

ADVANTAGES AND CONTROVERSY OF COMMON AGRICULTURAL AND COHESION POLICY IN THE EU

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Summary

The authors explore deals and payments that have a positive effect on the development of Common agricultural and cohesion policy. They particularly emphasize the ways of protecting the European Union from cheap imported products from non-EU countries. They also deal with the mechanisms that are built into the process, with the structural policy regarding "Agenda 2000", as well as the reforms of Common agricultural and cohesion policy from its beginnings until now. The paper presents problems of guaranteed prices, ecology, quotas, agricultural levies and customs duties. The authors also investigated the Common Agricultural and Rural Policy of the European Union 2014-2020, the ways to accelerate the transfer of technology and strengthen the cooperation between agriculture and research sectors in the future.

Key words: *agriculture, European Union, policy, prices, directives.*

JEL: *Q18, Z13.*

Introduction

The Common Agricultural Policy is governed by the idea that the agriculture should be systematically organized so that most farmers could make a living from their income as workers in factories do. Cohesion policy was meant to reduce the economic gap between regions and socio-economic disparities, as it was formulated at the time. With the establishment of the Customs Union the Common Agricultural Policy was also established. However, this process was not without criticism, primarily because of excessive subventions in agriculture. This is especially true for 2003 when the Commission invited a group of

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experts to give their opinion on the EU budget and state their opinion about the expenses that are given for agricultural development. They came to the conclusion that the allocation was too large and that costs should be reduced.

However, Common agricultural and cohesion policy is a part of the European processes and culture of the European Union and therefore it has a future even though we think that there is still a lot of controversy about this problem, so the goal of our work is to highlight the benefits and misconceptions regarding the agricultural and cohesion policy of the European Union. First we will consider the foundations of the Common Agricultural Policy, i.e. its goals, then the common market organization and in particular structural agricultural policy. It is important to analyze the mentioned policy in the light of EU enlargement. Our task is to perceive what is being planned by the Common agricultural and rural policy of the EU from 2014-2020, and what are the very mechanisms of cohesion policy whose application will influence the improvement of agriculture.

Work methodology

In this paper we used the historical method, working on a brief review of the development and evolution of the Common Agricultural Policy. We used this method in the assessment of the reform with particular emphasis on the “Agenda 2000” and within it Fischler reform in order to discuss the implications of the European Union enlargement on Common Agricultural Policy. We used comparative methods to develop the objectives of the Common Agricultural Policy comparing them since its founding in Stresa in 1958, through Mansholt to McSharri and the proposal of the European Commission and also by comparing the different costs of Common agricultural and cohesion policy. By using analysis method we showed what was achieved in the Common Agricultural Policy with different kinds of direct payments and what with subsidies. We used statistical methods in presenting the growth of GDP per capita in the EU-15, EU-25 and EU-28 as well as to show the varied employment rates at different times of enlargement of the European Union. The used methods have contributed to the work being presented as complex and meaningful.

Advantages of Common Agricultural Policy

Agriculture has been labelled as a sensitive issue since the foundation of the European Economic Community and even before. Why is this so? Most European countries and their governments viewed the Common Agricultural Policy with scepticism due to the lack of food in the post-war period, because the “lack of food in the post-war years made providing additional quantities of food a national priority” (Vidović, 2010). At that time there were disagreements between the Netherlands and Germany on one side, which were not in favour of subsidizing agriculture at European level and France on the other hand, which insisted on the Common Agricultural Policy. It was only when France adopted its accession to the European Economic Community that the Netherlands and Germany accepted the French request. Therefore, the 1958 and the Conference of Ministers of Agriculture in Stresa (Italy) is considered the beginning of the development and implementation of the Common Agricultural Policy of the six member states of the European Economic Community.

