulation, the amount of direct payments should be gradually reduced with the percentage fixed in the Council Regulation year by year, and at the same time, it should be reallocated to rural development.⁴⁵ In relation to the agreement system of the World Trade Organization (WTO), the future goal of decoupling of payment from the volume of production was to place the Single Payment Scheme in the “green box”. From the point of view of the development history of rural policy, Council Regulation 1698/2005/EC should be considered relevant, which established a system of targets for the period 2007–2013, according to the following: improving the competitiveness of agriculture and forestry by supporting restructuring, development and innovation; improving the quality of

³⁹ For an analysis of the Common Agricultural Policy of 2003 reform process see Agrárgazdasági Kutató és Informatikai Intézet 2004.

⁴⁰ The enlargement in the 2000s during the reform had a large impact.

⁴¹ See Council Regulation 1782/2003/EC Title III.

⁴² See European Commission s. a.a; CsÁK 2012: 423–433.

⁴³ Council Regulation 1782/2003/EC 4–5.

⁴⁴ Council Regulation 1782/2003/EC, 29 September 2003, Article 10 “Modulation. 1. All the amounts of direct payments to be granted in a given calendar year to a farmer in a given Member State shall be reduced for each year until 2012 [...]. 2. The amounts resulting from application of the reductions provided for in paragraph 1, after deducting the total amounts referred to in Annex II, shall be available as additional Community support for measures under rural development programming financed under the EAGGF “Guarantee” Section according to Regulation (EC) No 1257/1999”.

⁴⁵ See Council Regulation 1782/2003/EC.

the environment and the countryside through the support of agricultural land utilisation; improving the quality of life in rural areas and encouraging the diversification of economic activity.⁴⁶

The 2003 reforms were confirmed with the 2009 Health Check.⁴⁷ Regarding the period between 2003 and 2009, Council Regulation 1234/2007/EC led to a breakthrough in the legislation because it has established the common organisation of agricultural markets and contained rules for a single common market organisation, codifying in joint regulation the mechanisms of the previous 21 common market organisations.⁴⁸ Based on the Health Check, it is also significant that the financial discipline was strong in the financial perspective for the period 2007–2013, regarding the challenges arising from the enlargement process of the Union.⁴⁹ The budget of the first pillar of the CAP was frozen and annual compulsory ceilings were introduced. The funds of the first pillar of the Common Agricultural Policy were transferred to a greater extent to the rural development pillar.⁵⁰ It was also a goal to make the rules for state interventions and regulation of supply more flexible so that, for example, state intervention should not discourage agricultural producers from detecting market signals and in responding to market signals.

The priorities and results of the 2011 Hungarian Presidency, their contribution to the reform process of the CAP after 2010

On the priorities of the Hungarian Presidency, on the conclusions of the Presidency

When Hungary held the rotating presidency of the Council of the EU in 2011,⁵¹ another reform of the CAP was underway. The beginnings of the new reform go back to 12 April 2010 regarding the future of the CAP, when the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on “The CAP towards 2020: Meeting the food, natural resources, and territorial challenges of the future” (hereinafter: Commission Communication) was issued. The contents of the document were based on a broad public debate, which indicated the new challenges in the field of agriculture.

⁴⁶ See Regulation 1698/2005/EC 4 (1). The regulation states in Article 4 (2) that the goals can be achieved along four axes. One such axis is the Leader program. For the four axes see Regulation 1698/2005/EC Title IV.

⁴⁷ Council document approved on 20 November 2008.

⁴⁸ Council Regulation 1234/2007/EC.

⁴⁹ See Interinstitutional Agreement between the European Parliament, the Council and the Commission on budgetary discipline and the efficiency and effectiveness of financial management (2006/C 139/01).

⁵⁰ For the development of the modulation with regard to the Health Check see Council Regulation 73/2009/EC.

⁵¹ Hungary held the consecutive presidency of the Council of the European Union as part of a trio from January to July 2011. The Spanish–Belgian–Hungarian trio presided over the EU Council from January 2010 to July 2011. For the activities of the Hungarian Presidency see GAZDAG 2011: 72–85.

The Commission Communication may be considered a key milestone, on which the Hungarian Presidency also strongly built. The Commission Communication is of particular value because it expressly states that the basic goals set out in the Treaty of Rome are valid with unchanged content. In essence, under the title *Goals of the Future CAP*, the Commission Communication formulates the three main goals of the new CAP reform, which are as follows: sustainable food production; sustainable management of natural resources and action against climate change; preserving territorial balance and the diversity of rural areas. The Commission Communication reflects the point of view of European citizens regarding the fact that the traditional farming process, agriculture also produces public goods that are indispensable, their value is inestimable, but not honoured by the market, therefore, it is fair and equitable to compensate those who contribute to the creation of public goods.

