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# The European Model of Agricultural Policy in the Global Context

Věra Bečvářová  
Mendel University in Brno  
Czech Republic

## 1. Introduction

The most noticeable processes affecting development of world economics as well as individual segments these days are without question the globalization processes. They are connected with a number of quality changes in the society as the mutual dependency of individual subjects of internal as well as international relations that go beyond the limits of the systems and rules originally formed by national states. Although we encounter this term usually in connection with establishment and ever-growing influence of transnational corporations, world chains and networks, the globalization processes themselves relate not just to economic but also to political, social and cultural changes in the society. They interfere in the already existing relations and form a qualitatively new social environment due to their positive as well as adverse effects.

These changes quite logically prove also under the development conditions of the current agriculture and the agricultural sector as a whole in its horizontal as well as vertical context. They overcome the formerly typical relative closeness of basic agriculture. They affect the whole segment of economics connected with production, processing, distribution and realization of agricultural products and services related thereto. They change the size, rules as well as criteria of forming the supply and demand relationships on agrarian markets, namely in whole verticals that these days frequently take the form of global networks.

The environment of agrarian markets is changing and new priorities are assigned the criteria of competitiveness and demands on their provision. Contemporary agriculture is far from being an enclosed autonomous system; not only due to the acceptance of its role in the sustainable development of society, but exactly due to the changes in the position of agriculture as a fundamental part of agribusiness within the global economy. However, it is this "production" function where the specialization of primary agricultural production into sectors is quickly overcome. Agribusiness shaping processes are typical of the inclusion of companies in many sectors that more or less participate in the production, processing and distribution of foodstuffs into a self-contained system. In this process, the influence of finalizing segments (processing and distribution) during the shaping of demand for raw products grows and affects the allocation and the level of utilization of production factors, which fact is also reflected in the potential development of individual regions with much broader economic, social and political consequences.

Given that agribusiness development, this among other things, extends the spectrum of uses of agricultural products, increasingly affects the overall conditions for agricultural development in the current model. It becomes a factor influenced criteria and price competition from producers in world markets over the regional context. The quantity as well as the quality standards in relation to market price and their effects pertain not only to the producers or processors of agricultural products respectively and consumers but the whole (and not just the rural) population (Swinnen et al., 2008). The need for interdisciplinary solutions when selecting strategies of agricultural development has been objectively growing, reflecting the broad cross-conditionality of the changing market environment.

Also the concept of a balanced European model of multi-function agriculture and its implementation under the European Union (hereinafter referred to as CAP) for as many as 27 current member states, which differ in terms of their bases, reach as well as productivity, is ever more frequently confronted with new challenges arising from accelerated globalization processes. In the current model, the importance of the agricultural production role is growing in terms of meeting its function within development of the rural area as well as the society as a whole. Under the current conditions, the success or the failure of solutions within the production sphere is ever more markedly reflected by all dimensions (economic, ecological, technological as well as human and social) of regional development, that is, not just under the European conditions.

Evaluation of the general economic settings for the contemporary agrarian sector have detected the unprecedented implications which have determinate the fruitfulness of agricultural enterprises at the expanding markets. In practice, the acceptances of the consumer (demand-driven) concept in the CAP as well as the shift of focus to the finalizing segments of the processing and distribution of foodstuffs ever more significantly form a new and harder competitive environment of both food processing companies and agricultural companies. Although the above-mentioned development tendencies might be tempting to a simplified conclusion that under the current circumstances, there is no reason anymore to support the production dimension of agriculture, it is a paradox that in this very context of liberalized market, the issues of strategic nature connected with the role and integral objective of this sector in the modern society are becoming ever more important. The target solution does have a long-term nature but the dynamics of changes in the environment as combined with the specific aspects of agricultural production makes it necessary to select a complex approach from the very beginning of the solution including the permanent reflection of the effects of reform steps realization at the production as well as non-production level.

## **2. Agriculture as a part of the wide economy segment**

Even if we take into consideration other than production functions and, to a certain extent, the specific position of agricultural enterprises in the food industry, future agricultural development is undisputedly connected to effective business activities. Which means not only the problem of productivity factors (land, labour, capital, management level) on a scale beyond the prior narrow definition of agriculture as a crucial/specific food production branch, but also the question of involving the primary production segment in the overall food production complex - agribusiness. A traditional farmer as a manufacturer of primary materials for food (and more frequently, non-food) production is ever more being put under

pressure from world competitors of the ever-expanding food market and, therefore, loses the formerly decisive influence on food production conditions and possibilities in a particular region.

### 2.1 Agribusiness concept – some theoretical implications

The theoretical-methodological approach to dealing with the economy of agri-food production, including both production, agricultural product processing and trade, is based upon the classic Davis-Goldberg concept (Davis & Goldberg, 1994), where “agribusiness” is characterized as a complex of activities concerning the production, storage, processing, distribution and selling of agricultural commodities and products.

For a more up-to-date approach reflecting the situation at the turn of millennium we can use the definition according to Sonka and Hudson (Sonka & Hudson, 1999), which apart from the above-mentioned structure emphasizes the role of research and pre-production stages (the influence of genetic and biological research in particular and their practical application) and the growing role of the food catering industry in the consumption segment. According to this definition the world agribusiness involves about 50 % working population, makes use of 50 % of the worlds assets and presents more than 50 % of consumer spendings.

It is obvious from analyses of the shaping of world agribusiness and its characteristics in the environment of the European region that a crucial change typical for the present-day stage of agriculture within the whole complex of business fields participating in food production, is the change in character of agrarian and food markets. In general, this development stage can be described by the following characteristics:

- supply of an agricultural product is formed by the evaluation of mutual interactions of supply and demand and their relations in the whole agribusiness chain, where the final demand has the decisive effect on the quantity and structure of production and quantities in time and space,
- a number of firms and organizations interfere in the flow of food and agricultural products, frequently of no agricultural character, global chains, private businesses and public subjects which participate in the identification and determination of particular requirements of consumers and consumer segments,
- consumers concentrate on value (quality at low prices) and on food assortment; demand for food of high added value grows - products such as thermally processed, preserved, frozen and dehydrated products; stores offering those sorts of food have become market leaders, play a key role in retail and determine the trade model in particular agro-food chains,
- the consumer protection criteria strengthened with respect to the quality of food concerning health-care, food safety, bio terrorism, and identification of original food source,
- integration of the world food industry proceeds, the effect of inner market protection by trade regulations diminishes in many countries, agrarian markets are being liberalised,
- corporate consolidation progresses in all segments of the food chain, firms benefiting from enlargement; checking and co-ordination of consequent activities intensifies, e-commerce and forwarders contracts act in close relations, etc.,
- competition becomes a struggle of the whole commodity verticals in the particular segment of the food market.

Those imply – the demand actually becomes a major relation, determining the quantity and quality of agricultural products as well as the price/cost parameters on the market. It significantly affects the whole system of production, processing and distribution of agricultural products. This brings new challenges in the decision-making of agricultural producers as far as structure and production parameters and it more often causes clashes with government limits, regulations and limitations of the historically structured agrarian policy based on the regulating supply-oriented approach of agricultural production.

When the supply-driven approach prevailed, it mostly meant decisions based on production effectiveness parameters. From those were derived further key factors of product management (observing production, costs, profit, maximum sales and winning customers) based on which future business strategies were formulated.

Basically, the same parameters are still included in the commonly preferred intensifying of the consumer-side aspect, which is mostly presented as domination of demand-orientation of the agri-food market. However, the demand-driven approach is far more challenging: should each segment of a vertical, including farmers, become effective. A certain form of presence in the vertical is essential, access to information and the ability to utilise acquired information for permanent evaluation of the market situation, the ability to anticipate demand in considerable detail and, if possible, supply has to be reflected immediately.

The dominant position of more concentrated food-processing businesses, retailers and the catering sector on the market enables advantages arising from that position in the selection of suppliers to be used, dictating commodity prices. At the same time, it increases competition in the horizontal plane of primary production and weakens the regulating effect and given limits of agrarian policy (as far as the structure and range of agricultural production in the particular region). These non-agricultural businesses of pre-production and consequent agribusiness stages completely change the whole character of the agricultural sector as well as production capabilities in the regional aspect, and influence, directly or indirectly, markets within the whole verticals by their trade policies.