Actually, everything that was adopted had already been agreed on in the Treaty of Rome:

- 1) To increase agricultural productivity
- 2) To ensure substantial living standard for agricultural producers
- 3) To stabilize agricultural markets
- 4) To ensure regular food supplies
- 5) To ensure reasonable prices for consumers (Dinan, 2009)

In this way the Common Agricultural Policy receives institutional framework. Evoking the myths generated immediately after the war, when agreements and concessions were effective, positively reflected on the Common Agricultural Policy (CAP). This policy envisaged direct payments and market interventions. Single farm payments based on historic rights have two basic forms. “The first is that the farms that received support in the reference period for specific products (e.g. milk, cereals) will continue to receive the same amount of support (per hectare of agricultural land), but they can also produce other cultures. According to current results and forecasts, such a system of support leads to extensive and restructured production because the farmers are no longer stimulated to produce a particular product in a greater amount. There remain significant differences in the average amount of payment per hectare of land between the member states (from 100 Euros in the Baltic countries to 500 Euros in Belgium and Greece)” (Janković, 2009). Whatever the shortcomings, the single farm payments have a positive effect on production restructuring and at the same time the earlier support for certain products remains in effect depending on the area of agricultural land aimed for this purpose during the reference period.

As for the other form, “the simplified scheme area payment (SAPS) is a regional model tailored for the new EU members that joined the EU after the reforms of 2003. According to this model, the total amount of direct payments is defined in a special way, then that amount is divided by agricultural areas which are expected to apply for farm support” (Janković, 2009). This does not mean that the mentioned policy has not changed and improved with the passage of time. Thus, since the beginning of the 90s of the 20th century the EU is moving away from the system of prices support to a system of direct income support, but it has not abandoned significant agriculture subsidizing. At the insistence of France, the European Union keeps the agricultural subsidies justifying that by the specificities of agriculture in the European Union. Thus, the European agricultural model is presented as a true mix of social, environmental and economic elements that cannot do without the state support (European Council, 1997).

Such an approach actually recognizes the fact that agricultural products are specific because they are at the basis of existence and often depend on factors such as climate change, coincidences, etc. Equally important fact is that the common market protects the member states from cheap products imported from countries outside the European Union. Common agricultural policy consists of sharing revenues and expenditures, so its implementation is financed by budget funds. These payments are made through the European Agricultural

Guidelines and Guarantee Fund (former name), today this fund is called European Agricultural Guarantee Fund (EAGF). This type of giving is also made by the European Agricultural Fund for Rural Development (EAFRD). All this is done with consideration of the common goals of the Union.

The Common Agricultural Policy was constituted of the elements of *the target price, the intervention price, input price and the levy refunding*. The target price is the minimum price for agricultural products in the EU. The intervention price is the price at which surplus products are bought. This is, in fact, guaranteed withdrawal of products from the market in unlimited quantities regardless of the market demand. What does that mean? This mode of operation guarantees the sale of products, regardless of demand, thus protecting the producer and stimulating him. The input price is but protection of the market from the uncritical import of cheap goods. It is usually higher than the world price. Returns were made possible due to the export subsidy which directly meant greater competitiveness on the world market. Returns are given to exporters from the EC in order to bridge the differences between the lower prices on the world market and the high prices of EC, i.e. to make agricultural products produced in the EU competitive on the world market, consequently eliminating overproduction by refunding exporters from the EC (Vidović, 2010). These mechanisms have proved to be effective in determining the price of different products which involves the Commission on Agriculture and the Committee on Agriculture. An important role is played by the various lobby groups of European agricultural producers, which often organized demonstrations whose objective was to put pressure on the European Parliament and the Ministers of agriculture of the member states in order to make prices higher. The Council of the European Union used to decide on the prices by a qualified majority, having previously asked for the opinion of the European Parliament. The Council was helped by Control Committees composed of experts from the member states of the European Union. This way of market regulation proved to be productive: the standard of farmers increased and consumers were provided with guaranteed amount of quality food. All this was typical of the 60's of the 20th century.

In the early 1990s guaranteed prices were replaced with direct help. They were paid only when prices fell below a certain level. Subsidies for the production of different products (cereals, beef, butter, etc.) were decreasing. Farmers are encouraged to set aside land from agricultural production Set Aside (Lewis, 1993). The reduction of excess food was thus influenced as well as incensement of grain price which neutralized the negative impact of the prices within the framework of the Common Agricultural Policy.

