How Does the EU's Common Agricultural Policy Work?

Brutal empirical facts have taught mankind that food production is not an "instant" exchange of pre-existing objects created by magic, but the fruit of the transformative process of interaction between man and nature, operating over long time periods. Therefore, imposing free trade "supply and demand" ideology is the surest road to failure.

Competent economists, such as Franklin Roosevelt's farm policy advisor Mordechai Ezekiel, who wrote *From Scarcity to Abundance,* argued that agriculture should be given the status of an "exception" to the free market. Market and price regulations should not be left to the "invisible hand"; instead, they should be organized by government, as with FDR's New Deal policies. As early as 1936, these policies gained support in France, with the creation of the Office du Blé (Wheat Office). The CAP was another outcome of this Trans-Atlantic dialogue.

With the CAP established in 1962, the European Economic Community set up a complex mechanism of publicly managed market and price regulations to protect the complementary interest of producers (who need a stable income), and consumers (who need a reasonable price). Here are some of the basic principles:

1. The EEC defined a "single market" among six sovereign nations for selected agricultural products, abolishing tariffs among them, and harmonizing prices for these specific products.

2. "Community preference" was the rule. Member states committed themselves to satisfying their domestic needs only with supplies from other member states, unless goods were unavailable. Trade barriers and tariffs regulated imports and exports with nations outside the common market.

3. A common facility, the European Agricultural Guidance and Guarantee Fund (EAGGF), guaranteed a parity price for a given product. If the product could not find a buyer on the market, the fund would automatically buy up surplus, using its "intervention funds." In that way, prices were prevented from falling, and farmers secured a decent income. If prices rose too high (due to drought, etc.), the EU could sell its inventory, and drive prices down. Parity prices obviously created a massive incentive to expand production.

4. In practice, the parity prices were adjusted permanently (according to rising productivity, among other factors) by Common Market Organizations (CMOs) run by the EEC. Similar to the European Coal and Steel Community, each CMO implied a permanent dialogue among member-states to steer a distinct agricultural sector: cereals, pork, poultry, fruits and vegetables, wine, dairy products, etc.

This approach can serve as a model for other regions (notably Africa or Ibero-America), insofar as their economies have some similarity and potential for regional integration.