It should be emphasised that Hungary's rotating presidency in 2011 made a valuable contribution to the continuation of the CAP reform process, harmonising with the approach of the Commission Communication by recording presidency conclusions that reflected the contents of the above-mentioned Commission Communication. The meeting of the Agriculture and Fisheries Council on 17 March 2011 accepted the conclusions of the Hungarian Presidency. The next result of the work of the Presidency was that the Council supported the conclusions⁵² of the Hungarian Presidency with a significant majority (20 Member States). The Presidency's conclusions regarding the future development of the CAP contained 35 points and state that the CAP is a valuable policy that needs to be maintained. With regard to the reason for the existence of the CAP, it is absolutely necessary to point out that the work of the Hungarian Presidency contributed to the continuation of the CAP with solid foundations, despite the fact that totally different opinions in connection with the continuation of the CAP have also been formulated.⁵³ As stated in the document, the agricultural sector and the CAP based on it, contribute⁵⁴ to the implementation of the Europe 2020 Strategy. The necessity of the Common Agricultural Policy – as explained in the document – is supported by the general reason that the food supply should be ensured with healthy food, at the right price, in a sustainable manner. Another important point of the Hungarian Presidency's conclusions is that it expresses its position on the CAP budget, stating that the future CAP should remain strong and should have financial resources proportional to its goals without prejudice to decisions regarding the multiannual financial framework 2014–2020. The value of the Presidency's work is also supported by the fact that the continuation of the CAP with sufficient financing was a Hungarian interest, too and it came into effect. The share of Hungary's agriculture in

⁵² See Council of the European Union 2011.

⁵³ See the information provided by Minister Sándor Fazekas: "...the one extreme was during the debate, we experienced this, whether there should be a Common Agricultural Policy or not. There were positions that this was not necessary" (see Minutes of the meeting of the Parliament's European Affairs Committee held on Tuesday, 3 May 2011 at 10:10 a.m. at No. 61, the main floor of the Parliament, EUB-10/2011, EUB-31/2010–2014).

⁵⁴ The three priorities of the Europe 2020 Strategy published by the European Commission: smart growth, sustainable growth and inclusive growth (European Commission 2020a).

the period before the Hungarian Presidency (2006–2009) in relation to the agriculture of the Union was approximately 2%, but in comparison, the grants received from the first and second pillars of the CAP represented an overall larger proportion.⁵⁵

An essential finding of the presidency document is that the CAP may continue to be built with the existing two independent but interacting pillars.⁵⁶ It is important that the undoubtedly complex structure should meet the requirement of simplification as well as the need for better feasibility. It was specifically emphasised in the document that the Hungarian Presidency agrees with the objectives consisting of three main elements, set out in the already mentioned Commission Communication. It was also established in the document that the maintenance of direct payments, which are the most important element of the income of agricultural producers, is justified, basically due to two reasons. (On the one hand, direct payments contribute to the optimal standard of living of agricultural workers, on the other hand, they can reward agricultural producers for public goods and services provided by them, thus the market would otherwise not pay for these public goods and services.) It was also stated in the presidency document that it is necessary to fairly distribute income subsidies among the member states, but they must be more targeted in order to ensure their transparency and to make the results measurable. During distribution, pragmatism is essential, and flexibility⁵⁷ should also be applied.⁵⁸ Regarding the greening of the CAP, the document acknowledges that environmentally friendly management is very important, but it must be harmonised with the ideas aimed at simplifying the CAP. Indeed, if greening increases administrative burdens for farmers and in the state administration system, then it is obvious that the effect targeted by greening may not or may not adequately be achieved. The Presidency's conclusions also state the need to maintain and increase the effectiveness of subsidies to regions with unfavourable natural conditions. The presidency document summarises the previous CAP reforms, stating that a large part of the CAP support has become independent of production. With regard to subsidies dependent on voluntary production,⁵⁹ it was established that they should be continued in certain sensitive sectors, but with the requirement that in external relations the European Union should comply with its WTO obligations, and in internal relations, the governing principle is that

⁵⁵ In the period 2013 Hungary's support share was over 3% of the CAP in the EU (see Minutes of the meeting of the subcommittee on the Common Agricultural Policy [CAP] of the Parliament's Committee on Agriculture, 30 November 2011, KA-1/2011, KA-3/2010–2014).

⁵⁶ János Martonyi, Minister for Foreign Affairs, stated as follows: "The Member States considered the Communication of the European Commission published in November 2010 as a good basis for further negotiations, a large majority of them stood in favour of the two-pillar CAP" (see Report J/2425, on issues related to the membership of the Republic of Hungary in the European Union and the situation of European integration 2009–2010, Speaker: János Martonyi).

⁵⁷ According to the document, flexibility (at national/regional level, with appropriate transition periods) is necessary to avoid disruptive financial consequences (see Council of the European Union 2011, Presidency conclusions point 11).

⁵⁸ Regarding direct payments, the issue of tightening the upper limit of payments may be mentioned as a strong point of discussion for large enterprises (capping).

⁵⁹ Voluntary coupled supports are used in case when an agricultural sector in a difficult situation needs support. The crisis situation of an agricultural sector may have an impact on production (stop), but also on other parts of the supply chain, and also on related markets.

the integrity of the internal market may be ensured. The Hungarian Presidency document names the rural development policy as a particularly valuable area and states that resources are given to improve competitiveness, to modernise agriculture and food processing to ensure sustainability. However, the document also states that there is a need for simplification in this area and correction of the previous system primarily with programs aimed at national, regional and local rural development. The Hungarian Presidency also declared its position according to which, compared to the first pillar of the CAP, solutions that harmonise with the specificities of the member states play a significant role in the rural development policy. Therefore, the influence of the member states in the field of rural development policy should be stronger. Indeed, the rural development policy effectively contributes to maintaining the diversity of agricultural activity and increasing the economic potential of rural areas. As part of balanced regional development, increasing rural employment and maintaining jobs is of utmost importance.