For our research it is important to examine the structural policy that is associated with the "Agenda 2000" (European Commission, 1997). It adapts the Common Agricultural Policy to the requirements of the World Trade Organization and it has become the second basic pillar of the Common Agricultural Policy, together with the market policy. This Agenda included the reforms to come. The most important was Fischler reform. Prior to it, some reforms were implemented through plans such as the Mansholt's plan, Delors Plan I and McSharri's plan. We are interested in Fischler reform, because it is the most recent one, in order to comprehend the problems caused by enlargement of the European Union. The

Council of the European Union has directed additional resources to increase food quality and safety, the protection of the environment and generally the quality of farm management. It was the Fischler reform that first anticipated budgetary constraints of the European Union and the problems that will come with its enlargement. Namely, the number of employed in agricultural activities rose from 7 million in the EU-15 to 13 million in the EU-25... With the joining of the candidate countries of Central and Eastern Europe, the total EU arable land has increased by almost half, while the number of employed in agriculture more than doubled. At the same time GDP per capita of an enlarged Union has decreased for about 13%, in relation to the amount in the EU-15. It follows that the possibility of financing agricultural production from the budget of EU-25 is significantly lower, while the needs for funding - with the current help allocation criteria- are much higher (Doc. COM (97) 2000). However, hasty conclusions should not be drawn from all of this, because although the CAP funds for the period 2007-2013 were reduced (in 2013 by 31%), agriculture in the European Union is more efficiently and easily managed, which resulted in abandoning the aid for the quantity of production. This is particularly the case for the production of milk in 2013. However, despite the pressure of enlargement and multilateral trade negotiations, the history of the Common Agricultural Policy indicated that the group of key member states will ensure that farmers, especially those in Western Europe continue to receive large subsidies (Cvijanović et al., 2011). The price of milk that is exported to the Balkan countries, for example remains competitive due to subsidized production. Direct payments in the EU are reduced by 10% and that money is intended for the protection of the environment, water resource management and innovations (European Commission, 2007). One of the benefits for the new members of the European Union is that their share of the budget expenditure for the purposes of the Common Agricultural Policy remained low. However, with the year 2016, for example, Bulgaria and Romania achieved full amount of direct financial support. Nevertheless, this type of assistance depends largely on the national administrations and their ability to make all the necessary steps required for that financial aid. The lack of experience of the new member states is reflected on the quality of aid. On the other hand, the European Union adheres to high safety standards of agricultural products and new members are often unable to respond adequately. As for the countries that apply for pre-accession assistance, they do so through a unique instrument called the Instrument for Pre-Accession Assistance. An integral part of this instrument is the one that covers IPARD. It deals with the problems of rural development and its priorities are improving market efficiency, implementation of the EU standards and taking measures that would enable the creation of a designed strategy of rural development. The same is done by EAFRD (European Agricultural Fund for Rural Development). It provides co-funding of more than 30 different measures that are aimed to help the implementation of rural development programs of different EU member states. These measures promote the four priority objectives that are formulated as axes. Three axes are thematic and one, being methodological, complements them (Vasiljević, Zubić, 2009). The management of the Common Agricultural Policy means constitution of the bodies for management and quality control.

All this means that there are controversies within the European Union itself (which will

be discussed in the next section), as the UK and Germany continue to advocate reforms while France wants to keep everything as usual protecting the interests of its farmers. The current formula satisfactorily solves the problem of interfaced interest between Germany and the UK on the one hand side and France on the other. Namely, aiding agriculture of the new EU members reduces tensions, but does not solve the problem. The good thing is that everyone in the European Union is aware of the situation and they are intensively searching for the best solution. That fact alone shows that the development of agriculture in the European Union is a dynamic and complex process. On the other hand, transferring the latest economy trends on a broader level we come to the conclusion that the reforms are dependent on conflicts on national and global level. The regulations often delve into the issue of the national, regardless of the fact that they are directed only at economy. It is this kind of reform, together with the problem of reducing the number of employees that has led to an increase in the number of regulations which will ultimately become counterproductive to themselves (Kostić, Kostić 2014). The European Union is aware that these problems must be solved with joint efforts and that they require compromise. The Common agricultural and cohesion policy is a good example of this.

