

The Common Agricultural Policy with and without the United Kingdom – CAP Brexit

Several analysts from different fields of sciences are making an attempt to uncover the reasons for Brexit, or at least they are trying to predict its consequences at the level of scenarios. In our analysis, we are concentrating on one of the most defining policies of the European Union, the Common Agricultural Policy, and its regulation regime, as well as its development and permanent correction, by skimming the attitude of the United Kingdom concerning the theme.

In our study we are referring to the role of agriculture, which is known as a significant one, to the reasons for its importance and its multifunctional characteristics. Also, we are overviewing the basis, the essence, the main reforms of the Common Agricultural Policy's regulation regime and we are going to outline the main features of the multi-dimensional Common Agricultural Policy's system, which nowadays includes rural development as a result of the reforms.

On the side of the United Kingdom we intend to sketch the relationship between the United Kingdom and the Community before and after the accession regarding agriculture and the Common Agricultural Policy.

I General Approach to the Theme

The role of agriculture is prominent worldwide also in the area of the European Union. The sector traditionally has a great importance, equally from the economic, social, political and cultural perspective; the results of the sector have an effect on the development of countries, on the prosperity of the regions.

Agriculture assures the food supply, namely the nutrition of the population, offers key solutions in the fight against poverty and hunger. Agriculture plays a key role in the production of such goods that meet food safety and consumer protection requirements, promoting hereby health protection and sustainability.

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The fact that agricultural workers are the foundation of rural communities and have a crucial role in both keeping rural areas and rural communities alive, as well as in preserving the rural environment underlies the manifold importance of the agricultural sector. Farming constitutes the basis for the operation of ‘upstream’ and ‘downstream’ sectors linked to agriculture (e.g.: food processing), increasing the chances of greater employment in rural societies. Taking the complex role of farmers into account, their decent livelihood and reasonable living are basic issues.

Agriculture has a significant role, not only in rural development, but also in agricultural environmental protection, natural reserve protection and landscape conservation to balance current global challenges that we are facing in 21st century, e.g. climate changes, preservation of water resources and biodiversity, soil protection; in summary, the sustainability of our environment.

Nowadays the diverse role of agriculture and, generally speaking, its influence on development; all in all its multifunctional characteristics, are undisputable. However, *the fundamental task of agriculture is considered as supplying the population with food.*

As a result of the lack of food due to World War II and the destruction in Europe the question of food supply for the population became vital. The reconstruction of Europe could not have been imaginable without the recovery of agriculture.

The different European countries attempted to supply food, to revive agriculture, to produce and to trade, typically with significant state interventions, taking their unique and distinguishing geographical features, along with their agricultural and agricultural political traditions, into consideration. Due to the specific features of agriculture in different countries and the logically correlated reasons concerning European integration ambitions after World War II, the inclusion of agriculture in the Common Market had been regarded as questionable for a long time. From the beginning of integration, it became obvious and it made the negotiations complex that consensus was called for between the agricultural-oriented and the industrial-centred European countries for the interest of achieving it.

Agriculture and the trade in agricultural goods became part of the Community’s¹ Common Market after long, stormy debates; in parallel with it the *Common Agricultural Policy* (hereinafter CAP) *became undisputedly one of the most valuable, but maybe the most difficult policy of the European Union and one in need of permanent corrections and reforms. The Common Agricultural Policy, as a specific policy, was established to promote the function and development of the common market of agricultural goods.*

Although it has been some decades since the Common Agricultural Policy was founded and the circumstances within the Community and outside it have dominant changed, which have obviously been reflected in the reforms of CAP, the basic purposes of CAP have however remained the same. On one hand, the main aim of the Common Agricultural Policy is to enable there to be a continuous supply food at proper quality criteria, besides reasonable prices for

¹ We remark that the term ‘Community’ is used as the synonym of European Economic Community, European Community and European Union in our analysis.

consumers. On the other hand, one aim of the legislative regime is to offer decent salary for agricultural workers to ensure them an appropriate standard of living. As far as dealing with the world outside the Community, the main aim of CAP is to protect the internal market: CAP relies on Community preference as a basic principle.

To achieve these aims, the treaty bases, the principles of CAP and the regulation of market organisation, were conceptualised and exploited. The first contractual print of the regulation process was the Treaty of Rome, (1958).² The concept written by the ‘Six Founders’ in the field of Common Agricultural Policy were launched in practice optimal.

The connection between the United Kingdom and the Community was mostly characterised by a ‘with or without’ relationship. The British ambition to enter the Common Market and even to get a remarkable share on it was one of the motivations which may definitely be highlighted. As is commonly known, it was only *in 1973 that the United Kingdom entered the Community, but by that time, besides other policies, the basic regulations of CAP had been established and the system was working, although not immaculately.* No sooner had the British signed their general ambitions for reforms regarding Community budget than, in 1974, it was necessary to deal with the British overpayment for their initiative.³

Concerning the British overpayment, the predominance of expenditure on CAP in the Community expenditures, among other aspects, came up as a basic issue. The British needed to face the fact, that while they became an important payer of the Community budget by contributing to the financial support of CAP to a great extent, they got fewer sources than other more agricultural-focused members with regards to their agricultural features. On this issue, British ambitions obviously tended to balance the position of United Kingdom considering the income and outgoing rates. The breakthrough was due to Margaret Thatcher and her Cabinet, who achieved a special system, the so-called ‘rebate’ system for the United Kingdom, which was a kind of modifying mechanism to balance the British overpayment. *The CAP, as a permanent negotiable issue, has always been on the agenda because of the British ambitions related to the savings, financial attention and budget imbalance, competitiveness.*⁴

² We have to mention as it is known that on 25th March 1957, two treaties were signed in Rome. The Treaties gave birth to the *European Economic Community (EEC)* and to *European Atomic Energy Community (Euratom)*. In this publication we use the term *Treaty of Rome for the EEC Treaty*.

³ Paris: Summit Meeting of the Heads of State or Government, 1974.

⁴ See for the theme <http://theconversation.com/the-uks-eu-rebate-explained-58019>, 30.12.2017.

II About the Establishment and Treaty Basis of Common Agricultural Policy

1 About the Establishment of Common Agricultural Policy

In the following we will outline some of the main features of the Common Agricultural Policy, which the British had to face upon entry.