About the 2013 reform package

One of the main characteristics of the regime⁶⁰ of the 2013 reform package is that it retains the CAP dual system. The two pillars are to be financed by the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD).⁶¹

Regulation 1307/2013/EU of the European Parliament and Council (hereinafter: direct payments regulation) is the defining regulatory document of the reform package covering financing issues. It summarises the rules for payments directly given to agricultural producers (direct payments) within the support schemes listed in Annex I.⁶² Pursuant to the regulation, the so-called basic payment scheme was established,⁶³ which is a direct payment and independent of production.⁶⁴ The regulation also involves related payments, which are as follows: redistributive payment; payment for agricultural practices beneficial for the climate and the environment; payment for areas with natural constraints; and payment for young farmers. According to the regulation on direct payments, another type of support is the voluntary coupled support, as well as the small farmer scheme based on voluntary participation, which was introduced from the point of view of cost rationalisation.

⁶⁰ Regulation 1303/2013/EU; Regulation 1308/2013/EU; Regulation 1310/2013/EU. For the assessment prior to the package of regulations, with particular regard to Hungarian aspects, see Agrárgazdasági Kutató Intézet 2012.

⁶¹ For the financing of the pillars see Regulation 1306/2013/EU of the European Parliament and of the Council, Title II. Chapter I “Agricultural Funds”, 3 (1)–(2).

⁶² For the analysis of direct payments see POTORI et al. 2013: 323–331.

⁶³ In the framework of the Single Payment Scheme (SPS), the support entitlements obtained in compliance with the relevant legal regulations expired on 31 December 2014 and new entitlements were allocated. Direct Payments Regulation Article 21 “Payment Entitlements” (1)–(4).

⁶⁴ Member States applying Single Area Payment Scheme (SAPS) in 2014 could decide to continue it until 31 December 2020 at the latest [see Direct Payments Regulation 36 (1)].

Among the regulation of payments, there is an essential rule that requires the reduction of payments for large agricultural holdings. According to the norm, Member States reduce the amount of direct payments to the agricultural producer for a given calendar year by at least 5% for the part of the amount that exceeds EUR 150,000.⁶⁵ The flexibility of the regulation is ensured by the possibility of reallocation between the pillars.⁶⁶

Regarding the scope *ratione personae*, it should be highlighted that the category of active farmer is introduced. Pursuant to the regulation, Member States exclude legal entities from the possibility of direct payments if they do not meet certain minimum requirements.⁶⁷ Exclusion is also provided by law on an optional basis. The introduction of the legal status of active farmers is also relevant from the point of view of rural development. Thus, according to Regulation 1305/2013/EU (hereinafter referred to as the “Rural Development Regulation”), certain rural development supports may only be received by active farmers, i.e. grants provided in the field of organic farming or animal welfare.⁶⁸

Returning to the scope *ratione personae* of the direct payments regulation, the category of young farmers should be highlighted. The rules which favour young farmers have a key importance.⁶⁹ The regulation facilitates the start of the activities of young agricultural producers for a maximum of 5 years.⁷⁰ The conceptual connection of the regulations created in the reform package is well illustrated by the fact that, according to the regulation on rural development, young farmers⁷¹ are also supported, because the Member States may include thematic sub-programs in their rural development programs, giving priority to young people.

Regarding related payments, the significance of payment for agricultural practices beneficial for the climate and the environment has to be highlighted, because it essentially represents a breakthrough in climate policy and in the greening program of the CAP.⁷² The direct payments are linked to the fulfilment of the ecological conditions defined for this support.

Cross-compliance rules which have been formerly introduced in the CAP to achieve sustainable agriculture are also fixed in Regulation 1306/2013/EU (hereinafter: common financing regulation). The content of the regulation is similar to the previous ones, but it has been simplified and there is room for administrative sanctions in case of the violation of its provisions.⁷³ It is important that the participants of the small farmer support do

⁶⁵ Direct Payments Regulation Article 11. Please note that the rule applies to basic payments and single area payments.

⁶⁶ Regulation 1307/2013/EU 14.

⁶⁷ Regulation 1307/2013/EU 9.

⁶⁸ Regulation 1305/2013/EU 29, 33.

⁶⁹ Regulation of direct payments III. Title Chapter 5 “Support for Young Farmers”.

⁷⁰ Age limit: 40 years of age.

⁷¹ For the concept see Regulation 1305/2013/EU 2 (1) point n).

⁷² Regulation 1307/2013/EU 43 (2) according to “the agricultural practices beneficial for the climate and the environment shall be the following: (a) crop diversification; (b) maintaining existing permanent grassland; and (c) having ecological focus area on the agricultural area”.