If we briefly summarize the basic changes concerning the transformation from supply-driven models of traditional agriculture to the concept of modern agriculture focusing on demand-driven types of market relations, we indirectly get to the definition of agriculture as a part of agribusiness (more details, Bečvářová, 2005). In this context, among the crucial factors evaluating achievements of agricultural enterprises, new items significantly appear – items of the knowledge economy.

Comparisons of the characteristics of both models, i.e. traditional and new concept of agriculture, have resulted in the following changes in particular areas, see Table 1 (refer to Boehlje et al, 2001).

Even though some of the characteristics call for a more profound contextual explanation, far from all of them conform to official papers and concepts within the present European model, and the reality must be accepted that agricultural development is increasingly determined by the development of other business fields and sectors, not only within the national economy, but also in the international context, which considerably changes both the competitiveness criteria as well as the potential for further development of agricultural enterprises.



Characteristics	Traditional concept Supply-determined model	New concept Demand-determined model
Agriculture position	Agriculture is agricultural production	Agriculture is a part of food final production
Output character	Commodity as a final product	Commodity as a raw material
Production structure	Structure of production under natural conditions	Demanded plants/ animal products
Determining production factor	Production facilities, land, capital	Customers demands
Competitive advantage	Land quality, technology, buildings	People, knowledge, strategy, organization
Production strategy	Universal structure based on availability of production factors and inputs	Specialised in particular/ demanded raw material
Assets	Own assets	Assets control
Success determiner	Capital in finance and in kind	Knowledge, information
Labour force	LF is a part of costs and investment	LF is an investment and part of costs
Type of trade	Sells product, offers service	Sells service, offers product
Market characteristics	Impersonal relationships/ open markets	Personal relationships - contracted
Supplier/customer relations	Mainly adverse	Correct, friendly
Input purchase	Bulk quantities, various suppliers	Mainly from one source
Own input production	Strong tendency	Purchased
Approach to product price	Pressure on high prices	Low costs preferred
Crucial risks	Market failure (price)	Loss of relationships
Position in system	Independence	Interaction with partners
Business characteristics	Stability	Change, flexibility
Crucial knowledge	Technical	Economic, communication
Agriculture approach	Traditional, experiential based	Learning and knowledge base, innovative
Approach to natural sources	Exploitation, usage	Usage, protection
Production philosophy	Production, waste liquidation	Production, waste recycling

Table 1. Supply and demand-determined concepts of agriculture, main characteristics

2.2 Competitiveness of present- day agricultural enterprises

It follows that the effectiveness of agricultural enterprises is no longer primarily connected to the traditional territorial location of agricultural production as far as farmland quality and other agro-environmental conditions, according to former concepts of intensive and extensive economic systems. The influence of firms’ individual capabilities of being responsive to free market challenges with considerable territorial and commodity differentiation is evident.

If we generally consider the competitiveness of a particular economy system as its ability, in a competitive environment, to achieve results appropriate to the objectives of the system

and its dynamics, this definition implies that it is necessary for the competitiveness assessment to set not only given objectives and criteria enabling the level of their fulfilment to be quantified, but also define factors which determine and affect its fulfilment. At the present stage of agricultural development we can choose between a minimum of *two approaches to assessing the competitiveness of agricultural enterprises*, namely the horizontal and vertical levels.

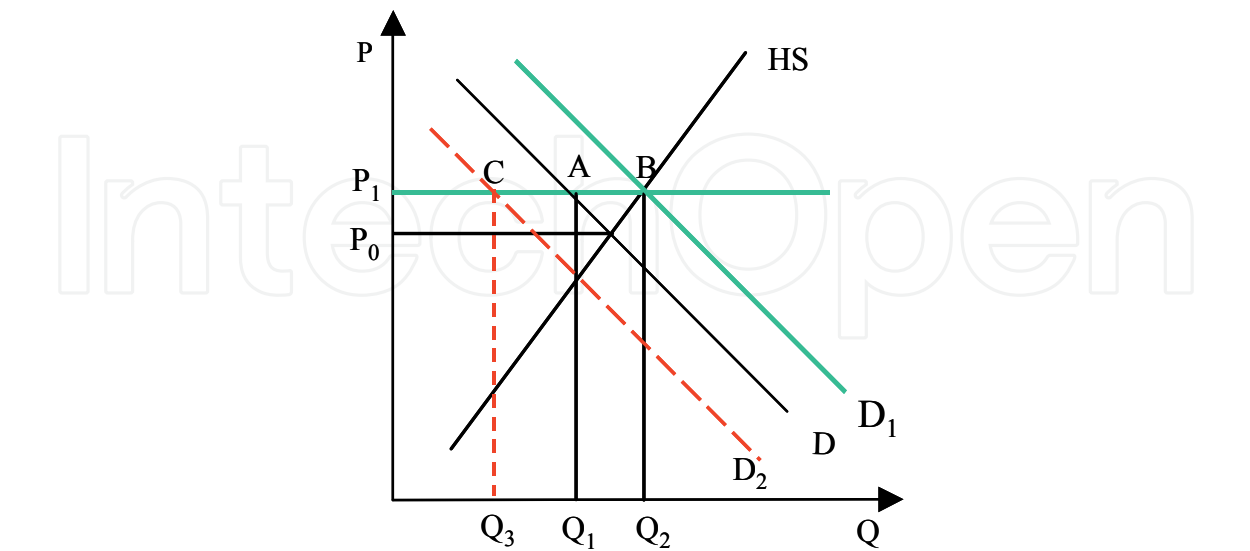
The methodically more developed and so far more frequently method used is the competitiveness analysis based on a horizontal approach to the assessment of agricultural enterprises. In this approach, the commodity structure and its cost parameters confronted with the market price level, i.e. terms of supply related to criteria, factors and conditions for development of the financial and economic competitiveness of an enterprise, enable us to immediately assess the potential competitiveness level of the enterprise and the essential context of its development, using mainly the method of inter-company comparison within the agricultural branch of business.

In order to define the range of key factors which have an effect on conditions necessary for meeting the objectives of the given economic system and the position of an agricultural enterprise with respect to its “productive” function within present-day agribusiness, it seems more appropriate to use another distinction level. Competitiveness is assessed in terms of acceptability of the available structure and the production parameters for the market, therefore in the broader context of involvement of an agricultural enterprise in food production systems.

Examination of the economic effectiveness of the food industry as a whole is then derived from the dynamic concept of competitive advantage. It is measured not only by the economic results of a relatively independent subject in a particular agricultural market relevant for the specific assessment stage of the original primary material within commodity chains, but mainly by conditions and mutual relations among subjects participating in the development, production, processing and distribution of food within the whole process. This does not mean only a solitary evaluation of the development and results of suppliers and customers as independent subjects resp. representatives of relatively separate business areas of isolated markets, without considering interactions with other players. It further deals with the economic context resulting from the mutual conditionality of supplier/customer relationships based on the succession of all activities, beginning with primary material acquisition and ending in the sale of the final product –food- to end users. It always comprises a number of activities adding value to the final product in the process of production, storage, adjustment and distribution.

Competitiveness starts to be observed not only in the view of a company as part of a particular stage of the commodity flow, but also with respect to the efficiency of the whole system. It reflects the situation and examines causes why chains of mutually co-operating businesses (at both horizontal and vertical levels) more frequently succeed on the market, compared to individual retailers within a specific commodity chain. As a result of globalisation processes, relevant markets have enlarged considerably for most agricultural commodities. Therefore, we can expect changes in regional market definitions (even today often not respecting national borders and limitations) and also further changes and restrictions of political regulation instruments of agricultural production, distorting the competitiveness conditions of enterprises in a larger form than the national agricultural marketplace. This means that the success of particular subjects on the market in the whole verticals is still (but not only) conditioned by the achievement of a competitive labour

productivity level and material inputs, which in agriculture is usually connected with necessary growth in agricultural production intensity (Fig. 1).