We should take the 'four freedoms' principle (free movement of goods, services, people and capital) laid down in the Treaty of Rome as a starting point for the negotiation of the establishment of CAP in the area of the Community. On the basis of this principle, it became essential to create a customs union⁵ and its optimal functioning was considered to be a fundamental question from the aspect of integration. However, with regard to the free movement of agricultural goods, numerous difficulties have arisen. Regulating the trade in agricultural products at Community level caused difficulties that at the turn of 1957/58 and later on because Member States concerned by the integration had before their own agricultural systems showing a strong connection e.g. with their unique but distinguishing geographical features. Due to the optimal operation and protection the Member States had applied strong, nationally appropriate, individually suitable, market organisational provisions⁶ by providing strong state interventions, such as price guarantee, bank guarantees, special taxes, support systems, contingency funds and protective external tariffs against abroad.⁷ The agricultural systems in operation and the national agricultural policies of the Member States linked to them had showed remarkable differences also in their theoretical principles. For example, there were huge differences between the countries with export-orientated and traditionally import-orientated agricultural systems.⁸ Besides the differences between the countries, the agricultural structure of certain Member States represented considerable domestic differences, too.⁹

With regard to the national agricultural systems, agricultural policies and national regulations, it became obvious, that it would not be possible simply to join the countries' agricultural products in the trade of goods covered by the customs union. Another solution needed to be found, and this solution could be achieved in the context of developing a common agricultural policy, the basis of which had been laid down in the Treaty of Rome. Although it was questionable to involve agriculture in the Common Market, and the Common Agricultural

⁵ 'The customs union intend to realize whole, internal, free trade, while it applies common external customs duties and common trade policy' see for it: Tibor Palánkai, *Az európai integráció gazdaságtana* VI. Edition, (Aula Kiadó Kft. 2001, Budapest) p. 37. See for treaty basis: *Treaty of Rome The Customs Union*, Articles 12-29.

⁶ A good example for it may be the United Kingdom with the Agricultural Act set in force 1947 and the Agricultural Marketing Act set in force 1958. We will return to these acts.

⁷ Thomas Oppermann, *Europarecht* (Verlag CH Beck 1991, München) pp. 475–503, especially: p. 476.

⁸ See as above Oppermann (n 7) p. 476.

⁹ The small-scale farm structure (in Italian and in some German areas) stood against large-scale farms. See e.g.: as above.

Policy in the Treaty, *the Treaty of Rome*¹⁰ ruled that ‘the common market shall extend to agriculture and trade in agricultural products’ under the Title II ‘Agriculture’ in Article 38 section (1). In Article 38 section (4) it was clearly recorded that ‘the operation and development of the common market for agricultural products must be accompanied by the establishment of a common agricultural policy among the Member States.’

We must remark, in agreement with the analysts who are dealing with this theme, that the establishment of CAP’s treaty basis was actually based on the compromise between agricultural and industrial interests, between the French and the Germans.¹¹

Besides the great compromise between the agricultural-orientated and the industrial-focused countries, we also need to draw attention to the unique national features regarding the agricultural sector. These factors have affected the regulatory regime of CAP and its modifications, not only at the time of its establishment but they have also continuously influenced it since then.

2 About the Treaty Bases of CAP

Actually, the bases of CAP in the main fields have not been changed since the establishment of the Treaty of Rome.¹² The Treaty of Functioning of the European Union (hereinafter TFEU) records ‘The Union shall define and implement a common agriculture and fisheries policy,¹³ the internal market shall extend to agriculture, fisheries and trade in agricultural products.’ in Article 38, precisely in section (1) under the Title III ‘Agriculture and Fisheries’. The Treaty defines the concept of an agricultural product;¹⁴ furthermore it fixes that the rules laid down for the establishment and functioning of the internal market shall apply to agricultural products unless Articles 39-44 of TFEU rule otherwise.

The general rules are followed by special rules ensuring the opportunity to realize the objectives of CAP recorded in the Treaty, which will be described in detail in the following passage.

¹⁰ See for *Treaty of Rome* (n 2). We need to point out that the conference held in Messina may be considered to be a milestone, because after having long debates they made an agreement on adding agriculture to the system of the common market with regard to the foundation of European integration.

¹¹ See for it e. g. T. Hitiris, *Az Európai Unió gazdaságtana* (Műszaki Kiadó 1995, Budapest) pp. 163–204, especially p. 172. The Hungarian technical literature covering this topic highlights the fact that the German agricultural policy also had a protectionist spirit throughout the debates and the Germans demanded remarkable compensation for their agricultural producers. See Péter Halmai, ‘Közös agrárpolitika’ in Tamás Kende, Tamás Szűcs, *Az Európai Unió politikái* (Osiris 2001, Budapest) p. 298.

¹² In fact, the agricultural systems and policies of the Member States were replaced by a Community-regulated regime which applied interventionist mechanisms by setting the Treaty of Rome in force. The bases of CAP concerning decision making procedure changed; consultation was replaced by co-decision.

¹³ We remark that the issue of fisheries policy became topical with the entry of the United Kingdom, Denmark and Ireland. As a result of the extension of the Community in 1983, the Common Fisheries Policy (CFP) was introduced.

¹⁴ TFEU (1) section 38 Article; We must remark that by definition of agricultural product the Annex II. of the Treaty was important, because the products subject to the provisions of Articles 39 to 46 were listed in this Annex.

The purposes of CAP according to Article 39 are the following:

- *to increase agricultural productivity by promoting technical development, as well as by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, in particular labour;*
- *thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture;*
- *to stabilise markets;*
- *to assure the availability of supplies;*
- *to ensure that supplies reach consumers at reasonable prices.*

The Treaty linked to the purposes of CAP also rules that, by working out the common agricultural policy and the special methods for its application, account shall be taken of the special nature of agricultural activity, the need for appropriate adjustments; and the fact that in the Member States agriculture constitutes a sector in strong relation with the economy.

By defining the aims we need to mention that none of them has a privilege, they are equal. However, the list includes conflicting aims. Besides the factors presented in our analysis so far, we also intend to emphasise that, by forming the objectives of CAP, the main aspects considered were the unique features of agriculture and agricultural production, the unpredictability of agricultural markets, the variability of demand and supply and the instability of prices and incomes. It is important to take the interrelationship between agriculture and the other fields of the economy into account as a crucial factor.

The TFEU records precisely that, in the interest of achieving the written aims, it is necessary to establish the common organisation of agricultural markets. ('CMO') This market organisation means one of the following aspects, depending on the product:

- common competitive rules;
- compulsory coordination of the various national market organisations;
- establishment of European market organisation.¹⁵

In the European practice, the common organisation of agricultural markets is primarily realised by the European market organisations. The TFEU refers to the fact that the common market organisation established in the forms in accordance with the Treaty may include all the provisions needed to achieve the aims, especially the regulation of prices, financial assistance for the production and marketing of the various products, storage and carryover arrangements and common measures for stabilising imports or exports.¹⁶

The market organisations were product-specifically laid down; the goal of regulation was rational, central intervention, which tended to influence the free movement of agricultural markets in order to ballast the market by considering the system of objectives of CAP. The concept of the market organisation means the group of common rules and mechanisms, the objectives of

¹⁵ TFEU section (1) Article 40.

¹⁶ TFEU section (2) Article 40.

which are to ensure the regulation of a specific product or a group of products.¹⁷ The basis of the system meant common prices regarding agricultural products and agricultural product's groups.¹⁸ The aim is to achieve such a standard of price at the wholesale stage which satisfies both consumers and typical agricultural producers without causing overproduction.

The typical elements of the market organisation system are the following:

- price regime, as a significant element of the regulatory regime, in correlation with it e.g. interventional measures; financial aids; significant export aids, application of customs duties and fees; agricultural levy mechanisms¹⁹ for the protection of the internal market;
- contingencies, quantity regulation by quotas: measure functioning as a quantitative limit for production.

