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Enlargement and agriculture: Commission tables amendments to take account of CAP reform

In September 2003 the Council adopted a fundamental reform of the Common Agricultural Policy (CAP). This reform package makes significant changes to the EU acquis on which the accession negotiations were based. In their current form the CAP reform texts take no account of the results of those negotiations or indeed of enlargement itself. Consequently, the Commission has proposed today to adapt both the Act of Accession and the CAP reform texts[1] to ensure that they can function in an enlarged EU. Today's proposals 1) adapt the CAP-related annexes of the Act of Accession so that the negotiation results fit with the new acquis. (this is necessary where references in the Act of Accession will become obsolete or where the negotiation results are not immediately compatible with the reformed CAP) and 2) modify the legal CAP reform texts so that they can be applied to the new Member States and so that they incorporate any negotiation results that would otherwise be lost. The first proposal requires adoption by the Council by unanimity, after an opinion from the European Parliament. The second requires adoption by the Council by qualified majority, without an opinion from the European Parliament. In both cases the acceding countries will be fully consulted, thanks to the rights afforded to them under the information and consultation procedure[2].

Franz Fischler, EU Commissioner for Agriculture, Rural Development and Fisheries commented: *"In Copenhagen the candidate countries obtained a fair deal which will benefit their farmers and rural communities. Today's proposal makes sure that the terms of accession are maintained and that the fundamental character and principles of the agreed package are not altered. Obviously, the acceding countries will be extensively consulted. However, this is not about reopening the negotiations. This is to ensure that the new Member States will be smoothly integrated into the reformed farm policy."*

The proposal to adapt the Act of Accession

In order to maintain the general approach taken on direct payments in Copenhagen, the proposal foresees that the **new direct payments** introduced by the CAP reform (for energy crops, nuts and dairy) would be subject to the same **phasing-in** schedule as all other direct payments (25%, 30%, 35% etc.).

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[1] The Commission's adaptation package comprises **two legislative proposals**: a Council Decision based on Article 23 of the Act of Accession that makes changes to that Act, and a Council Regulation based on Article 57 of the Act of Accession that makes changes to the CAP reform.

[2] The exact text of this information and consultation procedure can be found on the internet on page 60 of the following document: http://europa.eu.int/comm/enlargement/negotiations/treaty_of_accession_2003/pdf/4_final_act/aa00043_re03_en03.pdf

ith the CAP reform decision, in the EU-15 a de-coupled Single Payment Scheme (SPS) will be introduced from 2005 onwards. However, today's proposal maintains the option for the new member states to apply a hectare-based **Single Area Payment Scheme** (SAPS) and makes the technical adjustments necessary for it to apply in the form negotiated. The proposal foresees that new Member States applying the SAPS move directly from that to the new SPS, rather than backwards to the classical direct payment scheme.

The proposal also maintains the principle of **topping-up direct payments**. Topping-up would be possible under the classical scheme until the end of 2006, under the SAPS until the end of 2008, and under the new SPS from 2005 onwards**.**

For the **milk** sector the proposal includes additions and modifications to take account of the fact that the CAP reform replaces the regulation establishing a levy in the milk sector with a new regulation and amends the regulation on the common market organisation for milk and milk products.

For **rural development**, the CAP reform introduces a general '**meeting standards**' measure intended to help farmers adapt to the operating costs resulting from newly introduced EU standards. The proposal therefore deletes the separate 'Compliance with Community standards' measure created for the new Member States in the Act of Accession. Farmers from the new Member States will now be able to benefit from the same possibilities as the farmers from the EU-15 under the new compliance and investment measures .