⁷³ Regulation 1306/2013/EU 91–92.

not belong to this group. Furthermore, similarly to the previous regulatory concept, the regulation also provides for the farm advisory system.⁷⁴

As part of the reform package, the rural development regulation harmonising with the previous ones, ties rural development supports to the realisation of three major goals, which are as follows: promoting the competitiveness of agriculture; ensuring sustainable management of natural resources and action related to climate change; the implementation of balanced territorial development of rural economies and communities, including the creation and maintenance of jobs.⁷⁵ In relation to the goals, the Union sets rural development priorities with regard to the contribution to the implementation of the Europe 2020 Strategy, which aims at intelligent, sustainable and inclusive growth. In order to realise the rural development priorities, the Member States work out strategies. Rural development policy⁷⁶ operates and is financed through rural development programs.

As part of the 2013 reform package, a new regulation was adopted regarding the common market organisation of agricultural products.⁷⁷ The regulation contains all the basic elements of the common market organisation of agricultural products. With regard to its regulatory approach, it should be emphasised that it defines the rules governing individual sectors as a general rule in relation to the various market regulation instruments. The regulation also contains specific provisions in relation to sugar, wine, milk and milk products. In addition, support programs aimed at improving access to food, such as the school fruit and vegetable program and the school milk program, are recorded in the legislation.⁷⁸ The regulation also defines the rules of the subsidies in relation to each sector, such as the olive oil and edible olive sector, the wine sector, the beekeeping sector, the vegetable and fruit sector.⁷⁹ It is also important to point out that the regulation contains the rules regarding producer and interbranch organisations.⁸⁰ The legislation also lays down norms on trade with third countries⁸¹ and competition rules, too.

On the results of the Hungarian Presidency in the light of the 2013 reform package

Among the results of the Hungarian Presidency, it should also be mentioned that, as a significant part of the Member States joined after 2004, Hungary applied the Single Area Payment Scheme (SAPS).⁸² Just as the agricultural producers of the Member States joined earlier, Hungarian farmers received 100% of the subsidies. As a result, in the period

⁷⁴ Regulation 1306/2013/EU 12.

⁷⁵ Regulation 1305/2013/EU 4.

⁷⁶ For the characteristics of rural development policy see SZILÁGYI 2016: 41–42.

⁷⁷ Regulation 1308/2013/EU.

⁷⁸ See Regulation 1308/2013/EU Part II, Chapter “Aid Schemes” Section 1.

⁷⁹ See Regulation 1308/2013/EU II, Part II, Chapter 2–5.

⁸⁰ For producer organisations and interbranch organisations see European Commission s. a.b.

⁸¹ See Regulation 1308/2013/EU Part III.

⁸² By 1 January 2019, regional or national flat-rate support per hectare had to be established. According to the regulation, Hungary applied the SAPS support system. The countries applying the SPS system harmonised the subsidies by region.

between 2014–2020, Hungarian agriculture received 20% more support in nominal terms than in the previous seven-year period. Hungarian farmers with smaller farms could join a simplified scheme. Their support was fixed, and the requirements they had to fulfil were lower and simpler than the requirements for larger farmers. Regarding encouraging generational renewal, young farmers could receive targeted additional support in the first five years. In case of production-related payments, additional supports have been maintained in a significant range, including for example, the support that can be claimed for the continuation of animal husbandry. Among the market subsidies, it is important that the production quota for sugar has been maintained, and the production quota for isoglucose increased by almost 15% in 2014.⁸³ In the area of rural development, the issue of investments related to renewable energy and improving energy efficiency was decisive. It was a significant result from the point of view of Hungary that it has become possible to support irrigation investments by new developments, too.⁸⁴

Regarding capping, namely, the support limit of up to 150,000 euros, it is important that the scheme had a corrective factor in connection with employment. By reducing the support regarding the limit mentioned above, it was necessary to take into account the previous year's wages, taxes and contribution, which were deductible and Hungary took advantage of this.

The EU priorities formulated in terms of rural development were harmonised with Hungarian interests. On the Hungarian side, it was possible to support the introduction of organic farming as a new measure, measures promoting cooperation and the introduction of thematic sub-programmes, at the scale of innovation. In terms of market organisation, market orientation continued. Support for the recognition of producers and interbranch organisations was also harmonised with Hungarian interests.

On the current challenges in connection with the Common Agricultural Policy, on the new reform package, on Hungarian aspects

On the current challenges in connection with the Common Agricultural Policy

In view of the current challenges in relation to agriculture, it is necessary to refer to the objective fact that the change in climatic conditions and the consequences of this change must be constantly considered. Obviously, this objective factor appearing more and more dramatically these days, basically affects agriculture. It is necessary to adapt from the personal side, in order to balance the consequences of climate change in agriculture. Nowadays, laying down appropriate regulatory content related to agriculture, for example on biodiversity, water protection, soil protection,⁸⁵ forest protection, animal welfare – is

⁸³ This is also significant because the production of isoglucose from the raw material of corn helped rural employment, because it gave work to a significant number of people involved.

⁸⁴ GLATTFELDER 2013: 1–2.