To achieve the aims of the market organisation effectively, section (4) Article 40 TFEU rules on the establishment of one or more agricultural guidance and guarantee funds.²⁰

In the key fields of CAP, besides the market policy focused on the market organisations, another determining aspect is the structural policy.²¹ In this context, the improvement of structurally underdeveloped regions, speeding up the establishment of agricultural structures and the progress of rural areas must be pointed out.

The basic principles of CAP may fundamentally originate from its treaty bases and the secondary law material that is built on it, as well as the market organisations. The main feature

¹⁷ Mihály Kurucz, *Az európai agrárjog alapjai* (ELTE Jogi Továbbképző Intézet 2003, Budapest) p. 27; see for this also Halmi (n 11) 'Az Európai Unió Politikái' 301–302, especially for the definition of CMO: p. 302.

¹⁸ At the beginning of CAP need to be highlighted: common grain price.

¹⁹ The agricultural levy system functioned till 1995. We will return later to this topic.

²⁰ The valid funds are: European Agricultural Guarantee Fund (EAGF); European Agricultural Fund for Rural Development (EAFRD) See for the valid regulation of the funds: Regulation (EU) no 1306/2013 of the European Parliament and of the Council of 17 December 2013 on the financing, management and monitoring of the common agricultural policy and repealing Council Regulations (EEC) No 352/78, (EC) No 165/94, (EC) No 2799/98, (EC) No 814/2000, (EC) No 1290/2005 and (EC) No 485/2008, Title II Chapter 1.; Title IV. Chapter 1-2. See for the Regulation: <http://eur-lex.europa.eu/legal-content/HU/TXT/?uri=CELEX%3A52016PC0159>, 01.01.2017.; For EAFRD there is another regulation: Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005 the European Parliament and the Council of the European Union. See on the web: <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32013R1305&from=hu>, 01.01.2017. It is important, that regarding the funding of CAP there is a predetermined maximum budget which is fixed for 7 years at a time as with all EU policies. We must remark, that as a share of the EU budget, the budget of CAP has decreased very much over the past 30 years, from almost 75% to around 40%. See for the datas: European Commission: Agriculture, The EU's common agricultural policy (CAP): for our food, for our countryside, for our environment. See on the web: [file:///C:/Users/user/Downloads/agriculture_en%20\(1\).pdf](file:///C:/Users/user/Downloads/agriculture_en%20(1).pdf), 01.01.2017.

²¹ In the frame of structural policy in the 1970s already had been laid down council directives: Council Directive 72/159/EEC of 17 April 1972 on the modernization of farms; Council Directive 72/160/EEC of 17 April 1972 concerning measures to encourage the cessation of farming and the reallocation of utilized agricultural area for the purposes of structural improvement; Council Directive 72/161/EEC of 17 April 1972 concerning the provision of socio-economic guidance for and the acquisition of occupational skills by persons engaged in agriculture.

of the principles is that their main essence has not been modified since the beginning. We must remark that, after the treaty basis had been established in the Treaty of Rome, it took some years to develop a model conforming to the spirit of the treaty bases. Within this topic, the Stresa Conference of 1958, a series of negotiations with endless, marathon debates over price policies, must be highlighted. As a result of them, by 1960/62 the principles had been laid down.²² *The principles of CAP are the followings:*

- ‘*principle of market unity*’;
- ‘*principle of Community preference*’;
- ‘*principle of the distribution of costs*’

‘Market unity’ means the free movement of agricultural products. On the basis of CAP, the Member States jointly decided to cease duty and other import barriers to trade with one another. The principle of market unity also reflects the intention that each State Member has gradually gives up their different but defining and unique intervention systems in agriculture by applying common-level regulation in this field. The market unity of agricultural products has required a centralised policy and market organisation, which also lead to common prices. It is important to establish prices so that the farmers can earn a reasonable income compared to workers in other economic sectors in order to realise the objectives of CAP.

The ‘principle of Community preference’ means the preference of common products, which includes the protection against the cheap products coming from a third country.

The ‘distribution of costs’ means that the State Members undertake together to share the costs of CAP as well as its financial support.

Taking the treaty bases of CAP, the method system of market organisations and the principles of CAP into consideration, in our opinion the field of price regulation in CAP with state intervention and agricultural levy system were the most important fields regarding CAP’s operation a long time. When featuring the main characteristics of the prices of agricultural products, we need to highlight that, in the first phase of CAP, the prices of agricultural products were artificially created higher than the prices on the world market.²³ Logically, this price policy stimulated the agricultural workers to produce more because the producers could expect their products to be taken over via interventional state purchases at an artificial and beneficial price. From the side of the consumer, stable consumer prices were predictable; however, they paid more for the agricultural products than they rationally needed to cost. The artificial price regime bothered the British consumers also significantly.²⁴ The system resulted in a considerable

²² The work was coordinated by Sicco Mansholt, vice-president of the Committee responsible for agriculture. He called the conference in Stresa to work out the principles of CAP. After the conference the Committee made some recommendations and its results were realised in 1962. It is important to mention the so-called ‘Mansholt 2. Plan’ regarding the agricultural structural policy. According to the document the improvement of the agricultural farm is also important (Modernisation). Oppermann (n 7): quoted p. 477.

²³ The level of agricultural prices was higher than the world market prices by 40-45%. By the end of the 1980s the producers had to face by 30-35% higher prices than without aids. As a result of it the consumers had to pay more for the agricultural products than it would have been rational. See Palánkai (n 5) pp. 296–297.

²⁴ See for this Palánkai (n 5) quoted p. 300.

growth of the variety of products, and the rate of the Community's self-sufficiency increased remarkably, too. The malfunctions, the overproduction, the imbalance of demand and supply, as well as the need for modification were visible.

III United Kingdom – Community – CAP: Before and After the Accession

By the 1840s, the United Kingdom was regarded as self-sufficient concerning its food supply. In Ireland, due to the famine that claimed a lot of victims as well as the industrial and commercial lobby, which became increasingly vocal, grain imports were encouraged by abolishing the Corn Laws.²⁵ With reference to the analyses exploring historical events, the leader of the Tories, Sir Robert Peel²⁶ supported free trade because he came to the conclusion that, from the aspect of the development of internal market, a high standard of living is needed. Considering this fact, it was inappropriate to restrict imports. Several hundreds of taxes designed to reduce imports were abolished.²⁷ At the beginning of 20th century, the British government also introduced protectionist measures, and after that, following the French and German patterns, it applied protective customs duties, the so-called punitive customs duties, against the external market in order to respond to the crises of overproduction in 1930s.²⁸

The destruction during World War II had a tremendous effect on the United Kingdom similarly to other countries. The British could still only get some types of food via the rationing system until 1954²⁹ and Marshall Aid took a significant role in the reconstruction of the country.³⁰ On behalf of the United Kingdom, the question of judging its own status and opportunities in the reconstruction, its relation to Western European integration intentions and how the policy of isolation was going to be formed were on the agenda. The extent to which the United Kingdom relied on its relationship with the Atlantic area, the USA and the British Commonwealth was also questioned. Finally, it was necessary to predict the status of the United Kingdom in world trade, the situation of its colonies, as well as the future of the British people after World War II.