- Legend:
- $P_0$  commodity world price
  - $P_1$  subsidized commodity price  $WS + DP$
  - HS domestic supply of the raw material on the market
  - D domestic demand for the raw material on the market
  - $D_1$  demand in state intervention purchase
  - $D_2$  domestic supply in case efficient substitutes are available

Fig. 1. Impact of subsidized price on changes in structure of commodity demand on the domestic market

Supply HS reacting to the high (subsidized) price  $P_1$  would require, in the balance point B, sales of quantity  $Q_2$ , which is higher than domestic demand  $Q_1$  (point A), which has to be sorted out by other economic instruments (limits, intervention purchase). In order to maintain the price, a customer begins to prefer such products of a lower price and purchases lower and lower quantities of the “expensive” commodity; in the given example, quantity falls to  $Q_3$  while supply is at the  $D_2$  level.

The figure contexts are supported by the results of former EU countries development. Reduction of subsidized agricultural products and the implementation of new instruments such as direct supports to the recipient bring higher economic differentiation in the corporate sphere. Production effectiveness falls to producers accustomed to using formerly higher support mainly for their own purposes e.g. for maintaining their market position. Reduced subsidies did not put at risk such subjects which invested financial resources in modernization and due to realised structural changes and subsequent innovations achieved higher effectiveness of production factors.

To increase the competitiveness of producers, in an environment where the situation in the market is increasingly affected by customers, is first of all a problem of lower costs of agricultural products on offer, products capable of accepting price requirements and capable of finding a place in certain consequent markets.

Businesses having a comparative advantage are those which have not underestimated technological development, modern management processes, and methods of strategic and



tactical utilisation of market research, focusing on long-term cooperation relationships with core customers on the domestic as well as European and world market respectively.

Since relevant markets are expanding, tendencies to maintain high (subsidized) prices, as a consequence, handicap producers (supply side). Food-processing firms (demand side) prefer producers and markets offering agricultural commodities at lower prices. Therefore, in the long run, the volume of realised quantities of “more expensive” commodities decreases. The tendency to prefer “less expensive”, therefore, cheaper offers for agricultural commodities brings the opportunity to enter the market, even for producers who have already determined the appropriate production structure and utilize technologies enable them to reduce unit costs at high intensity and, at the same time, contract selling outlets.

The process of expanding the agrarian market without significant barriers brings about many changes that positively influence the development of the particular segment of economy.

In general, conclusions of theoretical works, analyses and studies related to this issue (e.g. Ahn, 2002; Boehlje, 2002; Connor, 2003; Goldberg, 1998; Kinsey, 2003) can be generalized in the following fields of arguments:

- expansion to bigger markets supports the *differentiation of products* and causes regional transfers of production capacities and the growth of production with the most efficient entities and thereby accelerates specialization and the related possibilities to achieve savings from large-scale production; at the same time, the potential and recoverability of utilized innovations increase;
- increased competition on larger markets supports and *accelerates better allocation of production factors* towards (the most) efficient activities and entities; this fact also creates better starting points for the increase of competitive strength on the world market;
- larger common market and increasing competition require but also *facilitate faster technical and scientific development*, the development of new products, processes, technologies and procedures through common (internationally linked) research and its application in practice in all national economic systems connected to this market.

If we define the competitiveness of a certain economic system as the ability to achieve results corresponding to the aims of the system and the dynamics thereof in a competitive environment, it is clear that a prerequisite for achieving unbiased aims, including the selection of criteria for the evaluation of the extent to which they were achieved, is the knowledge of the range of factors determining their fulfilment.

To assess the competitiveness of agricultural enterprises, we may choose at least two approaches related to the definition of the level of the economic system, the qualities (i.e. competitiveness) and behaviour of which should be assessed, which fact is related to the choice of the level of differentiation and examination criteria.

From the perspective of method and methodology, we may choose an approach based on

1. *inter-company comparison* at the horizontal level of the particular stage of production or processing of the final product,
2. *prerequisites for participation in the creation of added value* in the final product, i.e. from the perspective of successful participation of a company in the appropriate stage of the foodstuff vertical.

Option (1): The analysis of competitiveness at the level of the differentiation of agricultural enterprises is used more often and its methodology is more elaborated. In this case, it is

especially the structure of commodities and its costs parameters confronted with the level of market prices, i.e. demand conditions, related to the criteria, factors and conditions of the development of the financial and economic efficiency of an enterprise that allow them to directly assess the level of competitiveness of a company and a significant context of its development, especially through inter-company comparison at the horizontal level within the agricultural sector.

Option (2): To define the range of crucial factors influencing conditions for fulfilling the aims of the particular economic system and the position of an agricultural enterprise from the perspective of its “production” function in the current conditions of agribusiness, it is also necessary to examine the competitiveness of the agricultural enterprise from the perspective of the acceptability of the structure and achieved economic parameters of production on the part of the market in a broader context, especially from the perspective of real vertical participation in the appropriate foodstuff production system.

Within this approach, it is necessary to consider the fact that the relevant market is constantly expanding with the majority of agricultural commodities. The relativity of assessment and the predictability of changes in the definition of regional markets (they currently often exceed national frontiers) is also related to this issue.

### 3. European agriculture and the policy of its support

The environment of agrarian markets is changing, Europe's position at these markets is changing, and new priorities are assigned the criteria of competitiveness and demands on their provision. Agricultural producers should answer the new economic environment. The main motives for changes of traditional agriculture and its support for more active position in a process of integration in the agribusiness market place could be characterised as follows:

- *globalisation of world markets* that generally affect growth performance positively by allowing an expansion of markets (considerable market permits the specialisation of country in industries, that have scale economies, raising productivity; increasing the potential market size also raises the prospective returns to a successful innovation), by increasing outside competition (open market main lead to improving the allocation of resources towards more productive activities) and allows more rapid diffusion of new products, processes and research output;
- *increasing value added*: producers start to focus on dealing with technological innovation and product specialisation include downstream activities and attempt to form producer alliances and value-added cooperatives to capture some of the margin from further processing by increasing functionality through product features or service and by lowering cost for specific set of products and service features carrying out standards by first processors and customers that support their better position as a more demanding producer at the competitive market;
- *efficiency improving and risk treatment*: cost reduction by (1) more accurate use of inputs and systematic measurement on yield and profitability demanded product (i.e. structure related to demand) based upon the precision farming and soil cultivation technology utilisation at the farm level, (2) coordinating influence of the market include transaction costs restrictions through participation in vertical integration and/or the substitution of market transaction by contracts;

- *competency of people* to understand new trends, expect and embrace change, identifying and defining strategy for agricultural and agribusiness firms; bring the results of quantitative and qualitative analysis to bear on concrete decisions and recommendations to capture the qualitative as well as the quantitative dimensions of the concrete problem and come up with adequate solution.

Also the concept of a balanced European model of agriculture and its implementation under the European Union for as many as 27 current member states, which differ in terms of their bases, reach as well as productivity, is ever more frequently confronted with new challenges arising from accelerated globalization processes. The different development of the scope of the agrarian sector and changes of its structure in the stage of transformation of economies of the "European Ten" in the 1990s as well as the differences in the focus of their agrarian policies including the differentiated level of support of the agrarian sector, modify in particular the allocation effect and benefits of the expanding market. In their context, they may even interfere in the production and out-of-production relations of agriculture and complicate fulfilment of the segment's multi-functional role within development of whole European regions.

3.1 Basic characteristics

In the current period, the situation in the EU may be documented by comparison of the share of employees in agriculture as well as the share the gross value added (GVA) of the segment in the gross domestic product (GDP) in individual member states in the following figure (2008).