The Common Agricultural Policy also includes costs relating to the European Agricultural Guidelines and Guarantee Fund (EAGGF). Huge resources are spent on the purchase and storage of agricultural surpluses. This is done by the Department of bail that is a part of the structural funds of the European Union. The money primarily goes to producers of milk and dairy products, meat, cereals, sugar, oil, etc., but also on new equipment and help to employees in agriculture, which is reflected in the health care, pensions and so on. Obviously, the Common Agricultural Policy has achieved significant success. The farmers' incomes in Western Europe are predictable and stable. The EU agriculture accounts for 43% of total world exports. The guaranteed prices are a part of such success. However, the Common Agricultural Policy, by itself, cannot be credited for all successes. The increase of the European agriculture is also result of machinery and chemical innovations, construction of irrigation systems and the like.

Controversies of Common Agricultural Policy

The Common Agricultural Policy, unfortunately, does not only have positive implications because its terms of financial support enabled various machinations and frauds. The existence of price differences between the EU and the global prices has been covered through compensations. A number of dishonest farmers succumbed to the temptation, which reflected this problem. In Italy, it represented a Mecca for organized crime (Grant, 1997). In addition, the Common Agricultural Policy has led to the creation of economic dependence (giving assistance to farmers who would otherwise go out of business) and the increase in the prices of agricultural land, without reducing the gap between the revenue of the rich and poor farmers. While the farmers in countries with a productive agricultural sector, such as Denmark, France and the Netherlands, greatly benefited from mechanization and the intensification of production, their counterparts in less productive countries, such as Greece, Italy and Portugal, have remained relatively poor. This gap widened after the eastern

enlargement (McCormick, 2010). During the whole existence of the European Union, there has been word of the need for reform in agriculture. It was believed that a big part of the budget of the European Union goes on agriculture, which means that there is less money for other branches. In addition, the Common Agricultural Policy has led to distortions in the global prices of agricultural products, hardened the relations between the EU and its main trade partners, and contributed to the image of the European Union as a protectionist creation (McCormick, 2010). These facts have an indirect connection with the distribution of resources, as almost any reform promotes the association of small farms into larger and more efficient units. Small farmers in France and Germany have felt threatened. However, with the help of trade unions and lobbyists, they resisted such policies. If the deterioration of family businesses and rural communities is not stopped, our increasingly urban society will be entirely dependent on multinational corporations, which will one day be the owners of arable land and which will hire agricultural managers to work on it (Layman, Krebs, 2003). It should be borne in mind that economic theory recognizes the fact that striving for efficiency does not necessarily lead to a just and fair distribution of resources in economy. There are various forms of efficient resource allocation, and different observers have different opinions about which of them is the fairest. Economists do not delve too deeply into issues of equitable distribution of income and wealth, on the grounds that such matters involve value judgments that are the prerogative of individuals, so they cannot be imposed by anyone (Trozbi, 2012). The problems that the French have as a developed agricultural country can be rightly considered, but where are the small countries with relatively good potential? The question is raised as to whether the aid that goes to agriculture, especially the production of, for example, raspberries, blackberries, plums, corn, sugar beet, etc., is aimed at disrupting the competition or whether it is the choice of the country to continue to develop their best products further for the benefit of their farmers, their country and Europe. The controversy arises when Article 107, paragraph 3, of the Treaty on the Functioning of the European Union cites the following: With the approval of the Commission, aid may be allowed to promote the economic development of areas where the standard of living is low or where there is serious unemployment... aid to promote the development of certain economic activities, where this does not adversely affect trading conditions of common interest (Medović, 2011). However, there is always a “but”, which refers to the last word of the Council to the proposal from the Commission. In circumstances where the issue of assistance or subsidies to the country for a certain product in question, we are not sure what kind of criteria the Council will have when it comes to confronting the interests of the old and new members of the Union.