²⁵ The Corn Laws were introduced by the Importation Act 1815, it measured about tariffs and restrictions on imported grain. It was repealed by the Importation Act 1846, see György Tibor Szántó: *Anglia története*, (4th edn, Maecénász Kiadó) pp. 193–195.

²⁶ Sir Robert Peel: a British statesman and member of the Conservative Party, served twice as Prime Minister of the United Kingdom (1834–1835 and 1841–1846) and twice as Home Secretary (1822–1827 and 1828–1830).

²⁷ Szántó (n 25) pp. 193–194. According to the relevant analyses, it is worth mentioning that the conservative system failed after abolishing the corn laws and the free trade brought a lot of serious problems: producers went bankrupt in large numbers, agricultural workers swapped their livelihood for working in cities and industry. The fields remained uncultivated. The work adds that the United Kingdom thereby avoided the greater misery of revolution.

²⁸ Kurucz (n 10) especially p. 10.

²⁹ Szántó (n 25) p. 240. For the situation of England see the summary: The costs of the war exceeded 25 million pounds, England lost half of its gold and foreign exchange reserves, one third of its fleet and one quarter of its national fortune.

³⁰ Éva Szilágyi: *Az Egyesült Királyság uniós politikájának dilemmái: integráció vagy elszigetelődés?* (2005) 4 EU Working Papers, p. 81.

In his well-known speech in Zürich, *Sir Winston Churchill*³¹ treated the Western European fusion process in two minds; he *supported the idea of a 'United States of Europe,' but he did not intend to take part in establishing it*, he just wanted to support it.³² Churchill had already elaborated his ideas in his speech in Fulton by clarifying that he trusted in the alliance between the 'population of the English-speaking Commonwealths' and the USA regarding their development.³³ The reason we would like to highlight *Churchill's speech in Fulton* is that, besides the revival of industry and trade relations, it *includes a clear reference to food supply as one of the basic challenges of the United Kingdom in terms of its reconstruction after World War II*. Churchill said 'Because you see the 46 millions in our island harassed about their food supply, of which they only grow one half, even in war-time, or because we have difficulty in restarting our industries and export trade after six years of passionate war effort, do not suppose we shall not come through these dark years of privation as we have come through the glorious years of agony.'³⁴

Churchill's speech revealed the importance of agriculture and food supply and logically came from it the regulation of these fields. With regards to the agricultural regulation of the United Kingdom, an important stage was the establishment of the Agricultural Act in 1947.³⁵ *The aim of the Act was to ensure plenty of food and to offer a decent livelihood for farmers*. The Act accurately defines the following: 'Guaranteed prices and assured markets. 1.-(1) The following provisions of this Part of this Act shall have effect for the purpose of promoting and maintaining, by the provision of guaranteed prices and assured markets for the produce mentioned in the First Schedule to this Act, a production stable and efficient agricultural industry capable of producing such part of the nation's food and other agricultural produce as in the national interest it is desirable to produce in the United Kingdom, and of producing it at minimum prices consistently with proper remuneration and living conditions for farmers and

³¹ Sir Winston Leonard Spencer-Churchill, British statesman – Prime Minister of the United Kingdom from 1940 to 1945 and again from 1951 to 1955.

³² 'We must build a kind of United States of Europe. In this way only will hundreds of millions of toilers be able to regain the simple joys and hopes which make life worth living. (...) The first step in the re-creation of European family must be a partnership between France and Germany. In this way only can France recover the moral leadership of Europe. There can be no revival of Europe without a spiritually great France and a spiritually great Germany. (...) In all this urgent work, France and Germany must take the lead together. Great Britain, the British Commonwealth of Nations, mighty America, and I trust Soviet Russia – for then indeed all would be well – must be the friends and sponsors of the new Europe and must champion its right to live and shine.) Churchill's speech in Zürich 19th September 1946. The speech can be found at the website: <http://www.churchill-society-london.org.uk/astonish.html>, 30.12.2016.

³³ 'If the population of the English-speaking Commonwealths be added to that of the United States with all that such co-operation implies in the air, on the sea, all over the globe and in science and in industry, and in moral force, there will be no quivering, precarious balance of power to offer its temptation to ambition or adventure.' Churchill's speech in Fulton 5th March 1946. The speech can be found at the website: <https://www.cia.gov/library/readingroom/docs/1946-03-05.pdf>, 30.12.2016.

³⁴ See as above.

³⁵ See the original text of the Agricultural Act 1947, <http://www.legislation.gov.uk/ukpga/Geo6/10-11/48/part/1/enacted>, 30.12.2016.

workers in agriculture and an adequate return on capital invested in the industry. (2) This Part of this Act shall extend to Scotland and Northern Ireland.³⁶

Concerning the British domestic legislation on agriculture and trade related to it, another act, the *Agricultural Marketing Organisation Act of 1958* must be pointed out, too. It also included important provisions. It regulated agricultural marketing schemes, incorporated provisions as to milk marketing boards and milk marketing schemes, the importation of agricultural products and sales of home-produced agricultural products.³⁷

While the United Kingdom set strict agricultural regulations in force, the United Kingdom voted against the integration of the ‘Six’ manifested in the Treaty of Rome, despite having been asked to join them.³⁸ At the same time, the UK was in favour of the free trade market, it allied with other western European countries outside the European Economic Community and they founded the European Free Trade Alliance in 1960.³⁹

Later on, the UK’s attitude to integration and the accession to the Community changed. At the beginning of the 1960’s, the British point of view was clear: despite the earlier ideas the United Kingdom decided on its future, not outside but within the common market in particular, by validating its economic interest in it. The entry of the United Kingdom into the integration system was motivated by gaining new markets. The reasons for the changes in the United Kingdom’s point of view regarding the accession have been analysed by several experts and they concluded that the changes were rooted in correlating circumstances. The ‘Six Countries’ had taken advantage of integration and they demonstrated the multiplication effect on national income by the end of 1960s.⁴⁰ Studies in this area also show that the British economy achieved an increase in its performance between 1950 and 1973; however, it was still left behind by those countries which had already taken advantage of integration.⁴¹ The hopes of the United Kingdom for the British Commonwealth of Nations did not come true; its colonial empire was falling apart and its trade relations were restructured. While reconstructing its trade relations, the importance of the mainland of Europe became evident and significant for the United Kingdom. Furthermore, the USA also encouraged their accession to the Community.⁴² With regards to the

³⁶ The Act concerned for the following products: ‘fat cattle, fat sheep, fat pigs, cow’s milk (liquid), eggs (hen and duck in shell), wheat, barley, oats, rye, potatoes, sugar beet’. See the original text of the Agricultural Act 1947 <http://www.legislation.gov.uk/ukpga/Geo6/10-11/48/part/1/enacted>, 30.12.2016.