⁸⁵ For the rules of soil protection see RÉTI 2018: 97–112; FODOR 2007: 108–117.

one of the greatest challenges for the purpose of ensuring sustainable agriculture. Considering the current challenges, fostering landscape protection is also an area of public interest, which is in interaction with the previously listed areas. Landscape protection is inestimably valuable in economic, social, environmental, and last but not least, cultural terms. The question of maintaining the countryside is a big challenge from material, immaterial and personal points of view. Among the challenges, the personal side of agriculture, the age of farmers is fundamental, because the ageing⁸⁶ of European societies may be experienced in agriculture all over Europe and poses a really serious challenge. It is necessary to encourage generational renewal⁸⁷ and to provide support for the young generation as far as possible to maintain the personal side of agriculture. The goal is to make the opportunity for young people to enter the agricultural sector, to start businesses and to farm. Continuous education in a complex way is also essential. On the one hand, it needs to happen with the transfer of traditional agricultural knowledge and information, on the other hand, with the transfer of modern knowledge including IT knowledge, the achievements of digitalisation, and the specific characteristics of precision farming. A major issue in relation to climate change is whether the good agricultural practices that may at least offset the harmful consequences of climate change are able to spread widely and develop or not. Ensuring food supply, as well as the production of safe, fair-priced food, and continuous access to it with the preference for environmentally friendly production methods, appear among the current challenges in a general way. In terms of contemporary challenges, it is also necessary to consider epidemics, wars, crises and their impact on agriculture.⁸⁸

On the new CAP reform package – Characteristics, objectives, financial framework

On the characteristics of the new CAP reform package

The new CAP 2023–2027 has more main characteristics, which are in connection with one another. Firstly, it shall be noted that in this period the spirit and regulatory regime of the previous period continues but at the same time innovations are also being introduced with stronger or finer nuances. It should/shall also be noted that the new CAP puts more emphasis on environmental protection and climate policy than before. The aim is for the CAP to make a more significant and valuable contribution to the objectives set out in the EU's environmental protection and climate policy, i.e. those defined in the European Green Deal, the Biodiversity Strategy and the “Farm to Fork”⁸⁹ program.⁹⁰ Thirdly, it should/shall also be recorded among the characteristics of the new CAP that

⁸⁶ See Eurostat 2020.

⁸⁷ CAP – generational renewal in European Commission 2021.

⁸⁸ For example, the EU responded to the Covid-19 epidemic with funding that affected the agricultural sector or another example is the currently well-known problem of the Ukrainian grain.

⁸⁹ European Commission 2020b.

⁹⁰ European Commission 2020c.

the social aspect of the CAP is laid out as an innovation by the fact that the expectation of ensuring employment conditions and certain working conditions is mandatory for the beneficiaries. Sanctions may also be imposed on them if they do not comply with the relevant regulations.⁹¹ The aim of the new CAP with this regulation content is to make the policy fairer compared to the previous one. The more equitable nature of the new CAP is reflected by the display of the effort to improve the gender balance in agriculture for the first time with such specificity in the CAP. In addition, it is also important that the support policy is performance-oriented and based on an assessment by common principles, but it undoubtedly provides for EU Member States a wider latitude than before. Each Member State may choose the measures being considered the most suitable and most effective for achieving its own goals considering its characteristics and the related needs and requirements.

Another feature of the new CAP is that each Member State prepares a strategic plan based on certain conditions.⁹²

On the goals, on the financial framework

The new CAP is based on ten important goals, which are the following: ensuring a fair income for farmers; improving competitiveness; improving the position of farmers within the value chain; taking action on climate change; protection of the environment; conservation of landscapes and biodiversity; support for generational renewal; revitalising the economy of rural areas; protection of food quality and health; expanding knowledge, agricultural knowledge and enhancing innovation.⁹³ Regarding the financial part of the new CAP goal system, the main feature is that⁹⁴ EUR 378.5 billion, namely 31% of the total budget⁹⁵ has become available to CAP beneficiaries since 1 January 2021, according to the Multiannual Financial Framework (MFF) approved in December 2020. It is also important that the framework of the MFF is complemented by the package of the Next GenerationEU program, which was established to deal with the economic crisis caused by the consequences of Covid-19, as a recovery package.⁹⁶ The strong attention to climate policy among the goals of the new CAP is also well illustrated by the financing aspect, because 40% of the total expenditures in the budget are to be allocated to climate policy measures. It is also relevant that 10% of the budget is used to implement objectives related to biodiversity.⁹⁷

⁹¹ For “Social Conditionality” see Regulation (EU) 2021/2115 of the European Parliament and of the Council Section 3 14.

⁹² Government of Hungary s. a.

⁹³ European Commission s. a.c.

⁹⁴ European Parliament s. a.b.

⁹⁵ It should be noted that the CAP budget accounted for 2/3 of the EU budget in the 1980s.

⁹⁶ The scope of the recovery package: 807 billion euros (see European Union s. a.).

⁹⁷ For financing data see European Commission s. a.d.