However, in areas including the Common Agricultural Policy, the EU has competence, i.e. the Commission may sign an international treaty without the countersignature of the member states which is a problem in itself. On the other hand, in specific areas, the European Union and its member states share authority, which requires the countersignature. The controversy stems from the undefined border between the non-economic and economic policy.

In essence, all the reforms of the Common Agricultural Policy from Mansholt to McSherry have regulated the market with their mechanisms, causing serious problems in terms of economy, ecology, and even politics. These issues are as follows:

1. The guaranteed prices had nothing to do with the demand and encouraged the over-production.
2. Excess of products had to be placed in the “intervention” (Euro-slang for storage) across the European Community with considerable costs to taxpayers (those involved butter mountains, wine lakes and the like).
3. Large farmers (those with large farms) produced more and thus earned more money, while small producers who needed help the most earned less.
4. To increase production from their already over-used fields, farmers used excessive amounts of herbicides, pesticides and fertilizers, exacerbating the already serious environmental problems of the community.
5. Maintaining quotas, agricultural levies and customs duties in agricultural trade had angered exporters into the European Community.
6. Support to export prices disrupted world prices and harmed exporters outside the EC, which led to trade agreements (Dinan, 2009).

It is obvious that, since the 60s of the last century, it was recognized that a cohesion policy was necessary in order to reduce economic and social disparities between rich and poor regions. However, this unusual blend of idealism and pragmatism resulted in enormous costs, especially in the European Union as it is today, with 28 members. As the European Union expanded, so did regional disparities. The economic justification for cohesion policy maintains it although part of the old members complained about the Commission’s proposal that the consumption for the cohesion between EU-15 and EU-25, and currently EU-28 today, be split 50:50. Therefore, governments will have to make difficult choices, and to resist the temptation of pandering, and to implement policies for the long run. The only possible way to achieve this in any modern democracy is for those who make decisions to isolate themselves from the intense pressure from interest groups, lobbyists and political campaigns, which is to say, from the intense pressures of democracy (Zakaria, 2004). Thus, the Commission proposed a reorganization of the cohesion policy, which consists of the following:

1. Convergence: supporting growth and job creation in the least developed member states (regions with a GDP per capita below 75% of the EU average);
2. Competitiveness: encouraging economic modernization and improving employment prospects;
3. Cooperation: promotion of cross-border cooperation, including cross-border cooperation between member states and non-member countries;
4. A new financial instrument, New Partnership and Neighborhood instrument (European Commission, 2004).

Over time, the objectives of the cohesion policy have changed and are changing today at the initiative of the developed countries of the EU. As the global economic crisis of 2008 spread, the support of proclaimed goals diminished. Some member states have ceased to recognize those who are facing particular difficulties. Cross-border cooperation between member states and non-member countries is usually at the expense of the non-members. Instead of being based on justice and solidarity, the cohesion policy is more and more a stumbling block between the developed and less developed countries within the European Union. In times of a great migration of population because of war, tensions are created which reflect the relations between countries in the European Union, and the very concept of cohesion has a different connotation. However, since there had been a lot of unskilled labor, certain states introduced restrictions, which was an additional problem. Today, it is a much bigger problem, and the solutions are much more complex and depend not only on the countries of the European Union. One also controversial fact is that European leaders bring too many decisions without consulting the citizens, particularly affecting countries with less developed economies. This kind of elitist behavior is particularly characteristic of less developed economies. The problem is that, sometimes, the institutions do not function as they should and there are often collusions between European leaders which the public knows little about or is not at all familiar with. All this has an indirect negative impact on the Common Agricultural Policy and the cohesion policy.