³⁷ See for it: http://www.legislation.gov.uk/ukpga/1958/47/pdfs/ukpga_19580047_en.pdf, 04.01.2017.

³⁸ Szilágyi (n 30) p. 82.

³⁹ The European Free Trade Association (EFTA) was founded by Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom, to promote closer economic cooperation and free trade in Europe. See for history of EFTA: <http://www.efta.int/about-efta/history>, 03.01.2016.

⁴⁰ For the relations and data see: Ferenc Mádl, *Az európai gazdasági közösség joga* (Akadémiai Kiadó 1974, Budapest) especially: p. 28. The relevant analysis indicates that the national income of Dutch and Italians tripled and the national income of Belgium and France doubled in USD from 1953 to 1967.

⁴¹ See for it: Miklós Somai, ‘A britek és az EU közös költségvetése – különös tekintettel a rebate-re’ [2014, summer] *Külgügyi Szemle*, see on the web: http://kki.gov.hu/download/6/0a/c0000/KSZ2014_2_Somai.pdf, 01.01.2017.

⁴² The USA was motivated to stop the reduction of UK’s influence.

fact that the French had prevented the British accession twice, it was only 1973 when de Gaulle's influence on it was not strong and *UK accessed the Community*.⁴³

At the time of the accession of the United Kingdom – as we have already noted – the Community's specific agricultural policies had been established, an institutional structure had been put in place, and the regulatory regimes were operating but not immaculately. The situation was the same concerning CAP.⁴⁴ The British worried about the rules of CAP from the beginning, especially they feared that with their entry the food prices became higher.⁴⁵

After the British entry, in 1974 the United Kingdom fought out at the Summit Meeting, which took place in Paris⁴⁶ *to discuss about British overpayment*.⁴⁷ In this circle at the Summit Meeting the institutions of the Community were invited to find out and work out a correction mechanism.⁴⁸ The other issue was at the Summit Meeting that the European Regional Development Fund (ERDF) was established, which turned out to be significant in relation to agriculture, even at its early stage. The ERDF (with effect from 1st January 1975) had to cope with several problems, and was responsible for balancing the regional imbalances rooted in the dominance of agriculture. The Head of the nine Member States generally decided to establish the ERDF in order to finance the growth of the most underdeveloped regions. The goals of CAP and regional policy were harmonised, which is a good example of matching common policies. The Summit Meeting assigned the aim of regional policy to correct imbalances, 'resulting notably from agricultural predominance, industrial change and structural under-employment'.⁴⁹

⁴³ For the process analyse see Szilágyi (n 30) quoted.

⁴⁴ Although accession did not result in the desired economic development, at the referendum on 5th June 1975 most of the UK society voted to remain in the Common Market. The desired economic development was not realized according to the analysts, because of the Oil Crisis. See Somai (n 41) quoted p. 78. Although accession did not result in the desired economic development, at the referendum on 5th June 1975 most of the UK society voted to remain in the Common Market.

⁴⁵ See Somai (n 41) quoted p. 78.

⁴⁶ Precisely 9-10. December 1974. Paris, Summit Meetings of the Heads of State or Government.

⁴⁷ The reason was that, as the greatest food importer in the world and as a net payer, the United Kingdom financed countries which, in terms of average income per head, were significantly richer than the British See for the correlations: Palánkai (n 5) quoted pp. 164–165.

⁴⁸ 1974. Paris, Summit Meetings of the Heads of State or Government; see *ibid*: 'Britain's membership of the Community (...) 37. They invite the institutions of the Community (the Council and the Commission) to set up as soon as possible *a correcting mechanism of general application* which, in the framework of the *system of own resources*' and in harmony with its normal functioning, based on objective criteria and taking into consideration in particular the suggestions made to this effect by the British Government, could prevent during the period of convergence of the economies of the States, the possible development of situations' unacceptable for a Member State and with the smooth working of the Community'. see on the internet: http://aei.pitt.edu/1459/1/Paris_1974.pdf, 10. 01. 2017.

⁴⁹ 1974, Paris, Summit Meetings of the Heads of State or Government' Regional policy 22. 'The Heads of Government have decided that the European Regional Development Fund designed to correct the principal regional imbalances in the Community resulting notably from agricultural predominance, industrial change and structural under-employment will be put into operation by the institutions of the Community with effect from 1 January 1975'. See on the internet as above: http://aei.pitt.edu/1459/1/Paris_1974.pdf, 10. 01. 2017. , It is worth mentioning that in the ERDF the position of the United Kingdom was advantageous.

One year later, in 1975 a general correction mechanism was formulated at the Summit Meeting of Heads of Government in Council in Dublin.⁵⁰ However, the United Kingdom was struggling on with overpayment and finally it was effective, because *Margaret Thatcher and her conservative Cabinet achieved a breakthrough in Fontainebleau in 1984*.⁵¹ The document of Fontainebleau, the so-called ‘Conclusions of the Presidency’ fixed the followings: ‘The basis for the correction is the gap between the share of VAT⁵² payments and the share of expenditure allocated in accordance with the present criteria.’⁵³ The UK was obliged for 66% from this difference from 1985.⁵⁴ *This is the so-called rebate*. A very valuable part of the document included that the correction will be fixed in a Council Decision.⁵⁵ The Council Decision was issued in May 1985.⁵⁶ Our point of view the position of the UK is well demonstrated by fighting out the rebate. In the correlation of rebate and the CAP mechanisms we point out the specialities of the British agriculture⁵⁷ had a key role during the negotiations. The UK as net contributor financed the CAP strongly but it benefited from the sources exiguously. However, we must remark that e.g. in the trade of agricultural products the preferences of internal market and CAP were naturally given for the British⁵⁸ and outwards (areas outside from the Community,

⁵⁰ Meeting of Heads of Government in Council in Dublin on 10 and 11 March 1975 – Summary of decisions and conclusions

‘I. Budgetary correcting mechanism

The Heads of Government meeting in Council agreed on the correcting mechanism described in the Commission communication entitled ‘Unacceptable situation and correcting mechanism’

(R/340/75 (FIN 84)), subject to the following provisions:

1. The criteria concerning the balance of payments deficit and the two-thirds ceiling are dropped.

2. The following provisions will be incorporated into the agreed mechanism :

a. The correcting mechanism shall be subject to a ceiling of 250 million units of account. However, as soon as the amount of the Community budget exceeds 89 000 million units of account, the ceiling shall be fixed at an amount representing 3 % of total budget expenditure.

b. When a moving average drawn up over 3 years indicates that the balance of payments on current account of the country in question is in surplus, the correction shall only affect any difference between the amount of its VAT payments and the figure which would result from its relative share i.a the Community GNP’

See for it the note: file:///C:/Users/user/Downloads/1975_march_dublin_eng_.pdf, 01.01.2017. See among the analysts especially: Somai (n 41) p. 80.

⁵¹ For the European Council Meeting at Fontainebleu see the document: Conclusions of the Presidency, file: file:///C:/Users/user/Downloads/1984_june_-_fontainebleau_eng_.pdf.