On the regulatory regime of the new CAP reform package

Considering the goals of the new CAP, three new regulations⁹⁸ were created. Regarding the finance, management and monitoring of the CAP, the provisions of Regulation 2021/2116/EU (Horizontal Regulation) are essential. As a basic rule, it is laid down in the Horizontal Regulation that agricultural expenditures are financed by EAGF and EAFRD.⁹⁹ Within the framework of the new CAP regulatory regime, the common market organisation is still provided by Regulation 1308/2013/EU, but some of its provisions have been modified and the regulation has been simplified.¹⁰⁰ One of the main elements of the legislation system of the CAP is Regulation (EU) 2021/2115 of the European Parliament and the Council on Strategic Plans (hereinafter: Strategic Plan Regulation).

The Strategic Plan Regulation stipulates that compared to the previous, stricter mandatory environmental conditionality rules apply to basic payments of the first Pillar. The Regulation clearly states¹⁰¹ that the Member States should/shall define a set of conditions in their CAP Strategic Plans, based on which, farmers receiving direct payments or other subsidies may be sanctioned if they do not comply with the “Statutory Management Requirements” and the “Good Agricultural and Environmental Conditions” (GAEC).¹⁰² It is worth pointing out that the rule of social conditionality was laid down in harmony with the requirements mentioned above. Regarding the unified regulatory concept, administrative sanctions are also applied in the field of employment in case of breaching the provisions.

According to the Strategic Plan Regulation, the goal of CAP national strategic plans developed by the member states is to make clear the following: in what way the individual member states contribute to the new CAP goal system and what measures, what types of interventions and what programs apply.¹⁰³ Before the development of the national strategic plans, each country estimated its own needs (needs assessment), relied on its own specificities, and after that formulated the strategic plan related to all of these. The Member States should act transparently and, besides other obligations, for example, concerning land management and economic management, they shall operate farm advisory services.¹⁰⁴ The national strategic plan is to be approved by the Commission. The yardstick of the approval is whether the provisions of the national strategic plan harmonise with the EU-level goals, or not. Based on the strategic plans, the countries

⁹⁸ The regulations: Regulation (EU) 2021/2115 of the European Parliament and of the Council of 2 December 2021 (Strategic Plan Regulation); Regulation (EU) 2021/2116 of the European Parliament and of the Council of 2 December 2021 (Horizontal Regulation); Regulation (EU) 2021/2117 of the European Parliament and of the Council of 2 December 2021 (Regulation on the Common Market Organisation).

⁹⁹ See Horizontal Regulation 4.

¹⁰⁰ The amending legislation: Regulation 2021/2117/EU.

¹⁰¹ Strategic Plan Regulation 12.

¹⁰² Strategic Plan Regulation Annex III.

¹⁰³ Strategic Plan Regulation Title V.

¹⁰⁴ Strategic Plan Regulation 15.

shall submit performance evaluations, and the results are continuously measured. The Commission conducts a review of CAP strategic plans every two years and may make recommendations to evaluate performance and increase progress.¹⁰⁵

Regarding the new CAP, the types of interventions implemented in the form of direct payments are still of fundamental importance. Direct payments may be distinguished into two groups: decoupled and coupled direct payments. Pursuant to the Regulation, direct payments independent of production (decoupled) are the following:¹⁰⁶ the basic income support for sustainability; the complementary redistributive income support for sustainability; the complementary income support for young farmers; the schemes for the climate, the environment and animal welfare. Direct payments dependent on production (coupled), according to the Regulation, are the following: the coupled income support; the crop-specific payment for cotton.¹⁰⁷

Important rules have been laid down regarding the upper limit of the amount of payments and the gradual reduction of payments. Member States have the opportunity to determine the upper limit of basic income support in the reference year. Member states deciding to apply the mentioned rule should reduce the amount of payment exceeding EUR 100,000 by 100%. Member States may decide to reduce the amount of the basic income support exceeding EUR 60,000 by a maximum of 85% in the reference year.¹⁰⁸ To ensure a more equitable distribution of payments, it is essential that the Member States should transfer at least 10% of their direct payment allocations from larger farms to small and medium-sized farms.¹⁰⁹ As a result of the fairer distribution, the new CAP prefers to small and medium-sized farms.

In the field of decoupled direct payments, the Member States establish support for the operation of voluntary schemes ('eco-schemes') and agroecological programs in their Strategic Plan to achieve goals related to climate, environmental protection and animal welfare. The scheme includes active farmers who commit themselves to adopting agricultural practices being beneficial for climate and environmental protection, animal welfare, as well as for the fight against antimicrobial resistance. It is important that active farmers shall make commitments that go beyond the "Statutory Management Requirements" and "Good Agricultural and Environmental Condition" (GAEC) requirements and meet other requirements in the field of environmental and climate policy.

Regarding the second pillar of the CAP, it is an important characteristic that the basic principles of interventions are defined at the EU level, but the Member States have a wide latitude. The types of interventions aimed at rural development ¹¹⁰ include payments

¹⁰⁵ Strategic Plan Regulation 104–122. Common indicators, which are contained in Annex I of the Regulation, are important for performance evaluation.

¹⁰⁶ Member States that provide basic income support based on support entitlements form a *national reserve*. Only active farmers may benefit from the reserve. The rule gives preference to young farmers who set up a farm for the first time, as well as new farmers, in receiving the reserve (Strategic Plan Regulation 26). For support eligibility, see further in Strategic Plan Regulation 23.