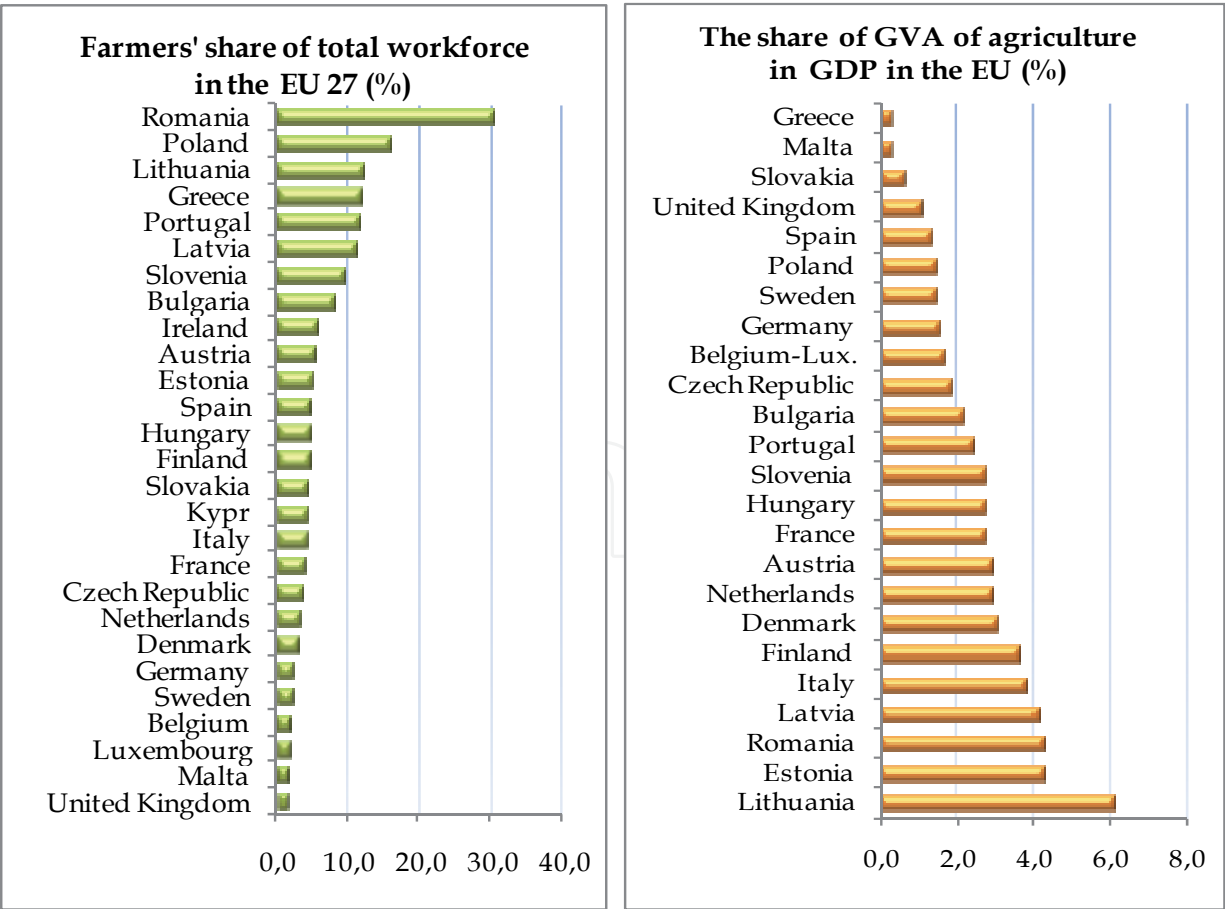


Fig. 2. Comparison of the place of agriculture in the economy of the EU member states

The development of basic (agricultural) industry as well as the subsequent activities is the decisive preconditions of development of the territory. It is necessary for effective management of natural resources and also as a platform of economic diversification in rural areas of the EU. These represent 87 % of the territory of EU-27, where more than half of its population lives, which is another serious argument for complex understanding of the task as well as the benefit of agriculture and the agrarian sector.

Hence in terms of the economic approach, the importance may not be estimated only on the basis of a direct interest in the outcome of economy. It applies to the overall relations including the benefits for employment in rural areas, namely including the developed and transition economies. The said scale of countries within both indicators confirms not only the diverse position of agriculture in the individual member states, but also its effectiveness and contribution in the differential levels of the economy. This applies to the structure, the production focus and overall conception of the policy affecting agricultural development.

It is clear that the problem is not just the said indices. It is much broader and more complex. The concerned matter is the development of scope and final production of the segment, i.e. the effects of the production aspect development as well as the effectiveness of making use of the production factors. In this context, the view is far from being unambiguous. The decrease of the relative indices in relation to the new members' agriculture sector was usually accompanied by a permanent reduction of the size of the segment.

The fact that the issue of production effectiveness and added value growth (with a suitably selected intensity and technology as a way of reducing the unit production costs) may be solved while optimally using the production factors, is proved by comparison of the level of final agricultural production and gross added value (GVA) realization per 1 hectare (ha) of agricultural land in the countries of the EU 25 in the following Figure 3 (sources: EUROSTAT, DG AGRI EC).

From the summary, in which the member states are specified in the order according to the standard of the end agricultural production (agricultural output) per 1 hectare of registered land and which at the same time also specifies the amount of gross added value, one may identify (in addition to the order) both countries with high intensity of using the land and the special structure of production and countries that are more markedly focused on animal production with a corresponding focus of the plant production structure. In terms of the overall position of the EU in the competition of global markets, the clue is the result from assessment of output of countries of the most important producers of European commodities, in particular Germany, France and Italy. The relatively very good rank of the south-European countries with production different in terms of commodities focused in particular on export of fresh (tropical) fruits and vegetables is also interesting.

Application of this criterion brings along not just the issue of the Common agricultural policy (CAP) application and comparability of conditions in the old and new countries, but also of the ability of individual countries to make use of their own sources and production factors within the current development intentions. We can see that significant regional and structural differences are still hidden behind aggregated data about average economic performance of the agrarian sector of the EU and that different approach and priorities for solutions to individual issues can be chosen, provided that the issues have been identified and assessed in an objective manner.