⁵² Value Added Tax.

⁵³ See (n 51)

⁵⁴ See (n 51). Conclusions of the Presidency, ‘(...) from 1985 the gap (base of the correction) as defined in § 1 is, for them period referred to in § 4, corrected annually at 66’.

⁵⁵ 4. ‘The correction formula foreseen in § 2 (2nd indent) will be a part of the decision to increase the VAT ceiling to 1,4%, their durations being linked.’ See as above Fn.47.

⁵⁶ ‘Council Decision of May 1985 on the Communities’ System of Own Resources (85/257/EEC, Euratom’, access to the internet: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A31985D0257>, 01.01.2017.

⁵⁷ The national economics rate of the agriculture in the UK after 20 years of the accession was 2,2%. In Portugal this data is 17,5%, in Greece 21,6%, in Italy 8,5%, in France 5,4%. (The basic year is 1991.) See: Palánkai (n 5) p. 294.

⁵⁸ See for it: National Farmers Union: EU Referendum UK’s Farming Relationship with the EU, p. 4. The document is available on the web: <http://www.nfuonline.com/assets/61993/>, 15.01.2017. See especially *ibid*, ‘The UK is a net importer of agri-food products, totalling £39.6bn in 2014.3 We import nearly twice as many agri-food products

for instance WTO frame system) the Community and not the UK stepped up as wholesale negotiator.⁵⁹

IV The Reforms of Common Agricultural Policy⁶⁰

1 The Reforms of Common Agricultural Policy – External and Internal Reasons

The British ambitions for correctional mechanisms of the Community budget had an influence on the reforms of CAP. Besides the British reform ambitions, CAP needed to be permanently modified for external and Community reasons, as we have mentioned several times. It has had huge reforms. *In the reforms the British took part naturally, actively.*

One of the most important Community reasons of the reforms was the reduction of overproduction. The regulatory regime of CAP achieved significant results and the food supply became more secure in the area of the Community. The previously sketched regulatory mechanisms featuring CAP, the high and supported prices compared to the prices on the world market with state interventions led to overproduction. *Moreover, the system was difficult and expensive.* Thus the British point of view regarding reducing the outgoings was reasonable. From the aspect of reforms, controlling expenditure on agriculture was a fundamental issue. The behaviour and example of the United Kingdom shows it clearly. The status of small-scale and impoverished farmers could not be solved.⁶¹ The problems of the CAP regulatory regime became worse through the expansion of the Community and the new entrants also influenced the reforms. After the accession of the United Kingdom, Denmark and Ireland, in 1981 Greece and Spain, followed by Portugal in 1986 acceded to the Community. After that, the Central and Eastern European countries became Members too.⁶² Most of the newly acceded countries had significant agricultural sectors, so at each accession the Community needed to address new

from the other EU countries than we export, however our exports are significant. In 2014 we exported £12.8bn worth of products. Approximately 73% of our total agri-food exports were destined for other European member states. For some sectors the EU market is critical. Thirty-eight per cent of all lamb produced in the UK goes to Europe. France alone purchased more than £200m worth of UK lamb in 2014'. See for it also: Boglárka Koller, Péter Halmi, János Bóka, 'Válás "angolosan", a BREXIT politikai, jogi és gazdasági agendái' (2016) 20 *Allamtudományi Műhelytanulmányok, Nemzeti Közszolgálati Egyetem*, pp. 15–16.

⁵⁹ Koller, Halmi, Bóka (n 58): see as above p. 16.

⁶⁰ Péter Halmi, 'Az Európai Unió agrárrendszere' (2007) 3 *Mezőgazda*, extended, restructured edition, pp. 106–154; Miklós Somai, 'Agrártámogatások az Európai Unióban' pp. 3–9, see on the web: http://real.mtak.hu/17418/1/Somai_Agr%C3%A1rt%C3%A1mogat%C3%A1sok...pdf; Hitiris (n 11); Oppermann (n 7) quoted pp. 501–503; Palánkai (n 5) quoted, pp. 301–309; Nicola Cantore, Jane Kennan, Sheila Page, 'CAP reform and development Introduction, reform options and suggestions for further research' 14 May 2011, see on the web: <https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/7245.pdf>, 01.01.2017.

⁶¹ Palánkai (n 5) quoted p. 300.

⁶² The establishment of the Social Fund occurred, but the amount of budget credit supplied for the Fund was low.

needs because these countries had to be matched into the ‘system’. From the social aspect it is also worth mentioning that CAP made an attempt to work out a so-called ‘dynamic policy’ which was only partly successful.⁶³

*Among the external reasons for CAP reforms we must refer to the GATT agreements, which have a basic influence on agricultural world trade and to the content of WTO contractual frame system.*⁶⁴ The aim was to liberalise agriculture and agricultural trade step by step.

From 1986, GATT negotiations⁶⁵ focused on agricultural world trade, and it is important to mention that, at the series of meetings in Uruguay, significant issues were resolved, such as reducing system-distorting subsidies and barriers. In this field we need to point out that *the agricultural agreement attached to the Declaration of Marrakesh*⁶⁶ *which ended the Uruguay Round affected the regulation regime of CAP. Namely, the agricultural levy system, which had been applied in the regulation regime of CAP, was modified this time.* As economic analytics point out, the thing is that the levy in relation to the price policy functioned as a ‘moving customs duty’ in case of import of agricultural products to the Community. It protected the internal market and its agricultural producers.⁶⁷ Until 1995, CAP strongly featured tough import reductions, high customs duties and the application of levy mechanisms. Its aim was clear, to prevent the entry of competing agricultural products to the Community, or at least to reduce their entry. Obviously, this restrictive regulation was incompatible with the liberalised favoured GATT agreement system. Considering the agricultural agreement related to the Marrakesh Declaration⁶⁸ special customs duties were introduced instead of border protection measures.⁶⁹ The agreement also obliged the European Union to reduce the high levels of export subsidies. Support under ‘green box’ policies did not suffer from this general obligation, to not have any influence on trade. Regional aid and funding with a positive effect on environmental protection belong to this category. Considering CAP reforms, it is crucial to highlight the agreement on the application of sanitary and phytosanitary measures,⁷⁰ which includes the requirement of food safety. Transparency was taken as a basic requirement in this regard.

⁶³ The Social Fund was established but the budget credits which were granted in it were exiguous.

⁶⁴ We must mention that the expansion of the Community after 2000s was significant: in May 2004 the Mediterranean, Central and Eastern European countries of Cyprus, The Czech Republic, Estonia, Latvia, Lithuania, Hungary, Malta, Poland, Slovakia and Slovenia acceded, joined by Bulgaria and Romania in January 2007.

⁶⁵ *GATT (General Agreement on Tariffs and Trade)* had the aim of simplify international trade; the agreements focused on harmonising customs policy. The parties undertook the principle of the greatest benefit and they agreed to remove the customs duties and other barriers to trade. The existing system functioned well in relation to industrial products, but it had not been true for agricultural products.