¹⁰⁷ Strategic Plan Regulation 16.

¹⁰⁸ Strategic Plan Regulation 17 (1)–(2).

¹⁰⁹ Strategic Plan Regulation 98.

¹¹⁰ Strategic Plan Regulation IV, Chapter 69 a)–h).

related to environmental protection, climate and farming commitments. These types of interventions have to be supported by the Member States in accordance with their unique national, regional or local needs – throughout their territory. Farmers in areas with unfavourable natural features and other area-specific disadvantages also receive support from the rural development pillar. The goal is to ensure a fair income for farmers and the resilience of the agricultural sector. Compensation is provided to farmers to balance the additional costs they had to spend to mitigate the disadvantages, and at the same time, the compensation also replaces the lost income due to the disadvantages. For example, producers farming in mountainous and island areas may be affected. Farmers are also supported in areas with area-specific disadvantages resulting from certain mandatory requirements. This involves the forestry sector, for example. Various investments are supported, especially those aimed at the modernisation of agriculture and rural areas, such as precision farming, the establishment of smart villages, investments supporting the technological infrastructure of rural businesses, but also investments aimed at the development of irrigation infrastructure. Young farmers are a preferred group, as well as new farmers, namely regarding the start of their activities. Given the need to provide appropriate risk management tools, active farmers are supported in managing their production and income risks – support for risk management tools. In general, cooperations serving the realisation of the CAP objectives and the preparation, development, implementation of cooperation strategies are also supported within the framework of the second pillar.¹¹¹ These are for example Leader groups or the European Innovation Partnership (EIP) aimed at the productivity and sustainability of agriculture. Exchange of knowledge and innovation are in focus. The implementation of the interactive innovation model shall also be supported, because with the model the operators in agriculture may quickly learn about good practices, the dialogue may work effectively and the quick possibility of adopting good practices may appear as a viable solution.

On the Hungarian aspects

The new common agricultural and rural development policy for Hungary¹¹² is laid down in the Hungarian CAP Strategic Plan.¹¹³ The Hungarian Strategic Plan was accepted by the Commission. It is of fundamental importance that a government decision issued by the Hungarian Government had preceded the national Strategic Plan.¹¹⁴ The Hungarian countryside was in the focus of the Government's objectives, in addition to the following specific goals: support for renewing the rural areas in Hungary, increasing the economic

¹¹¹ Cooperation may be realised, for example, by cooperatives. For cooperatives linked to agriculture see BAK 2018: 328–338.

¹¹² See the characteristics of the new CAP in KENGYEL–SOMAI 2023: 31–60.

¹¹³ Government of Hungary s. a.

¹¹⁴ Government Decision 1003/2021 (I.11.).

and population-retaining power of the countryside,¹¹⁵ strengthening Hungarian food self-determination and export potential, improving the competitiveness of Hungarian agriculture, developing of food industry, and ensuring predictable agricultural subsidies for farmers. In order to achieve all of the goals, the Hungarian Government has stipulated that 25% of the resources from the EAFRD should be transferred to the EAGF in the 2021–2027 CAP Strategic Plan for the period 2023–2027. The EU rural development subsidies are supplemented with 80% by the Hungarian national budget in the framework of national co-financing. The government decision also included that the annual payment from SAPS should be reduced by 5% above the amount of EUR 150,000, and by 100% above the amount of annual payment for 1,200 hectares in 2021–2022. At the time the government decision was issued, the decision-makers considered the challenges arising from the changed climatic conditions, the importance of production concerning the utilisation of natural geographical features, as well as favouring rural development and the renewal of the countryside, which is the key to sustainable agriculture, and consequently it contributes significantly to the development of the Hungarian economy and society. The Hungarian Strategic Plan – paying also attention to the Hungarian interests – focuses significantly on environmental sustainability in relation to food production and food safety. Moreover, it concentrates on the development of the food industry, as well as on increasing support values, cost-effectiveness, in conclusion, on the implementation of sustainable, environmentally friendly management and competitiveness aspects. As far as Hungarian interests are concerned, it must be emphasised that ensuring the competitiveness and sustainability of Hungarian agriculture and the food industry based on it is a key issue.

In Hungary, the direct support system is based on several elements in the new period: basic support; coupled income support; the Agroecology Program (AEP) support form; the young farmer support form; the so-called redistributive income support.¹¹⁶

In case of basic supports¹¹⁷ the stability of the producers' position in terms of income is ensured by BISS (Basic Income Support for Sustainability), which replaces SAPS. While agriculturally cultivated areas served as the basis for support, from 2023 the support will also be based on areas that may promote biodiversity and climate criteria from the aspect of protection.¹¹⁸ When applying for basic supports, farmers shall meet the requirements of conditionality.

The Agroecology Program (AEP) is a voluntary form of support that may be chosen annually on a territorial basis, with the fact that it may be applied to the entire farm area. The condition for the application is that the farmer shall make additional

¹¹⁵ Supporting the growth of agricultural employment is crucial because it currently accounts for 4.8% of the country's employment, while the food industry accounts for 3.2% of employment.

