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Agriculture and CAP reform | 14.04.2010

Present and future of Common agricultural policy in Visegrad

Common agricultural policy (CAP) is the most integrated and one of the most important EU policies based on EU agricultural subsidies and programs. It was created more than 50 years ago after Second World War as a respond on the fears of food shortages experienced during the war times. It was established to subsidize farmers and encourage them to produce more to ensure stable food supplies.

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Background

In the past CAP represented more than 50 % of EU budget. But it led to supporting unsustainable agricultural sectors so after three reforms in 1992, 1999 and 2003 it was reduced to recent 45 % (55 billion euro a year) with the prospect of further reductions in frame of new long term EU budget 2014 – 2020.

CAP has two pillars. The current Single Farm Payment comes under Pillar 1 and measures of Pillar 2 aim to support rural communities development and diversification.

In 2008 the CAP Health Check was launched. It aims to modernize the policy and provide assistance when answering to new challenges such as climate change. The EU 27 also agreed to further cut direct subsidies to farmers, for the benefit of rural development policy, and to abolish milk production quotas.

The discussion of the CAP's future beyond 2010 in context of the general reform of EU budget has started in 2010. The first contribution to the discussion from European Commission stressed that agriculture must do more to mitigate climate change and consider the option to established third pillar of the CAP focusing on this issue. And the current single payment scheme could by maintained but targeted at providing so called "public goods" – to create real EU added value. Former commissioner Mariann Fischer Boel committed farmers to help to fulfill EU commitment to reduce carbon emission by 20 % by 2020.

France is the biggest recipient of CAP funds. The largest per capita beneficiaries from the CAP are Greece and Ireland. All four Visegrad countries are net beneficiaries of EU budget and CAP funding. At the beginning of February 2010 the ministers of agriculture of Hungary, Slovakia and Poland and Romania, Lithuania, Latvia, Estonia, Cyprus and Bulgaria agreed in Warsaw on common statement on the future of CAP after 2013. They want both pillars to be preserved. They also oppose the idea to base the level of payment on historical principle.

The economic crisis seriously hit European agricultural sector, especially diary farming. Farm milk prices began to fall in late 2008 until it brought the whole sector at the edge. Due to surplus production of milk and diary products and falling prices – Europe was a witness of several protests of farmers calling for action against volatility of prices and phasing out milk quotas as soon as possible.

CZECH REPUBLIC

According to Czech Statistical Office, within the EU, the Czech Republic is one of the countries with a greatest share of farmland and arable land on total area. Its share on total GDP is 2-3%.

As far as crop structure is concerned, cereals (mostly wheat and barley) claim a biggest part of it but recently, fodder plants (oilseed rape in particular) also started to be increasingly popular as a consequence of biofuel support scheme.

In breeding animals, volumes have been decreasing lately and are currently below the EU average. As for the structure, breeding cows for production of milk takes the greatest stake in the total, followed by pigs.

In aggregate, vegetable production takes greater share of overall agricultural production than animal husbandry. When compared in terms of volumes of production within the EU-27, Czech Republic lies below the average.

Due to its post-communist past when private farms were put under state ownership by force and small fields were replaced by large stretches, there is a majority of big farms with a enormous stretches of land in possession.

After the entry in the EU, Czech Republic, along with other Central and Eastern European countries adopted a simplified version of SAS support scheme within the Common Agricultural Policy (CAP), so called SAPS (Single Area Payment Scheme). Participation in the scheme was initially expected to expire in 2009 but the eventuality of opt-out had been repeatedly postponed (last time with the EU's Health Check) and currently is expected to disappear by 2013. As Czech government regards the SAPS administratively easier, it have not so far had any intention to give it up prematurely.

Within the SAPS scheme, Czech farms must obey cross-compliance principles. As the set of conditions was expected to be implemented in 2009, the Ministry for Agriculture had decided to introduce all the requirements gradually in two preceding years in order to make an introduction smooth both for farmers and supervisory authorities. GAEC (Good Agricultural and Environment Conditions) that are part of requirements under cross-compliance are compulsory for Czech farms since 2004.

Along with other new member states, Czech Republic is currently getting only a part of funding from the EU money and it "tops up" individual payments from the national sources. But while proportion of the support from the EU CAP budget has been rising increasingly since 2004, top up payments still does not make for the whole difference between EU funding and the level of support farmers would be eligible for (they could theoretically get the same support as their counterparts in old member states). Above all, problem is currently aggravated by economic crisis.

As far as milk crisis is concerned, like their European counterparts, Czech producers have complained to be forced selling their produce for price below production costs. Very often, complaints can be heard on behaviour of big retailer chains who are blamed for abusing their greater bargaining power. In a move to get around retailers and the whole supply chain, milk producers have started to market their produce directly. As a result, milk vending machines have been spreading lately around the country. Also, many farms got rid of their miking cows or reclassified them as cows for meet.

The rural development policy has been implemented through the Rural Development Programme 2007-2013. It's goals are in line with both national and EU policy documents on rural development. Also in line with EU rural development policy, programme is focused on following axes: improving competitiveness of the agricultural and forestry sectors and food industry (around 22% of the total programme funding), improving environment and countryside (around 55%), improving the quality of life in rural areas and encouraging diversification of the rural economy (almost 17%), and cooperation of rural actors within the Leader initiative (around 5%). Programme is administered by the State Agricultural Intervention Fund (SZIF).

As EU strengthens muscles for the debate on future CAP, Czech political parties are united in their call for fair and equal treatment of farmers from new and old Europe and lowering administration burden for farmers claiming the support. As far as further visions are concerned, position of the parties becomes less obvious, but CAP is generally criticised for being too expensive. During the Czech presidency (with center-right government), country was a strong supporter of moving support from direct payments towards rural development and promoting such issues as improving quality of agricultural production by strengthening (but at the same time simplifying) product labelling, geographical origin protection, etc.

HUNGARY

Hungary is one of the biggest supporters of the traditional Common Agriculture Policy (CAP) so it is continuously fighting against its reform. While at the national level, Hungarian parties are very much polarized, this is one of the few questions, where there is broad agreement about the main directions.

The former socialist cabinet led by the agricultural minister József Gárf repeatedly had to defend Hungarian farmers against the effects of the CAP-reform decided at EU level. Together with France, Hungary is a strong supporter of the classical direct payments, milk quotas and intervention mechanisms as the Hungarian agriculture would be much smaller or even disappear in the global competition if these protective measures did not exist anymore.

The most supported topic at the national level is the protection of Hungarian farmlands. The derogation on the ban on the sell of the Hungarian land will end in 2011, just at the beginning of the Hungarian EU presidency. However, as no progress about strengthening the bargaining positions of Hungarian farmers had been made in the past years, there is still a need to extend this derogation.

While the socialist government already handed in a request to the Commission, in the recent election campaign, Viktor Orbán, leader of the conservative party Fidesz-KDNP, told his voters that "foreigners will never buy arable land here, no matter what they decide in Brussels". Even if this line seems only to be a strong motive in the election campaign, there is no doubt, that the new conservative government will not hesitate to use its two third majority in the parliament to make strong steps in order to lobby for an extension of the ban on foreign land buys.

Unless it does it before Hungary takes over the EU's rotating presidency, it will possibly loose the confidence of other member states, as the presidency should play an unpartisan role.

Other topics also raise a broad coalition among Hungarian parties. Even far right Jobbik does agree with most of the efforts of both the old and the new government. Hungary fought for keeping milk quotas or at least having a very long lasting phasing out period.

Hungary also played an active role in the fight against the reduction of agricultural subsidies. Even if France and Germany were against, the final decision was a 10 per cent reduction (in comparison to the planned 13 per cent).

Also Hungarian MEPs work together on protecting competitiveness of Hungarian animal breeders in the recent regulation simplifying the CAP. S&D and EPP lawmakers have urged subsidies for introducing electronic identification systems as this is not default equipment in poorer agricultural member states.

While only 3 per cent of Hungarians work in the agriculture sector, the new conservative government wants to make agriculture a strategic sector. In its election program, Fidesz pledges to make one million jobs in the coming years and it sees agriculture as one of the key sectors for that program. In this regard it is likely that agricultural strategy will belong more to the ministry of economics and the new minister for agriculture, Sándor Fazekas –who has not much experience at this field- will presumably deal more with the policy elements of this sector.

POLAND

Agriculture is one of the sectors that profited the most from the Polish accession to the EU. About 15% of the country's labor force, what is equivalent to 2.2 million full-time workers, is employed in farming, thereby providing the biggest - 20% - share in EU27 employment in agricultural sector. Despite very high level of employment, the effectiveness of Polish rural workforce is very small, what is portrayed by the fact that agriculture contribution to the Polish GDP is just 3%.

According to recent data published by Eurostat - Polish farmers have experienced a significant rise in their real incomes during 2000-2009, which increased by 107%. EU27 average is just 5%, and the average of the new Member States (EU-12) is 61%. Last year the farmers' incomes decreased, mainly due to the plunge in prices of most animal products and almost all plant products. Such a lack of stability is what farmers fear most.

Most Polish farms (over 90%) are operated by the farm holders and their families. The share of own-farmed land is 75%. Agricultural land constitutes over the half of the total area of the state. Poland is the third largest producer of cereals in the EU-27 – leading the rye and oates production, with second best results in potato production. Poland possesses also the third largest share of EU-27 orchard area and it constitutes the largest apple tree orchard in the EU-27. Moreover, Poland is the fourth largest poultry producer (represents 11% of EU poultry meat production). Furthermore, it provides 6,6% of the milk produced in the EU. Although Polish farmers are very much concerned about environmental matters, according to the Eurobarometer survey, Poland is the sixth largest emitter of Greenhouse Gas emissions from agriculture in the EU (34 Mtonnes).

Poland, along with other 10 out of EU-12, applies SAPS (Single Area Payment Scheme), the simplified version of SAS support scheme. Similarly to all farmers receiving direct payments, Polish farmers are subject to compulsory cross-compliance (CC). However, CC comprises a great concern for farmers, as those failing to meet requirements could loose direct payments, even if their farms have been traditionally cultivated for generations. This poses a problem especially to states like Poland with a majority of traditional farms struggling economically and thus struggling to meet CC requirements.

Poland implemented the Rural Development Programme 2007-2013 (RDP) with total budget of 17bn euro. Poland's RDP is based on the multifunctionality of agriculture and rural areas. The aims of RDP in Poland are: strengthening of the economic competitiveness of agricultural holdings and of the agri-food sector, contributing to land management and environmental protection, and enhancing the quality of life and diversify the agricultural economy.

The planned refocusing of the EU budget architecture may significantly decrease the level of EU financial assistance provided to farmers, which will certainly not yield positive effects on Polish agriculture. Thus Poland might lose part of the 10bn euro of annual support it receives in the area that employs almost one-seventh of its work force and is still structurally underdeveloped. The change of structural funds infrastructure is to be accompanied by reduced individual subsidies for farmers that constitute the second biggest source of EU aid for Poland.

Marek Sawicki, the Polish Minister of Agriculture and Rural Development, has defined the Polish main priorities for the next CAP programming period – simplifying the system of agriculture funding system for all farmers in the EU, withdrawing historical principle when assessing the base level of payment (the system that contributes to unjust differentiation in support allocation to farmers). Poland also wants the current instruments of the CAP to be maintained. According to the Eurobarometer survey, 85% respondents in Poland support the standpoint of Minister Sawicki.

SLOVAKIA

Since 1989 Slovak agricultural sector has faced several challenges. The production reduced by 30 % because of low demand and high import between 1990 and 1997. Former agricultural cooperatives and state-owned companies were transformed into private business companies and co-partner cooperatives.

According to Eurostat Farm structure Survey in Slovakia 2007 – 92 % of utilized agricultural area in Slovakia was in farms of over 100 ha. Only 9 % of the agricultural area was farmed by its owners. It also recorded 69,000 agricultural holdings. Quarter of Slovak farms specialized in cereals, oil seed and protein crops.

Ministry of agriculture of Slovak Republic stresses that "the strategic objective of the agricultural and food policy for the years 2004 and 2013 is preserving agriculture in all production conditions within the scope justified by the ability to produce competitive products and by the need to ensure more effective use, protection, regeneration and permanent reproduction of natural sources, as well as by the need to preserve balanced environment, cultural, country and rural settlement".

Program of Rural Development for programming period 2007 – 2013 focuses on farm modernization, increasing economic value of forest, farming and maintaining endangered species of animals, continuing favorable condition of the forest inhabitants, diversification into non-agricultural activities, investment into leisure and hospitality facilities, encouragement of rural tourism and village revitalization and development of social infrastructure and services.

In new EU budget perspective for the years 2014 – 2020 Slovakia support preserving of direct payment as a base of first pillar of CAP, but insists on withdrawing of historical principle.

The economic crisis has a bad impact also on Slovak farm production – it lowered the contribution of agriculture on GDP and also volatility in cash-flow of the farms.