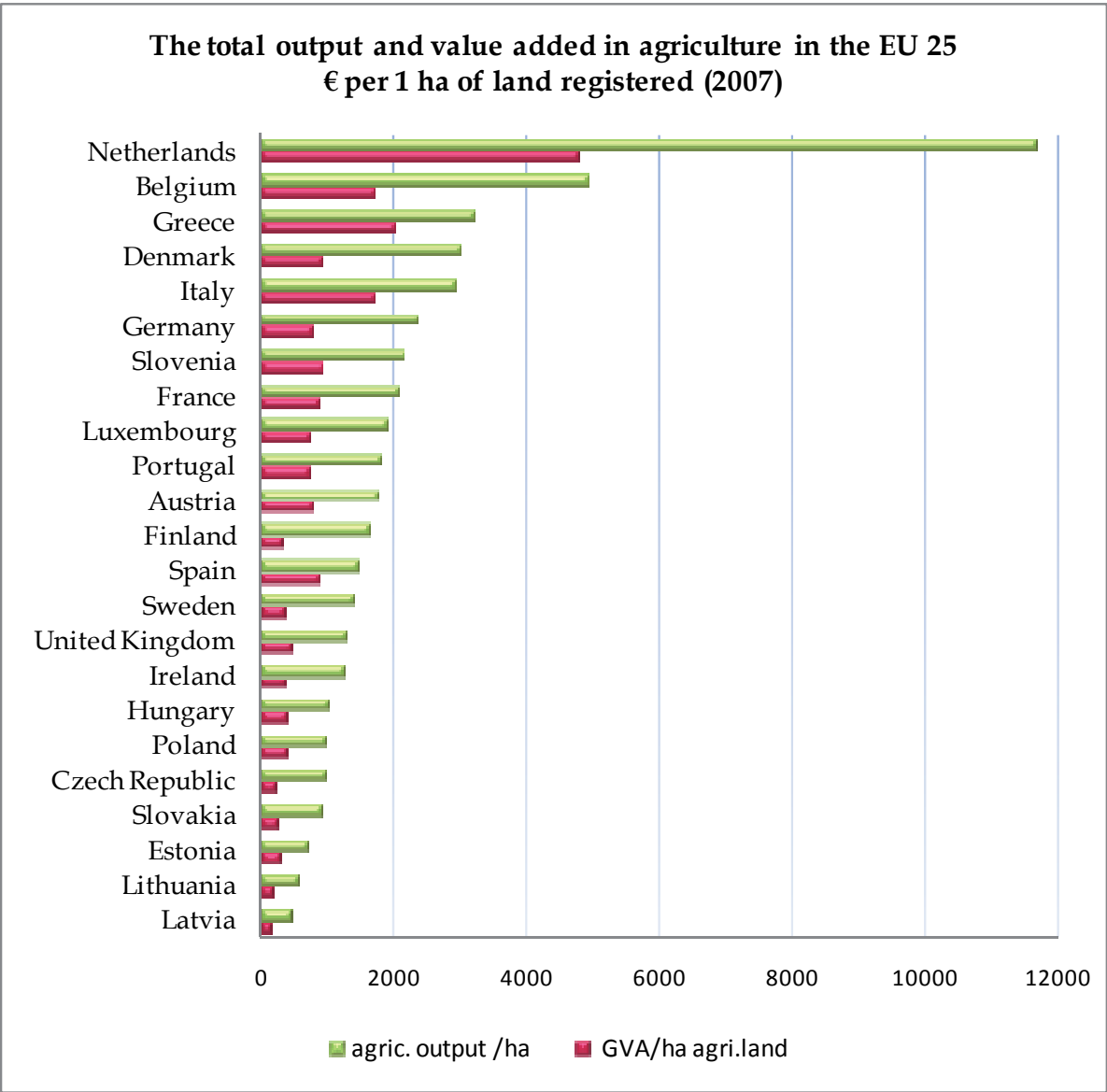


Fig. 3. Comparison of the place of agriculture in the EU member states

**3.2 Policy of support for the European Union agriculture**

Agriculture as a sector comes under those where the support/regulation policies exist for a long time. The last decades, however, has witnessed considerable changes in this sector across most developed countries in relation to their agricultural policies. The reconsideration of the role of government intervention in the sector has prompted by a number of pressures globalization of agricultural and food markets including changes in the international trade policy, regional integration initiatives, budgetary considerations, and (bio) technological changes.

On the basis of analyses of individual development stages and the manner, in which this sector has been legislatively and economically regulated, it is possible to document in the history of the EU Common Agricultural Policy (CAP) the radical development of the European agrarian sector in general in the second half of the twentieth century and how the community policy of the European Community (EC) reacted to this development.



### 3.2.1 Initial model and economic context of changes in the CAP

The first CAP EC conception created in the course of sixties of the last century (those days adequately to the economic situation and defined objectives) were based on the principle of market prices support, common organization of the market of decisive commodities including implementation of import barriers for goods from third countries. In consideration of the fact that selection of specific economic tools is to a considerable extent connected with the level of economic development of the concerned country as under the conditions of high-level economic development, the prevailing solution is represented by forms of direct support of income while the support of market prices is typical for economies on the lower level of development, it is clear that originally, the preferred model was the one with low transaction costs. When we start from the presumption that in the concerned community policy, one applied an absolutely identical combination of tools in relation to the concerned sector in all countries, then the options of support of agricultural entities' income were derived from two groups of measures.

The particular problems of agriculture which resulted from the social structure based on family farm, the fundamental necessity to have stable supply, market instability which arose from weather conditions and the inelasticity of demand for certain products established a lot of questions in connection with the shaping of CAP at its inclusion into general European common market at the beginning of the 1950s.

In spite of some contradiction inherent in the objectives from the economic theory point of view, e.g. an increasing of agricultural earnings could come either from increased productivity, which in practice require permits the specialization of enterprises and regions, that have economies of scale and disregard of structural problems in the member countries, or from higher product prices, which disregard (the consumer interest with negative influence on commodity market functions), relatively high price level of outputs attracts more inputs into agriculture and makes new technologies more attractive and profitable and objectively have been stimulating for technical change in agriculture under the CAP.

In connection with overall evaluation of that policy the following consequences are evident:

- price certainty on the domestic market has increased agricultural production in the EU,
- because high prices foster increased input use in agriculture, endogenous technological change has speed up,
- although there are no indications of important economies of scale in agriculture, this play a role in upstream and downstream industries; increased input use leads therefore to positive effect on productivity because of the scale effect (endogenous growth effect),
- structural policies for agriculture largely remained national policies within CAP; that for each country it is profitable to speed up technological change, because the price effects are often limited,
- in recent years a link has been made between EU expenditures on structural policy and market and price policy; this link has increased subsidies on investments and restructuring use in agriculture, which might be very productive.

In reviewing the origin and early goals of the CAP (e.g. Harvey, 1997) one of the imaginative aspects of the policy was that its designer visualized it as an integrated policy combining market and commercial policy with structural and partly social policies. In practice too much emphasis was placed on price support and market regulation. On the

central level, it concerned in particular creation and use of the European Agricultural Guidance and Guarantee Fund (EAGGF), which was originally preferentially focused on support of the market and price policy (the guarantee section accounted approx. to 80 % of the whole central expenditure) and only the remaining finances (the guidance section) were used to co-finance projects connected with support of structural agricultural changes in individual member states.

It follows from this fact that originally, in addition to the centrally-defined price support, a considerable portion of measures connected with the more considerable structural changes in agriculture including direct support of further growth of competitiveness of Europe's agriculture was dependent in particular on the standard of internal economy in the concerned member state. Hence it was the standard of the overall output from the concerned economy that determined the basis, the level and the option of income redistribution for support of sectors on such level of wealth (limit of utility options), which the concerned member state created and was able to distribute within the given CAP rules for the benefit of its agriculture.

Therefore at the times of its foundation until the sixties of the last century, the common structural policy for agriculture of states of the then European Community de facto was not a part of the initial CAP conception.

The first structural measures are related to the "Mansholt's Plan" dated 1968. From the overall radical proposal, which seriously justified the necessity of changes determining the sector competitiveness as early as at those times and pointed out the decisive role of the structural policy in relation to the future development of this sector in Europe, only partial measures were implemented in the end. In 1972, one proceeded to support investments in the agriculture, early retirement and retraining and reinforcement of the orientation financing sections with support of social-economic aspects. The issue of balancing regional disparities in income of farmers farming under worse natural conditions was implemented in the CAP system in 1975 concerning the support of "less favored areas" (LFA). Since 1978, also the agricultural specifics of members states of southern Europe (Mediterranean regions) have been reflected, which has resulted into programs to support development in particular in Italy, southern France, Greece and recently also in Malta and Cyprus.

### **3.2.2 Forming the first and the second pillars within the CAP reforms**

With the growing effectiveness of the EU agriculture, even the originally decisive reasons that had resulted in preferring the tools of price support in CAP ceased to exist. On the contrary, high prices and guarantees provided to farmers by means of these supports, further stimulated growth of production considerably exceeding the absorption capacities of the European agrarian market, namely under conditions of price-unfavorable ability of competitiveness on world markets. Moreover, the high protection level kept many enterprises in operation, which would have discontinued under a price regime with lower and more fluctuating (market) prices. The existing of CAP market and price policy was a type of "insurance" for agricultural producers that the technological improvements which lead to output increases do not depress too much of their income. Due to the effort to maintain relatively high prices paid to European farmers, the strenuousness of balancing the export conditions under the conditions of falling world prices was in the same time rising. Other tools with strong market deformation effects had to be applied (in particular volume

quota, export subventions), which further increased financial demands on the policy conceived in this way.

*The period of crucial reforms* of the original conception of the common agricultural policy was initiated at the beginning of the nineties of the twentieth century. In 1992, the first important CAP reform (Mac Sharry's one) was adopted, which considerably reduced the support of agriculture on the basis of high market prices and which was to a considerable extent replaced with a commodity-focused compensation payment and which was focused on other directions as well as forms of income support in agriculture. In the same time, the issue of structural changes was reintroduced.

The *European model of multifunctional agriculture* started to be pursued much more considerably, in particular following the Austria's accession to the EU. The model respects not only the specifics of European agriculture in terms of greater demands on the methods of agricultural production in a densely populated European area but in particular its benefits in terms of *production of positive externalities and public goods* in the form of landscape cultural condition maintenance, its population, protection of natural resources and rural social development.

This approach was accepted also by the next reform prepared within the Berlin Convention in 1999 as a part of measures aimed at growth of effectiveness of the European Communities activity known as Agenda 2000.

Preconditions for further minimization of market deformations were created. A new CAP element was implemented, the so-called national envelopes, which allowed individual member states to support the conception of structural development by commodity selection, when national support would be provided according to national criteria up to the amount of the set limits.

The *common policy of rural development*, environmental protection and multi-function role of the European agriculture was adopted officially. In this context, the second CAP Pillar is created that is focused on support of structural changes and the rural development policy.