¹¹⁶ Compared to the whole, basic income supports: 54.6%, production-related supports: 15%, AEP supports: 15%, redistributive supports: 14%, supports for young farmers: 1.4%.

¹¹⁷ For the previous regulation see Government Decision 1437/2014 (VII.31.).

¹¹⁸ The areas that result in new subsidy entitlements are, for example, elements of landscape or non-production purposes: forest strips protecting fields, coastal strips of watercourses that are not cultivated, wet or saline areas.

commitments.¹¹⁹ The commitments are aimed at good agricultural practices, by which the farmers apply environmentally friendly aspects during farming and carry out farming practices that counteract the harmful consequences of climate change.

In case of coupled income support, it is important that their purpose is to help farming in sensitive sectors, and to balance the economic and market problems occurring in these sectors. Hungary has introduced this form of support in two large areas, crop cultivation and animal husbandry, according to the list and conditions contained in the relevant legislation.¹²⁰

Encouraging generational change appears rightly in the Hungarian Strategic Plan more strongly than in the past, based on the current data in the field.¹²¹ Support for young farmers from the first and the second pillar is possible at the same time if the governing conditions are met. Age (18–40 years) is important in terms of support conditions to promote young farmers, but it is also necessary that they are required to dispose of agriculture and forestry qualifications set out in legislation when applying for the support.

The redistributive income support is aimed at supporting small and medium-sized farms. It replaces the previous capping, as well as the simplified direct payment scheme for small farmers. In relation to the purpose of the support, only farmers whose eligible area is no more than 1,200 hectares may apply for this form of support.

The rural development subsidies in the Hungarian CAP Strategic Plan are multilateral, coherent with each other, act in one direction, towards the implementation of the new CAP goal system, as well as they have a strong funding base. Rural development subsidies may be divided into several groups. The first group includes interventions aimed at the development of the economy. The focus of these subsidies is the development of the food industry sector.¹²² The second group is green interventions.¹²³ As already mentioned, large-scale environmental aspects are formulated in the Hungarian CAP Strategic Plan. The payments supporting agri-environmental management and ecological management from the previous system will remain. In addition to the agroecological programs, within the framework of Natura 2000, the preservation of forest and grassland areas, the preservation of animal and plant genes, as well as animal welfare support will continue. In rural development, the support of the forestry sector is also emphasised. The third group consists of the interventions concerning the renewable countryside.¹²⁴ In this field, the proven subsidies for rural communities, the subsidies applying for the development of

¹¹⁹ If this form of support is chosen, the farmer shall make an additional commitment of at least two points per category for all land use categories.

¹²⁰ For crop cultivation: sugar beet, rice, industrial vegetables, vegetable cultivation, extensive and intensive fruit, industrial oil crops, grain and fiber protein crop cultivation; animal husbandry: ewes, fattened bulls, heifers, dairy cows (see Decree of the Agrarian Ministry 17/2023 [IV.19.]).

¹²¹ There are 430,000 agricultural producers in Hungary, 30% of whom are over 64 years old (see European Commission s. a.e).

¹²² Compared to the period 2014–2020, the increase in resources is fourfold (planned support: HUF 1,455 billion); see The Hungarian Chamber of Agriculture 2023.

¹²³ The planned support is more than HUF 1,000 billion, which also means an increase in resources compared to the previous period (one and a half times); see as above.

¹²⁴ Increase in resources: 1.26 times, the planned support exceeds HUF 285 billion; see as above.

knowledge transfer and the promotion of innovation in the food industry will continue. The subsidies serve for the development of small settlements, the strengthening of rural development cooperation, the development of Leader, the support of agricultural knowledge and innovation, and education related to the transfer of good practices, such as the operational experience of demonstration farms. Regarding the Hungarian interest, 38% of the rural development budget will be allocated to agri-environmental interventions, 8% to the further development of organic farming, and approximately 5% to the protection of Natura 2000 areas covering almost 162,631 hectares.¹²⁵

Final thought

Looking back on the history of the development of the European Union's Common Agricultural Policy, it is clearly seen that it is a constantly changing, adaptable, flexibly renewing policy, and considering all of this, it is extremely valuable. Looking through the policy change trends, the rise of green elements, the preference for environmentally-friendly and protective farming, the strengthening approach of supporting landscape protection, and the introduction of measures to balance the harmful consequences of climate change on agriculture may be seen. Moreover, the policy seeks to guarantee a safe and affordable food supply, in this context, the preservation and increase of the competitiveness of agriculture, and finally, the support of the producers, young farmers in particular, who represent the personal side of agriculture. The realisation of these objectives is beneficial for all the Member States, including Hungary, and consequently, it is also in Hungary's interest to continue and continuously develop the policy. In the further development of the CAP, it should also be taken into account that the countries with significant agricultural potential that want to join may have a serious impact on the agriculture of the current member states in general and thus on the market status quo of their farmers in particular. The key issue is whether the goals of the CAP may be achieved, considering the objective conditions that appear in Europe and globally. The current new reform package of the CAP gives cause for optimism.

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