2004 enlargement and agriculture: successful integration in the new member states for the common agriculture policy

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The European Commission set out its strategy for dealing with the EU's enlargement negotiations on agriculture: direct payments to farmers and the level of production quotas for the new member countries once they join the EU in 2004. To ease the problems of transition in rural areas, and to encourage the necessary restructuring of the new member states' agricultural sectors, the Commission proposes to beef up financial support through an enhanced rural development policy. Given that immediate introduction of 100% direct payments would serve to freeze existing structures and to hamper modernisation, the Commission favours a gradual introduction of direct payments over a transition period of ten years: for 2004, 2005, 2006 direct payments equivalent to 25, 30, 35%, reaching 100% in 2013. According to the proposal, this aid could also be topped up with national funds. The new member states would however have full and immediate access to Common Agricultural Policy (CAP) market measures, such as cereal intervention. In order to ensure simplicity and to ensure adequate controls from the first day, the Commission has proposed a simplified direct payments system for the first three years, with the option of to prolongation for two more years. The new member states should have the option of granting direct payments in the form of an area payment, de-coupled from production and paid per hectare. The Commission also proposes to determine production quotas for sugar and milk on the basis of average production over the years 1995 to 1999. Today's strategy is fully compatible with the expenditure ceilings for enlargement agreed by the Berlin European Council in 1999 and with the EU's WTO commitments, including the EU's agricultural negotiating position for the WTO Doha Development Agenda. The Commission's approach fully respects the financial framework for enlargement, as decided by the Heads of State and Governments in Berlin. In order to tackle to structural problems in the rural areas of the new member states, the Commission advocates an enhanced rural development strategy, broad in scope and in comparison to the funds available for the existing EU countries beefed up in money terms. From Day 1 upon accession, a range of rural development measures would be co-financed at a maximum rate of 80% by the EU: - a special measure to make semi-subsistence farms viable : in the candidate countries many "semi-subsistence farms" persist, which produce for own consumption, but market the larger part of their production. To help to turn them into commercially viable units a specific measure for semi-subsistence farms is proposed. This measure should take the form of a flat rate aid of 750 Euros maximum. Payment of the aid should be conditional on submitting a business plan demonstrating the future economic viability of the enterprise. The temporary income support would serve to alleviate cash flow constraints and household income difficulties as further restructuring is undertaken to ensure the future of the holding. - rural development measures eligible (max. 80% EU financed) : early retirement of farmers; support for less favoured areas or areas with environmental restrictions; agri-environmental programmes; afforestation of agricultural land; specific measures for semi-subsistence farms; setting up of producer groups;technical assistance; - additional rural development measures will be financed from the Structural Funds (EAGGF Guidance sector).with a gradual increase of direct payments (the Commission's approach is to set the starting level at which direct payments would be granted for 2004 at a rate equivalent to 25% of the present system, rising to 30% in 2005 and 35% in 2006. In a second step after 2006, direct payments would be increased by percentage steps in such a way as to ensure that the new Member States in 2013 reach the support level then applicable); - the possibility for national top ups : where the national aid granted prior to accession was higher than the direct CAP payments under the phasing-in approach, this could lead to economic problems for the farmers concerned. Moreover, accession to the EU would be made responsible for a reduction in agricultural income support. To avoid these undesirable effects the new Member States should be given the option of complementing direct aid up to the level applicable prior to accession, provided that the total support does not exceed the level of direct payments in the

existing EU member states. Such national top-ups would need to be approved by the Commission. The document also provides for the simplified implementation of direct payments transitional and optional (this would be under the simplified system, the new Member States should have the option to grant direct payments during a limited period in the form of a de-coupled area payment applied to the whole agricultural area. On the basis of its total envelope of direct aids and its utilised agricultural area, an average area payment would be calculated for each country. All types of agricultural land would be eligible for the payment. The minimum size of eligible area would be set at 0.3 ha. The approach should be optional and transitional. The simplified scheme would be available for three years, renewable twice by one year. As a general principle, the Commission proposes to determine agricultural production supply management instruments, such as production quotas on the basis of most recent historical reference periods for which data are available, from 1995 to 1999. As for milk quotas, the Commission proposes to use production figures of the years 1997-1999. Where appropriate, it can be considered to take account of exceptional conditions such as natural disasters or significant market disturbances.