In 2003, the European Commission decided to adopt an offensive approach to negotiations about the agricultural chapter in WTO and it used its mandate granted by the Council in order to prepare the Mid-Term CAP Review. In addition to the CAP review, a motion was presented of a relatively crucial other reform steps and to reinforce the flexibility for member states when applying the future CAP.

The above-mentioned decisions in relation to the agricultural policy meant a reduction of agrarian expenditure as in 2004; EU was expanded by 10 new members while the agrarian policy costs had to be solved only within the budget stabilized in this manner. The decisive principles of the CAP reform based on the *Mid-Term Review* (the Fishler's reform) may be summed up by means of the following spheres:

- separating direct payment from the production ("decoupling") when henceforth, a farmer was to receive one support amounting to the sum of individual direct payments in the reference period, this payment being transferable, demisable and saleable,
- meeting environmental protection and foodstuff safety standards as a precondition for provision of direct payments,
- applying modulation, which means that by direct payments reduction, resources will be generated to reinforce rural development support,

- implementing the tool of financial discipline that will allow, in the event of a threatening overstepping of the EU agrarian expenditure limit, a lump-sum reduction of the direct payments expenditure,
- extending the range of rural development programs by measures aimed at reaching the standards of environmental protection, foodstuff safety and animal welfare, improved quality of agricultural products, associating of producers and partial adjustment of existing conditions of the current rural development titles,
- implementing the support of energetic crop growing,
- reducing the intervention prices of dairy product and other market measures that are supposed to ensure a better position of EU during WTO negotiations,
- the option of simplifying the CAP administration system for member states as well as for farmers (it depends on selection of the system by the member state).

In general, it created a wider space for selection of measures supporting growth of agricultural competitiveness in individual member states in the international context. In the same time, it reinforced the support of rural development to the prejudice of market measures (growth of the second CAP pillar) and increasing safety of foodstuffs on the EU market.

In terms of the overall conception of the European agrarian policy, the next step in the changing philosophy of the basic support for agricultural businesses (which was supposed to lead to a more consequential separation of the support of agricultural business from the specific production structure and volume of secured production on the basis of uniform direct payments), proved to be a key one (Westcott & Young, 2005). The development concerned both the very agriculture and the agrarian sector and its economic position and changes of the social environment itself and the selection of adequate regulation tools corresponding to the environmental development and changes of situation.

### 3.2.3 Complex solution of agricultural and rural support

The idea of a complex solution of further development of the agrarian sector including the necessary reinforcement of criteria of environmental and landscape protection and participation in the overall rural development became topical at the times when the EU, within WTO negotiations, became more open to business exchange and thereby to the pressure of competitive production from world markets. It meant new challenges for the further strategy of the European agriculture, to which EU reacted by restricting the support in the Pillar I and the growing importance of measures within the CAP Pillar II.

The common interest in support of agriculture in its production as well as non-production context as a vehicle of rural development became a part of the EU strategy and subsequently the Rural Development Programs (RDP) of the 27 EU member states.

It was reflected also in the EC regulation 1698/2005 on establishment of the European Agricultural Fund for Rural Development (EAFRD), which became valid as of January 2007. Strategic priorities were defined within 4 axis, for which also the minimum limits for distribution of finances were laid down.

- AXIS 1 is focused on support of competitiveness of the agriculture, agrarian and forestry sector (a minimum of 10 %).
- AXIS 2 is focused on creation of background for improvement of the environment and landscape (a minimum of 25 %).



- AXIS 3 is aimed at support of quality of live in rural regions, by its approach, it oversteps agricultural issues and it is related to diversification of rural activities (a minimum of 10 %).
- AXIS 4 - LEADER (a minimum of 5 %, 2.5 % for new countries, a measure based on local development strategies within micro-regions)

The comparison of strategies of agricultural and rural development support may to a certain extent contribution to development of a notion of how distinct the differentiation is in today's approaches to the agrarian sector in individual EU countries within the "uniform" CAP framework. Different approaches to fulfillment of the philosophy of agricultural support as a key factor of this development are suggested by the very general international comparisons of the Rural Development Programs in individual 27 EU member states and by the conception of their reflecting into the presumed use of EAFRD finances within its individual axes in the period 2007-2013.

Within the ongoing reforms of this policy, however, there has been ever wider space opening for decision-making (but also responsibility) of individual member states when specifically fulfilling the general principles of the new CAP model.

Within the rules and limits defined in the Community level there is an opportunity to decide on the solution of specific problems in agriculture in individual countries. At the sometime these findings can be an opportunity to consider to what extent the individual member states are able to take over the existing rules and use conditions imposed by directives of the Community. To what extent are able to actively assess the situation of the world agrarian markets and adequately respond to the development of the economic environment in broader international contexts. It concerns also production effectiveness and the ability to withstand the wider competition on the common EU market also in relation to third countries.

### 3.3 The European Union as a producer of agricultural commodities

*Some methodical comments to the overall approach*

Analyses of the European agriculture development, its comparison with world production development as well as more detailed analyses allowing assessment of development of the production of the most important commodities that profile the group of old and new member states, which had been executed before preparation of this section of the study, offer quite extensive factual material.

On the whole, the results of analyses are arranged so that they

- allow a more complex view of the development and changes in the position of agriculture in the EU as one of the most important segments of agrarian markets under globalization in the context of world production of selected commodities,
- assessing the development of production of selected commodities within the Communities as a whole, in the group of countries of the original EU 15 and the newly acceded countries of EU 10 before and after 2004,
- assessing the development of production of selected commodities in the selected EU member states focused on the most important producers, drawing attention to the states with the most striking change of development.

The analyses, in which are used in particular the data of EUROSTAT, FAO and DG AGRI EK for the period 1993 – 2007 (Bečvářová et al., 2009), were focused on 8 main commodities representing more than 80 % of the whole agricultural production of today's EU.



Out of the plant production, the results of assessment of the development in production of wheat, potatoes, sugar beet and rape are evaluated.

Out of the animal production, the analyses were devoted to the development of production of cows' milk, beef, pork and chicken meat.

In consideration of the fact that with most of them, the production and their scope was more or less affected also by regulatory effects within the common organization of EU markets, market rules, the comparisons of development in time are assessed for EU 25, i.e. without the last new members, Romania and Bulgaria.

In terms of the overall as well as commodity development of the European agriculture in the world as well as common market context for the monitored period, the following can be mentioned as the most important:

### 3.3.1 The European Union in comparison with other regions of the world

The EU agriculture production growth pace is generally slower (cp. Witzke et al., 2008). The share in the world production has mainly decreased. The development is differentiated in terms of commodities, with more significant effects of the size and structure of animal production in the European countries.

As concerns **plant commodities**, the position of the EU remains roughly at the same with an approximately 20% share in the ever-growing world wheat production. More significant in relation to the world is production of rape, which provides more than one third of the world production of this commodity. The overall increase of the world production reflects in particular the growing production in this region.

On the contrary, the European **production of roots** has been decreasing on the whole, which is reflected in a significant decrease of EU shares in the world production. As concerns sugar beet, a decrease was recorded from 51% to 45 % of the world production, in relation to potatoes, the decrease is much more striking, from 31 % to 18 %.

As concerns all **animal commodities**, the share of the EU in the world production has been decreasing too, the accompanying characteristics being the following: due to a stagnation in the volume of milk production in the EU, the position of European producers is getting worse as concerns their share in the growing volume of world milk production, which has been declining from the original 31 % to today's 25 %.

Nevertheless, the declining production of beef is even more significant. In this connection, the share is not only reduced from the original 15 % to today's less than 12 %, but the volume of production decreases too (from 9.5 million tons to 7.9 million tons).

No significant aspect of a growing (even though differentially in individual EU countries) production of monogastric animals was recorded.

The world production of pork growing by almost one third, the share of EU decreases (with a slight growth of production) from the original 26 % to the current 18.4 % of the world production.

The relatively significant increase in the production of chicken meat in the European countries (the production having doubled in the EU 10 states) was not reflected by an increase of the share either. On the contrary, in the monitored period, this commodity also experienced a decrease of the EU 25 share in the world production from the original 16% to the current 11%.

### 3.3.2 Development within the EU common internal market

Developments of agricultural production in the framework of the EU common agrarian market are manifested quite differently. In general, there are differences in the development

of agricultural production in the original and the new member states; a significant decrease was experienced by the production of EU 10, i.e. in the group of new member states, namely in relation to both animal and plant commodities, except for rape and chicken meat. Although the most significant decrease in the production of new EU 10 states was experienced as early as in the first half of the nineties and then during the pre-accession period, this decrease has generally not stopped even after joining the EU.

As concerns structure of the **plant production**, an important decrease seems to be the overall decrease in production of both of the most important roots (potatoes and sugar beet) in the new EU 10. In this group of countries, the *production of potatoes decreased* to 40 % of the initial state, in Poland and the CZ even to a third of the original size of 1993. The decrease in the *sugar beet production* in the EU 10 meant a decrease to 70 % of the initial volume; in the CR, it is even a decrease to 60 % of the production of 1993.

On the contrary, the most important producers of the original member states EU 15 have generally retained their original scope of production of the said commodities and they even slightly increase the overall volume of *production of wheat* (France, Germany, Great Britain), sugar beet (France, Germany) as well as potatoes (France, Belgium, the Netherlands).

The actually provable growth of production in the group of EU 10 states applies only to the rape, namely as of the end of the millennium and then after accession to the EU. Within this competition, it is a positive fact that the rape production is increased also within Czech agriculture even though in relation to this commodity, an accelerated production of the neighbouring Poland has been breaking through. Nevertheless, a significant increase in the production is experienced also by the largest producers of the original EU 15 states, in particular in France, which almost tripled its volume of the original production; almost double the production volume has been registered by Germany and Great Britain in the monitored period.

The developments of the **production of animal commodities** are much more complicated. The volume of production has been gradually decreasing in the group of the original as well as the new members' states, i.e. in EU 15 as well as in EU 10. In particular the milk production and the beef production connected with beef-raising represent one of the most important problems not only in relation to production in terms of interconnection and making use of feeding crops of the plant production but also in terms of benefits of positive external agricultural effects in relation to making use of permanent grassland and meeting the multi-functional role in the development of rural areas.

Also in this case, the more *significant decrease in milk production* is evident in the EU 10 states and this decrease did not stop even after 2004. In comparison with other countries of the European 10, the production decrease in the Czech Republic was the most striking just in relation to this commodity. Although the specific problem of the CR in relation to milk production decrease dates back to the 1990s, upon two significant reductions of production (1994, 1997) in reaction to the reduced demand upon simultaneous opening of the market with milk and dairy products with a negative effect on numbers of the livestock, this is not a typical course of action in other countries, for example like Poland the support for beef-breeding stabilization was generally not reflected in a decreased production. The other most important European producers like France, Germany and the Netherlands also manage to keep approximately the same standard in the volume of production for the whole period.

A similar development in the structure of the member states applies also to the *beef production*. Also in this case, the most important position is occupied by France, followed by Germany. Nevertheless, an important position in beef-raising is occupied by other countries like Italy, Spain and both countries of the British Isles - Great Britain and Ireland.

On the other hand, the development of production with the most important *pork producers* proves its permanent growth, namely both in Germany and in particular in Spain, which together with Poland has a significant share in the worldwide agribusiness networks of this commodity. However, the development in the CZ is the opposite. From the point of view of the Czech Republic, it is another one of the commodities that have experienced a decrease in the order of magnitude to almost a half of the initial production volume in the monitored period. Also in this case, a serious problem is posed in particular by the development since 2004.

A more significant acceleration of production in the EU 10 states is experienced by *chicken meat*. Just like with pork, however, the world production is much more affected by non-European producers and firms of global agribusiness networks. According to the volume of chicken meat production in individual members' states of the EU in 2007, the most important position is retained by Great Britain, followed by Spain, Poland and France. Having performed a more detailed analysis of the development, however, one has to point out also the changes in the last period, for example significantly bigger growth of the chicken meat production for example in Poland and Germany in comparison to the stagnation of this production in the CR after its accession to the common market.

### 3.3.3 The price environment on the EU common market

Although the differences in production developments among member states of the EU were specified, it is undisputed that the dynamics of the concrete country agricultural sector development are influenced by a wide range of reasons, from the availability of technical factors shaping economic level of agriculture and then bringing the comparative advantages of both the level and productivity of labour and material inputs, the productivity of natural resources in biological and technical quality of products, to improving the position of foreign trade in agricultural and food commodities, two basic and common factors determining development of contemporary agriculture were specified.

1. *change in the nature of a competitive environment* where increasingly promoting the processes of globalization, which is reflected in the formation of markets and agribusiness development in the pricing environment, thereby also changing not only the position of producers in commodity verticals, but also the criteria of horizontal competition in the context of global markets just at the level of primary production,
2. *the impact of common and national policies* in shaping the parameters of local economic environment of agriculture creating the conditions of production and manufacturers' competitiveness; in the case of the EU CAP and its reforms - including addressing the consequences of modifications of the original model and to implement the different institutional conditions for the old and new Member States, restraining conditions for horizontal competition in the context of common EU agrarian markets at the level of primary production,

As shown by studies, both of the above range of factors closely relates, but their consequences can interact asynchronously.

The different levels of agricultural commodity prices, formerly relative to relevant national markets, now pertaining to the regional markets of “unified” common market of the EU, are influenced by both of the above factors.

A difference in prices of agricultural products undoubtedly contributes to the different levels of production sources for the agricultural sector, therefore, the authors approached to examine price trends of agricultural producers as one of the possible effects of differential changes in the amount of new EU member states agriculture.

The change of strategy, meaning a retreat from the CAP price support as the original concept of Pillar I, and the gradual transfer of funds and direct payments to Pillar 2, which responds to environmental changes and demands control interventions in a globalizing market, in effect, enhances the role of prices. It starts to play an active role in the growing European market competition itself not only in the role of the social scale / exchange-value of agricultural products, but then contrariwise, as a solution in the future strategic arrangements dealing with the structural dimension of agriculture in (old and new) member states.

In general, *results of the price development analysis* within the EU common market and an evaluation of the findings from the development of production - economic context lead in these findings and conclusions:

1. price environment in terms of agriculture the EU is coming together, which is an undeniable manifestation of the formation of a wider European agricultural market;
  - to form a single market and price comparable conditions during the whole period (without any significant deformation) occurred mainly in commodities that are not subject to direct regulation or other interference in the CAP (poultry - poultry meat, pigs - pork, rape),
  - a negative impact on the formation of the European market, by contrast, historically shaped by the consequences of compensation payments for previously supported commodity prices (cereals, beef, milk) since the nineties of the twentieth century in the old member states, allowing to accept a lower level of producer prices and strengthen the competitive position of these producers even today,
2. generally is converging with the price levels of agricultural producers in the original and new Member States of the EU
  - typical expression was more pronounced increase in the price levels of commodities in the new member countries, at all, even the much-produced by phased, crop commodities (particularly sugar beet, but also potatoes) and livestock (especially cow's milk), to this process and contribute significantly to the ongoing reform of the original CAP since 1992, of reducing the CPV agricultural products (instruments of direct control of the price support and stabilization),
3. growth and decline in price levels in both groups of member countries during the period significantly longer responds to the development of the world market, the commodities of plant and animal origin (world grain stocks, guidance and support for non-food uses, the situation on world commodity exchanges),
4. the influence of the demand-side downstream markets, position and size of production, but also the price of the commodity is increasingly derived from the competitive strategies of commodity verticals and networks (different manifestations in the individual member countries, an example of root crops, milk, pigs, poultry)



- highlights the importance of guaranteeing the processors at a lower producer prices of domestic raw materials and greater use of products in successive stages of finalization of the commodity chain, to enhance the competitive position in the market (decisive cost producers of sugar beet and potatoes),
- downward pressure on prices of basic raw materials results in links advanced technological equipment and optimize the processor as a prerequisite for the price competitiveness of producers in the emerging markets of a more finalized product profile,
- quality is becoming a priority, innovation, precision manufacturing systems and technology to increase the intensity of production materials in compliance with qualitative parameters and thereby optimize the unit cost of production, which appears as a major trend in policy decision-making producers (especially Germany, Denmark, Netherlands, Spain).

#### 4. Conclusions

A change in the CAP strategy, gradually implemented by means of steps of individual reforms as early as since the nineties of the twentieth century up to the solutions generally meant a withdrawal from the agriculture support on the basis of supporting prices of agricultural commodities as well as reactions to acceleration of globalization processes radically changing also the position of farmers.

The development has confirmed that in a whole range of connected markets, demand has been really establishing itself. It reacts to the development of world stock; it determines the conditions of offer on markets of most agrarian commodities much more flexibly than the agrarian policy measures ever can.

This in the same time changes the essence and further reinforces the risk of producers facing the market strength of purchasers under conditions of imperfect transfer of demand conditions in the market sequence from the consumer to the basic industry. These days, the transformation of demand for products with agricultural nature and in particular the possibility and the ability of its structural fulfilment in general define the space for producers of agricultural raw materials and in its effects also the economic dimension of agricultural production in the concerned region.

Nevertheless, this change requires also a new approach to the regulating interventions and supporting measures in the agrarian sector. Another dimension in the multi-function approach to its role was gained by the European agriculture in connection with emphasizing its role within the rural development. In the same time, there is a space opening for a wider participation of member countries in creation of agriculture support conceptions according to the specifics and priorities of the individual member states.

A change of the overall strategy and selection of CAP tools is typical by the growth of the share of transfers/subsidies requiring income distribution. Nevertheless, this generally increases the dependence of farmer and rural support on expenditure of tax payers. In the current stage, this applies in particular to allocation of support and use of the gradually balancing direct "decoupled" payments in compensation of lower income of the sector within the whole EU 27.

The difference within the level of direct payments in agriculture of new member states, provided that they equal the original EU 15 only in 2013, is one of the problems directly



concerning the comparability of conditions and possibilities of development of the new members' agriculture as a modern sector capable of competition within the common market. The growth of commodity price levels was stronger in the new member countries, at all, even significantly limited by-produced, commodity.

Price developments in the two groups of countries have significantly responds to developments in the world market, the impact of the demand side of markets has increased; position and size of production, but also the price of the commodity are increasingly deducted from the competitive strategies of commodity verticals and networks. The risk connected with the realistic option of creating preconditions of producer competitiveness on the common market is increasing, namely in horizontal as well as vertical relations of a modern sector. Concentration and mainly the monopsonous, respectively oligopsonous position of food-processing firms, retailers and the catering industry in the market boosts their dominant positions in the selective process for suppliers, including the bargaining position for primary material suppliers and (often acting against the agriculture policy concept) begins to appear as a crucial factor, when deciding about the structure and range of agricultural production in a particular region. The food sector of the EU has recently been evaluated as one of those where significantly speedy concentration as well as structural changes is going on, both in the processing stages and food trade. This sort of business activity sharply contrasts with the frequently traditional behaviour of agricultural producers and their efforts to stick to a protected and relatively unchanging market. On the other hand, the pre-production stages and access to discoveries of science and research increasingly determine the chances of meeting quality and price requirements for agricultural products. This problem becomes serious in particular under the conditions of the emerging financial crisis accompanies with a pressure of connected processing and trading elements on further reduction of food consumer prices.

At the same time, however, it is necessary to take into consideration that other manifestations are connected with this process, in particular:

- *decrease of effectiveness* of regulating interventions and policies designed on the principles of market protection and isolation of specific market segments in individual segments or sectors,
- *growing market force* of decisive entities on the world market, in the concerned sector in particular the finalizing stages of agribusiness, types of supranational organizations and networks making use of various forms of connection determining the structure and development of the global markets.

Just when applying the current model, in consideration of the selected tools (subsidies with a relatively high proportion of transaction costs), it is necessary to objectively consider the level, the effectiveness and the benefits of such allocated resources in general as well as in terms of the possibility of developing business entities in typically productive regions of the state territory.

The effectiveness of subsidy allocation mainly depending on income redistribution at the level of member states as well as the Community, namely both as concerns direct payments and on the basis of selection of individual axis priorities, is conditioned by a system-connected agrarian and structural policy. In countries of the original EU 15, it has its history, experiences as well as strategy of support and regulation reflecting the current as well as the

future trends of the sector development in the global world. It has proved the positives and risks of steps taken to support specific regions. New member states are only acquiring such experiences.

Therefore the ability to meet the philosophy of complexity and mutual dependence of agricultural and rural development measures, which is systematically interconnected with the choice of priorities, seems to be strategically crucial also for the success of the next stages of reforms steps within the common European policy and its implementation under specific conditions of individual member states.

A certain level of independence in decision-making of individual member states in the current state should therefore make use of the current (and no doubt also time-limited) means in particular in order to create preconditions for development of modern production meeting the requirements of healthy foodstuff production while meeting parameters of natural resources protection so that in its complex effect, it contributes to the development of modern agriculture as one of the decisive vehicles of rural regions development and limits the dependency of the sector as well as the rural regions on subsidies in rather a long-term horizon.

The evaluation of price environment, and comparison of price levels development for each commodity in selected member countries, leads to the conclusion that the price environment in terms of broader EU agriculture market consolidates; there is a convergence level of agricultural producer prices in the old and new Member States.

The issue of causal connections related to the development of European agriculture, in particular in terms of development of the old and new member states is nevertheless more complex than the analysis of the current development in the production and price context of the size of agriculture.

To a substantial extent, it is connected with the problem of strategy and compliance with general rules of the CAP including the formation and fulfilment of the segment development concepts in individual EU member states. In this context, agriculture is understood as a decisive factor of environmental formation, shaping the landscape in rural areas as well as the provider of public domains.

The policy of rural area development support became a part of the CAP strategy also for the period until and after 2013 as in addition to the permanent objective of growing competitiveness of the agrarian sector and innovation support. It involves in particular the protection of nature and the landscape, by means of supporting the care for the landscape (including the common financing of rural area development measures), increased living standard in rural areas and support of economic diversification by means of measures focused on the agrarian sector and other concerned entities in rural areas.

The development of basic industry as well as the subsequent activities is hence one of the decisive preconditions of developing and making use of the territory. It is necessary for effective management of natural resources and also as a platform of economic diversification in rural areas of the EU.

Growing importance and a new dimension in the global context is experienced also by the *factor of food certainty*. In the context of the current model, it is becoming one of the key factors of national safety, in terms of securing access to a sufficient volume of food of necessary quality and nutritional value as well as in terms of the growing risk of national and international crises.

## 5. Acknowledgment

The study was prepared within the research plan of the MENDELU MSM 6215648904 Czech Economy in Integration and Globalization Processes and Development of the Agricultural Sector and Services Sector under the New Conditions of the Integrated European Market, as a part of solving the Topical Specialization 04 "Development Trends in Agribusiness, Formation of Segmented Markets within Commodity Chains and Food Networks in the Process of Integration and Globalization and Change of Agricultural Policy".

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## **New Knowledge in a New Era of Globalization**

Edited by Prof. Piotr Pachura

ISBN 978-953-307-501-3

Hard cover, 354 pages

**Publisher** InTech

**Published online** 01, August, 2011

**Published in print edition** August, 2011

To better understand the contemporary world, the world of innovation and technology, science should try to synthesize and assimilate social science in the development of our civilization. Does the new era require new knowledge? Does the age of globalization demand new education, new human attitudes? This book tries to clarify these questions. The book *New Knowledge in a New Era of Globalization* consists of 16 chapters divided into three sections: Globalization and Education; Globalization and Human Being; Globalization and Space. The Authors of respective chapters represent a great diversity of disciplines and methodological approaches as well as a variety of academic culture. This book is a valuable contribution and it will certainly be appreciated by a global community of scholars.

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Věra Bečvářová (2011). The European Model of Agricultural Policy in the Global Context, *New Knowledge in a New Era of Globalization*, Prof. Piotr Pachura (Ed.), ISBN: 978-953-307-501-3, InTech, Available from: <http://www.intechopen.com/books/new-knowledge-in-a-new-era-of-globalization/the-european-model-of-agricultural-policy-in-the-global-context>

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Phone: +86-21-62489820  
Fax: +86-21-62489821



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