Common agricultural and rural policy of the European Union 2014-2020

New reforms of the Common Agricultural Policy represent a comprehensive program of the European Union rural development created as a result of the Common Agricultural Policy adopted by the Council of the European Union. The challenges of the rural areas had to be met in the field of employment, innovation, education, followed by the challenges of climate change and, most importantly, the reduction of poverty. The new Common Agricultural Policy although based on previous reforms, in fact, gives support to producers and not as it used to be, to products. Firstly, economic factors have been identified. These include: food security, productivity decline, price fluctuations, protection of the environment, and ultimately the territorial factors which emphasized depopulation, i.e. demographic problem that cannot be dissociated from the previously mentioned factors. The new reform of the Common Agricultural Policy presupposes simplification of rules, less administration, as well as integration with other European investment funds. Rural development policy management includes 6 priorities:

1. Encouraging efficient use of resources and promoting efficiency of renewable energy sources
2. Cooperation in knowledge transfer and innovation in agriculture
3. Increasing competitiveness in agriculture
4. Promoting food chain organization and risk management in agriculture
5. Restoring, preserving and enhancing ecosystems
6. Promoting social inclusion (Jurkenaitė, 2012).

This is accomplished with the help of certain changes in instruments of the Common Agricultural Policy, but without significant reduction in expenditure from the budget of the European Union. The planned amount of money for this, budgeted for 2014-2020 is 420 billion Euros. 75% of this amount should be spent on direct subsidies and market measures, and 24% on rural development (Фруткин, 2012).

The new reform of the Common Agricultural Policy provides for numerous changes in the allocation of the direct payments that support farmers. Namely, starting from 2014, farmers can apply for the environmental payments that are used to encourage the conservation of natural resources. The amount of money paid for those purposes is 30% of the total amount of direct payments. This decision has provoked reactions of farmers in some European countries, because it is not taking into account the criterion of regional specificity. Thus, in Germany, they agreed to 40-50%. The Bulgarians thought that the proposed percentage was too high. The reform included provisions on direct payments. Although the agricultural policy is common, when it comes to paying, there are obvious differences between member states. Increased awareness of the need for uniform allocation of resources among member states of the European Union does not bring results. Unfortunately, a unique hectare amount that would apply to all EU member states is still not introduced. The new allocation of the agricultural budget should ensure that by 2019, no member of the Union receives an amount less than 75% of the Community average. It is also necessary to reduce disparities in direct payments that exist within individual member states and their regions. It is anticipated that by 2019 the sum will amount to 60% of the average. Additional payments for farmers under the age of 40 are anticipated as well. This will amount to 25% of the payment that is intended for starting companies. There will also be one-off payments that replace direct payments to young farmers. This payment would be made by each member state. The problem is that new members usually opt for a minimal amount due to the anticipated range, which ranges from 500 to 1200 Euros (European Commission, 2013). It is clear that administrative procedures should be simplified. When it comes to specific sectors in certain regions, payments that link aid and production have been defined. The Commission may grant different amounts of successive payments depending on the quality of explanation offered in the request. The question is what happens when the total number of requests for direct payments exceeds the funds that are designated for such purposes? If this were the case, the direct payments decrease *pro rata*, with the exception that the reduction does not apply to the first 2000 Euros received by the farmer. When it comes to big agricultural companies (so-called Capping) direct payments that exceed 150 000 Euros shall be reduced by 5%. Due to financial discipline and in order to avoid speculation, the term “eligible hectares“ has been introduced. The ability to receive direct payments shall be made on the basis of the reference for the previous year. However, if a member state reaches an enormous increase of reported acres, the right to the payment may be limited.

One of the major reforms is the abolition of production quotas. Thus, the milk quotas were abolished in 2015, sugar quotas in 2017, etc. Such measures are financed from the so-called “crisis reserve”. It is formed at the expense of decreased direct payments. The unused funds shall be returned to producers during the next year.

Regarding the fight against poverty and economic development of rural areas, member states will be obliged to allocate a substantial funding for land management and the fight against climate change. In December 2008, the European Parliament adopted a policy package on climate change that aims to achieve 20% emissions and greenhouse gases, 20% improvement in energy efficiency and 20% share of renewable energy in the EU energy mix by 2020. Directive no. 2009/28 / EC takes over the objectives of this program regarding the use of these sources (Cvetanović, Jovanović 2014).