The proposal to adapt the regulations of the CAP reform package

The new **Single Payment Scheme** (SPS) poses a problem for the new Member States as it is not possible to calculate payment entitlements for their farmers on the basis of the same historical reference period as used in the EU-15 (2000-2002). Consequently, the proposal foresees that the new member states apply the "regional implementation option" decided in the CAP reform for the EU-15. This means that uniform per-hectare entitlements would be granted within any one region from regional financial envelopes (the level of the per-hectare payment would be calculated by dividing the regional envelope by the regional utilised agricultural area, minus areas of permanent crops and forests). The regional envelopes themselves would be calculated by dividing the national envelope between regions. A national reserve, out of which additional entitlements could be granted for sector specific issues, would be set at 3% of the national ceiling, as for the current Member States. Additional resources could also be channelled to farmers in specific sectors such as organic farming.

On **cross compliance**, farmers in the new member states will become subject to the CAP reform rules from 2005 onwards. The proposal foresees two exceptions, however. First, the transition periods negotiated by some countries, for example that concerning implementation of the Habitat directive, will remain intact. Second, for those new member state choosing to apply the SAPS, the existing cross-compliance arrangements of the "old" CAP remain as a baseline, but the new CAP reform rules are not compulsory. They are instead optional under the SAPS from 2005 onwards.

As regards the mechanisms of **financial discipline** and **modulation** the Commission declared in the CAP reform political compromise of 26 June 2003 that these should not be applicable to the new member states until the phasing in of direct payments in those countries has reached the EU level. Today's proposal maintains that position.

Slovenia and Poland have obtained a transition period of one year for the allocation of individual milk quotas. The Commission proposes that for Slovenia, which is likely to opt for the 'classical' direct payments system, the **new coupled dairy payments** for 2004 be granted on the basis of the provisionally allocated quotas or on the basis of the milk delivered. For Poland, which has announced its intention to apply the SAPS, the dairy payments will automatically be included in the national SAPS envelope.

The CAP Reform proposals include a number of national or EU **ceilings**, **quotas** and **maximum guaranteed quantities**. The proposal therefore includes adjustments in some cases to take account of the candidate countries, for example an increase in the EU's maximum guaranteed area for protein crops of 200 000 ha.

The full text of today's two proposals can be found at:

http://europa.eu.int/comm/agriculture/capreform/enlarge/index_en.htm

More details about the CAP reform at:

http://europa.eu.int/comm/agriculture/capreform/index_en.htm

Background

On 13 December 2002, Heads of State and Government from the EU and ten candidate countries reached agreement at the Copenhagen Summit to enlarge the EU by ten new member states[3[1]] as from 1 May 2004. As regards agriculture, the Summit agreed an enhanced **rural development strategy** for the new member states which is specifically **adapted** to their requirements and which has more favourable conditions than those applied to the present EU member states. The amount available for the ten candidate countries is fixed at **€ 5.1 billion** for **2004-2006**. From Day 1 of accession, a wide range of rural development measures will be co-financed at a maximum rate of 80% by the EU. Furthermore, **direct payments** for the new member states will be **phased in** over **10 years**. The starting level for 2004 is set at **25%** of the full EU rate, rising to **30%** in **2005** and **35%** in **2006**. 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 **CAP support level** then applicable. These direct payments available from the EU can be topped up by **30%,** financed in part by the candidate countries' rural development funds and in part by national funds, i.e. **up to 55%** in **2004**, **60%** in **2005** and **65%** in **2006**. From 2007, the new member states may continue to top-up EU direct payments by **up to 30%** above the applicable phasing-in level in the relevant year, but financed entirely by national funds. An alternative method of topping up is for them to increase direct aid paid to a farmer under a CAP scheme up to the total level of direct support the farmer would have been entitled to prior to accession (2003) under a similar national scheme, increased by 10%. Special provisions for topping up exist for Cyprus and Slovenia.

The farmers from the new member states will have full and immediate access to Common Agricultural Policy (CAP) market measures, such as export refunds and cereal, skimmed milk powder or butter intervention, which will contribute to stabilising their incomes. Moreover, the new Member States can opt to apply the **Single Area Payment Scheme (SAPS)**, a simplified system of direct payments under which they can grant direct payments, during a limited transitional period, in the form of a decoupled area payment applied to the whole utilised agricultural area.

[3[1]] Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia