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Newsletter

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Accession of 10 new Member States — more than just 4 million farmers

Enlargement of the European Union to include 10 new Member States does more than add 4 million new farmers to the 7 million of the EU-15. The new countries bring product diversity, different farm structures and different needs and expectations of agricultural and rural development policy. This will alter the farming and the political landscape of Europe.

The European Commission (the Agriculture DG in particular) has studied the agricultural situation of the new Member States in detail in preparation for enlargement. Market outlook reports, statistical publications and specific studies of their rural economies have already told us much about their current situation and future prospects. These reports and studies can be found in many places — a good starting point is the Agriculture DG publications site at: http://europa.eu.int/comm/agriculture/publi/index_en.htm

It is impossible to give here more than an impression of what the arrival of the new Member States will mean but here are some facts:

- the EU's utilised agricultural area increases from 130 to 166 million hectares (representing an increase of roughly 30 %, while production in the EU expands by about 10 % to 20 % for most products. The gross value added of agriculture rises only by 6 % though);
- farmer numbers increase by about 57 % to roughly 11 million;
- the proportion of the working population engaged in agriculture and associated activities has been 4 % in the EU-15 and 13.4 % in the new countries;
- another impressive statistic indicating the difference between the EU-15 and the new members is the proportion of their income that people spend on food — 16 % in the former, 28 % in the latter.

These 'big' figures conceal many variations between Member States (in the EU-15, not just in the new countries). The disparity in size between the different new countries makes this inevitable.

Some things won't change that much — for instance the importance of dairy production. In the EU-15 dairy represents 14 % of production value; in the new countries it is 15 %. However, pig production, at 17 % of the total value of agricultural production in the new countries, is nearly twice as important as in the EU-15. The pig and dairy sectors are the biggest by far in the new Member States. All countries, even the smaller of the new Member States, have their particularly important sectors — for example: Poland dominates in rye and oats, the Czechs in hops (commensurate with their strong brewing industry) and Latvia has an important textile fibre sector.

The new Member States bring different farm structures. The 'dual farm structure' is a distinct feature of their agriculture. They have many small farms, often subsistence or part-time and at the other end of the scale there are a number of very large farms. In some of the new countries land fragmentation is a characteristic. The large farms often have very large fields while the small farms tend to have very small plots — often too small to use large machinery.

Downstream the food industry in the new countries (in eastern Europe) is recovering from the sharp drop in output in the early years of transition. Profitability remains low though, and many countries still face challenges, particularly in the primary processing sectors such as meat and dairy processing.

EU policies aim to encourage agricultural restructuring in the new Member States. The CAP — like the rest of EU law — applied to the newcomers from 1 May 2004, with the exception of a small number of transitional arrangements that were agreed in the course of the accession negotiations.

With regard to the CAP, direct payments for the new countries will be phased in over a period of 10 years and the countries have the option of using a simplified system for administering them — the single area payment scheme. These and other enlargement issues are outlined on the Agriculture DG website at: http://europa.eu.int/comm/agriculture/eu25/index_en.htm

Implementation of CAP reform

The 'first wave' of CAP reform was agreed in June 2003. This brought in far-reaching changes to support measures for several sectors. It allowed Member States flexibility in the way they implement reform. Commission regulations that set out the parameters for that flexibility, and which deal with other detailed questions, were agreed on 31 March 2004.

Member States now have the legal framework which will allow them formally to take the decisions (required by 1 August 2004) on how and when they will implement the reform. After Council regulations formally introducing the reform were adopted in September 2003, the Commission has been working with the Member States to agree on how the many complex implementation issues should be addressed.

These issues are now covered by three Commission regulations:

- Commission Regulation (EC) No 796/2004 of 21 April 2004 [1] contains provisions concerning: cross compliance (making direct payments dependent on farmers' fulfillment of public and animal health, environmental and animal welfare standards, and good agricultural practice); controls (extending the use of the integrated administrative control system — IACS); and modulation;
- Commission Regulation (EC) No 795/2004 of 21 April 2004 [2] implements the single payment scheme in all its details (use of national or regional model; transitional issues, set-aside provisions, etc.);
- the third regulation [3] covers areas of support which remain product specific (e.g. specific quality premium for durum wheat), or where Member States have the option to retain an element of coupled support (e.g. the beef and sheep premiums). One part of this regulation (regarding changes related to 2004) was agreed prior to Christmas 2003 — an outstanding task for the Commission is to complete the second part of the rules — regarding coupled aids for cereals, beef and sheep meat premiums and energy crops.

Importantly, with the introduction of these regulations, farmers will now have clear rules in the transition phase prior to implementation of the reform deal. There has been considerable uncertainty with regard to sales of land and related issues such as renewals of lease contracts.

Member States have begun to take the national and regional implementation decisions that will be crucial to the success of the reform, and which will help determine farmers' ability to adapt to the new policy circumstances. They must now complete this. Only then will farmers be able to look to the future with some certainty.

Agreement was reached on a 'second wave' of CAP reform (for the so-called Mediterranean products and hops) in Luxembourg on 22 April. For more information go to:

http://europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=IP/04/521|0|RAPID&lg=EN&display=

(1) OJ L 141, 30.4.2004, p. 18.
(2) OJ L 141, 30.4.2004, p. 1.
(3) Work ongoing, not published in the Official Journal at time of going to press.

News in brief

❑ EUR 618 million for rural development in Cyprus and the Czech Republic

Approval for rural development programmes to operate in Cyprus and the Czech Republic over the 2004–06 period is now in its final stage. This follows a favourable opinion on proposals submitted by the two countries, delivered by the STAR Committee (Committee on agricultural structures and rural development) on 11 May 2004. The general aim of both countries' programmes is to foster sustainable economic development of rural areas and to improve the prosperity of the countryside.

The Cypriot programme, covering areas under control of the Republic of Cyprus, involves an EU contribution of EUR 74.8 million, complemented by national public funding of EUR 69.08 million (and EUR 14.42 million in State aids, and a possible private sector contribution of EUR 33.91 million).

The EU will contribute EUR 542.8 million to the Czech programme, to be complemented by national public funding of EUR 135.7 million.

The Cypriot programme favours the introduction of new technology and brands and the modernisation of farms. Priority is given to quality products and to promotion of local specialities such as Halloumi cheese and Commandaria wine. There are measures to re-establish the traditional landscape in mountainous and least favoured areas. Given the small farm sizes, fostering links with handicraft and tourism activities is a priority.

In the Czech Republic particular concerns include: helping farmers in less favoured areas and areas with environmental restrictions, encouraging early retirement from farming, agri-environmental measures, especially those aimed at sustaining grassland, reducing the share of arable land in the total agricultural land area and assisting the forestry sector, in particular to increase the forested area.

Both rural development plans now need to pass through the habilitation procedure before they are published in the Official Journal. In the meantime, the Commission will work on finalising agreements on rural development plans of the other new Member States.

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