Agriculture, like all the other sectors, cannot do without innovations that are implemented through the European Innovation Partnership for agricultural productivity and sustainability (EIP). Its aim is to accelerate the transfer of technology and the closer cooperation between agriculture and the research sector. However, the high technology used in agriculture has its side products. These are the unpleasant and unforeseen consequences arise due to the tendency of man to master nature. We have come to a situation when it is not possible to produce food without chemical treatment. The ones engaged in organic food production have to raise prices of their products because of low yield (Kostić et al., 2015). Therefore, the common agricultural and rural policy of the European Union 2014-2020 provided enhancement of organic food production.

All in all, a series of reform measures that have been in the service of agricultural cohesion policy in the European Union by 2020 has been initiated. This does not mean that, in the meantime, there won't be new, minor reforms and plans for the development after 2020.

Conclusion

European agricultural policy has had its phases and intermediate phases. It was affected by many factors. Thus, the accession of Central and Eastern Europe countries directly affected changing and developing the proclaimed policy. The enlargement was a good opportunity to reform the Common agricultural and cohesion policy whose benefits are reflected in agricultural productivity, increasing the living standards of farmers, stabilization of agricultural markets, etc. The Common Agricultural Policy is financed by budget funds – i.e. by EAGGF, and later by the European Agricultural Fund for Rural Development (EAFRD). Freedom of traffic has enabled the development of agriculture and competitiveness in the world market. Measures such as export subsidies secured the refund. There were many mechanisms that were closer to Keynesian understanding of economics. Thus, the Council of the European Union used to decide on the prices and it was helped by control committees, which was one of the ways of market regulation. As time went on reforms of the Common Agricultural Policy were implemented with the aim to increase the quality and safety of food, to protect the environment and enhance the quality of management. The quality of national administrations is very important for the Common agricultural and cohesion policy because the lack of experience of the new member countries and poor assessment of national administrations are often reflected in the quality of aid.

The Common Agricultural Policy is followed by many controversies that are reflected in financial assistance and compensations accompanied by many frauds and scams. The

Common Agricultural Policy was beneficial for countries like Denmark, France, the Netherlands, while Greece, Italy and Portugal remained relatively poor. This gap increased with the expanding of the European Union. All the reforms of the Common Agricultural Policy have regulated market while causing serious problems in the economy, ecology and even politics. Thus, the guaranteed prices had nothing in common with the demand and excess production had its repercussions: The products excess had to be stored which required new charges. Small producers were left aside. On the other hand, excessive use of herbicides and fertilizers created huge environmental problems. The issue of quotas, levies and customs duties had a destructive effect on those who exported to the Union. That is why there was a reorganization of the cohesion policy which supported growth and job creation in developing member states, economic modernization, cooperation etc.

New problems such as population migration, affected the strained relations between the countries of the European Union, which indirectly reflected on the CAP and cohesion policy. The economic crisis that is still ongoing reduces the possibility of increasing allocations for agricultural development. These are all questions and controversies that have yet to be resolved.

The new reform of the Common Agricultural Policy predicts Rural Development Programme of the European Union from 2014-2020 and greater support for the producers. The abolition of production quotas is envisaged, as well as acceleration of technology transfer which requires continuous innovations in agriculture.

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PREDNOSTI I KONTOVERZE ZAJEDNIČKE POLJOPRIVREDNE I KOHEZIONE POLITIKE U EVROPSKOJ UNIJI

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Rezime

Autori istražuju dogovore, zatim plaćanja koja se pozitivno odražavaju na razvoj Zajedničke poljoprivredne i kohezione politike. Posebno ukazuju na puteve zaštite Evropske unije od jeftinih uvezenih proizvoda iz zemalja van nje. Oni se bave mehanizmima ugrađenim u taj proces, strukturnom politikom u vezi sa „Agendom 2000“ kao i reformama Zajedničke poljoprivredne i kohezione politike od njenih početaka do danas. U radu su sagledani problemi garantovanih cena, ekologije, kvota, poljoprivrednih prelevmana i carina. Autori su istražili i Zajedničku poljoprivrednu i ruralnu politiku Evropske unije 2014-2020. godine, načine kako ubrzati transfer tehnologija i ojačati saradnju između poljoprivrede i istraživačkog sektora u budućnosti.

Ključne reči: *poljoprivreda, Evropska unija, politika, cene, direktive.*

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