⁶⁶ Marrakesh Declaration of 15 April 1994, See: https://www.wto.org/english/docs_e/legal_e/marrakesh_decl_e.htm.

⁶⁷ See for it Palánkai (n 5) quoted p. 302; Halmi (n 60).

⁶⁸ See: https://www.wto.org/english/docs_e/legal_e/14-ag.pdf, 02.01.2017.

⁶⁹ See for the topic see from law and economic aspects Halmi (n 60) p. 69–72.

⁷⁰ See: https://www.wto.org/english/docs_e/legal_e/15-sps.pdf, 01.01.2017.

2 Certain Stages in the Reform of CAP

The first main change appeared in the Mac Sharry Plan (1991). Its aim was an overall reform of Common Agricultural Policy.⁷¹ Before the reform plan was finalised and parallel with it, the debate on increasing the budget⁷² made the United Kingdom active again. According to the British, increasing the budget was not needed and expenditure related to agriculture had to be reduced. They highlighted the importance of better control of outgoings and financial discipline.

The aim system of the *Mac Sharry reform* was clear and obvious. *Prices of agricultural products needed to be reduced continuously. There was also a call to replacing the system of protection through prices with a system of compensatory income support.* As a result of price reductions, the income of producers also decreased. Reforms were expected to decouple the price and income policy, to approximate prices to the standard price on the world market, with direct payment. We also mention that the reform concentrated e.g. on small-scale farmers by supporting them.⁷³ The analysts point out well-founded that the so-called set-aside was a basic element of the reform.⁷⁴

The new phase of the reforms after the reform in 1992 was called '*Agenda 2000*'⁷⁵. *At this stage, the reform was built on the multifunctional characteristics of agriculture and for this reason CAP was supplemented by a second pillar, namely rural development.*⁷⁶ (Common Agricultural and Rural Policy for Europe - CARPE) Since then the system has been based on more than one pillar. The multifunctional characteristics of agriculture became the centre of attention. The outcome of the agreement reached at the end of the Berlin European Council (24-25 March 1999) continued the reform of CAP. The main elements of the reform were a new stricter adjustment of EU prices to world prices, partly offset by direct aid to producers. Questions of sustainability, such as agricultural environmental protection, came into the spotlight by offering assistance. Modulation was introduced, whereby State Members had the opportunity to reduce direct payment to farmers and to reallocate support in favour of rural development under appropriate conditions. It is important to highlight the British point of view concerning Modulation. The UK introduced Modulation the practice as a new opportunity of CAP.⁷⁷

⁷¹ We need to remark that the plan was opposed by the French considerably, so the plan was implemented in modified form.

⁷² In 1988 the Delors Package doubled the amount for structural funds. Delors II planned to increase the outgoings of the EU.

⁷³ See Somai (n 60) p. 7.

⁷⁴ See Halmi (n 60) pp. 112–114; Siegfried Jantscher, 'Die Gemeinsame Agrarpolitik (GAP) der EU' (1996) Heft 1 (22) Eckpunkte eines zukunftsorientiertes Reformkonzeptes, p. 3, see on the web: http://wug.akwien.at/WUG_Archiv/1996_22_1/1996_22_1_0085.pdf, 10.01.2017.

⁷⁵ 'Agenda 2000' is a document which was published in 1350 pages by the European Council in July 1997. In this document the Committee made a suggestion to 15 Member States concerning the development of the European Union after 2000. Topics: the Budget of EU, Structural Funds, (which support the poorest regions of Europe) and the reform of CAP, with regards to the Central and Eastern European countries which intended to enter the EU.

⁷⁶ The concept was not new; the conference held in Cork, Ireland had defined the principles on this topic.

⁷⁷ In the UK the introduction of Modulation was in a restricted measure. Portugal and France introduced also the Modulation. See for this: Halmi (n 60) p. 129.

On 26 June 2003, EU agriculture ministers meeting *in Luxembourg* reached an agreement which effectively overhauled the CAP (Fischler⁷⁸ reform). The British were glad to the reform.⁷⁹ *By reforming CAP a series of new principles and mechanisms were introduced. Support was decoupled from production volumes.*⁸⁰ The decoupled aid which has been provided since 2003 became a ‘single farm payment’. *It is important that the single farm payment was related to obligations concerning environmental protection, food safety and sanitary and phyto-sanitary requirements. (Cross compliance).* The cross compliance was regulated in the Council Regulation No. 1782/2003 of 29 September 2003.⁸¹ It must be highlighted that the part of cross compliance were the ‘Statutory Management Requirements’ (SMR) and the ‘Good Agricultural and Environmental Condition.’⁸² This cross compliance was a response to the expectations of European citizens. Considering the contractual system of WTO, the aim of the decoupling support from volumes of production was to put the single payment system into the ‘green box’ for the future. It is also important that the Council Regulation No. 1782/2003 of 29 September 2003 included for the modulation strict rules.⁸³

The consolidation of the 2003 reforms was completed with the *Health Check* by the Commission *in 2009*.

It intended to strengthen complete decoupling of aid through gradual elimination of the remaining payments coupled to production by taking them into the single farm payment scheme. The first pillar funds of CAP were modulated at a higher rate⁸⁴ than earlier to the second pillar, rural development. Its aim is to make the rules for public intervention and control of supply more flexible in order not to inhibit farmers from reacting to market signals.

⁷⁸ He was the European Union’s Commissioner for Agriculture, Rural Development and Fisheries 1995–2004.

⁷⁹ Margaret Beckett, the then Secretary of State for Environment, Food and Rural Affairs declared the followings: ‘It is hard to overstate the importance of this morning’s agreement in transforming the core elements of the CAP and laying down a new direction for its future evolution.’ <http://www.telegraph.co.uk/news/worldnews/europe/1434219/Historic-CAP-reform-praised-by-Beckett.html>, 10.01.2017. We remark that the British point of view regarding reforms was not independent from the question of the Community budget and from the interests of UK in the Community budget in the future, as Péter Halmi refers on it. See for it Halmi (n 60), especially: pp. 155–156.

⁸⁰ It was evident that the distorting effect of previous mechanisms for agriculture and trade in agricultural products needed to be reduced.

⁸¹ Council Regulation (EC) No 1782/2003 of 29 September 2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers and amending Regulations (EEC) No 2019/93, (EC) No 1452/2001, (EC) No 1453/2001, (EC) No 1454/2001, (EC) 1868/94, (EC) No 1251/1999, (EC) No 1254/1999, (EC) No 1673/2000, (EEC) No 2358/71 and (EC) No 2529/2001. See on the web: <http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32003R1782>, 01.01.2017. We remark that in the frame of the reformpacket several laws was laid down, e.g. by the Council and the Commission.

⁸² Article 4-5 Council Regulation (EC) No 1782/2003 of 29 September 2003.

⁸³ Article 10 Council Regulation (EC) No 1782/2003 of 29 September 2003.

⁸⁴ Article 7 Council Regulation (EC) No 73/2009 of 19 January 2009 establishing common rules for direct support schemes for farmers under the common agricultural policy and establishing certain support schemes for farmers, amending Regulations (EC) No 1290/2005, (EC) No 247/2006, (EC) No 378/2007 and repealing Regulation (EC) No 1782/2003, See on the web: <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32009R0073&from=HU>, 10.01.2017.

*The reform packet of CAP in 2013*⁸⁵ has a complex goal system. Its general goal is to meet the challenges of 21st century. The reform packet is based on the expectations of society and leads to significant changes. It aims to promote sustainability, to ensure food supply harmonising with food security and agricultural environmental protection requirements, to maintain biodiversity, and e.g. to protect the soil. The direct payment system will be more reasonable such as the trade in agricultural products. Moreover the reform intends to make the position of farmers stronger in the food chain. In the reform packet young farmer's support is in the focus, the approach to rural development is more integrated and more targeted and ensuring work places plays a key role. The reform packet looks at competitiveness, simplification, innovation, efficient agriculture based on knowledge as highlighted aspects. It is important that the reform fixes fair remuneration for the public goods supplied by farmers.⁸⁶

By reviewing the reforms of CAP we may conclude that the relevant ambitions of the United Kingdom were simplification, financial discipline, financial control, reduction of outgoings, competitiveness and multi-pillar system of agriculture. These ambitions have been rational, have helped the permanent, namely more balanced operation of CAP. Moreover, the Community accepted the net contributor status of the UK to the EU Budget and respected the significance of the economy, society, history and culture of the UK, as well as its competence. Besides all, the UK decided on Brexit.

At this moment we can only second-guess how Brexit will affect the status of British agriculture. In the United Kingdom both agriculture and as a connected field, environment⁸⁷ are very important areas. The farming community is a valuable part of society. Moreover, rural development, environmental and nature protection have always been appreciated by the British.⁸⁸ A crucial question is what the United Kingdom will do for these areas which are significant to its economy, society and culture. Each of these fields is valuable on its own but they are also linked with each other. The way of regulating these fields is a key issue.

Another question is how the United Kingdom will treat the needs of producers and consumers. We can only speculate on the answers. We know that agricultural producers want to maintain their standard of living; they intend to continue to trade with EU Member States and WTO in the future, also on favourable terms.⁸⁹ The internal market is very important for

⁸⁵ From the regulation packet of the reform see especially: Regulations 1303-1308/2013 of the European Parliament and of the Council, and Regulation 1310/2013 we based emphasizedly on: Regulation (EU) No 1307/2013 of the European Parliament and of the Council of 17 December 2013; see for it: <http://eur-lex.europa.eu/legal-content/HU/TXT/HTML/?uri=CELEX:32013R1307&from=en>, 01.01.2017.

⁸⁶ The reform ensures greater flexibility for the Member States and gives the ability to moving between the pillars easier. See for it e.g.: http://www.europarl.europa.eu/atyourservice/hu/displayFtu.html?ftuid=FTU_5.2.3.html, 11.01.2017.

⁸⁷ Ian Hodge: 'Brexit: the agricultural issues' 16. May, 2016, The UK in a Changing EU, see on the web: <http://ukandeu.ac.uk/brexit-the-agricultural-issues/>, 11.01.2017.

⁸⁸ It is not by incidence that the British supported the introduction of the Modulation. See (n 76).

⁸⁹ See for it: National Farmers Union: *EU Referendum UK's Farming Relationship with the EU*, quoted pp. 18–20, The document is available on the web: <http://www.nfuonline.com/assets/61993/>.

the UK's agricultural producers regarding agricultural export and import,⁹⁰ although we must remark that the British farmers want also new opportunities for trading in the world.⁹¹ In agreement with the analysts who are dealing with this theme,⁹² our point of view is that the British must realise that, in the WTO contractual frame system, they will negotiate as an important country but only as one country; they will be not a wholesale negotiator when compared to the EU. In this context, how British agricultural production can be maintained after Brexit is another question. An important topic is the securing of active workforce for farming and agricultural production. Farming has namely the specific feature that it often needs seasonal workers because the production is not always permanent. According to data regarding the employment in the UK's agriculture sector the country employs for seasonal work a lot of non-UK workers who are in a large number from other EU countries⁹³ When the UK leaves the EU the country will face the question how to solve seasonal working in the agriculture sector.

Regarding agriculture from the consumer aspect, we have to point out that they want to buy food which meets health safety and food safety requirements at an appropriate price. As already mentioned, food security, sanitary and phyto-sanitary as well as health and safety and environmental protection requirements are set at high standards in the frame of CAP. Farmers might have difficulties to suit these requirements. In the course of Brexit, the question of how the UK will uncouple its legislative regime concerning agriculture, agricultural producers, agricultural production and trading with agricultural products and in connection with them concerning environment and rural development from that of the EU will undoubtedly come up. Our point of view is that if the UK wants to continue trading in agricultural products with the EU Member States after Brexit, the country must continue to accept e.g. the Community's food and health safety, sanitary and phytosanitary rules.

⁹⁰ Hodge (n 87) quoted *ibid* 'Trade in agricultural products is closely connected with the EU: about 70% of food imports come from the EU and 60% of exports go to the EU.' The prices of the agricultural goods are influenced obviously by this connection.

⁹¹ See (n 85).

⁹² Koller, Halmai, Bóka (n 58) quoted.

⁹³ See for it: National Farmers Union: *EU Referendum UK's Farming Relationship with the EU*, pp. 6–7, The document is available on the web: <http://www.nfuonline.com/assets/61993/>, 15.01.2017. The document includes an interesting case study regarding the topic of seasonal employment in the agriculture. It is the following: 'Cobrey Farms is a family partnership in South Herefordshire which grows asparagus, blueberries, rhubarb, potatoes and arable crops. In 2015 we grew asparagus requiring 960 people to harvest, grade and pack. Asparagus production is highly labour intensive requiring people to cut the asparagus in fields by hand with limited ability to mechanise. The harvest labour is employed on a temporary seasonal basis with employees being housed on site. In 2015 52% were Bulgarians, 40% Romanian, 7.5% from other EU countries and only three UK nationals. It is critical to be able to employ people from other countries as we have been unable to fill positions from the UK labour market. In 2015 we received 44 direct UK applications which we tried to recruit, however once a job was offered all but three UK born people rejected the offer of work. Without the opportunity to work with foreign nationals we would be unable to grow these crops and harvest them successfully.' Catherine Chinn, HR Manager, Cobrey Farms.

V Conclusions

The CAP with reforms will most probably remain a valuable, complex, multi-pillar specific policy and legislative field of the Community long into the 21st century. Along with more rational Community financing than before, the reformed CAP ensures food supply, food safety, protects its producers, its consumers, and the environment, favours its young farmers, and stresses rural development, workplaces and innovation in the agricultural sector. All in all the legislative regime supports sustainability. The withdrawal of the United Kingdom as a net contributor and a country of great reputation is a definite loss for the Community. However, we believe that Brexit will not affect the main direction, goals and basic principles of the CAP regime, CAP will operate as a traditional Community achievement also in the future.