

PERSPECTIVE OF CHANGES IN THE COMMON AGRICULTURAL POLICY WITHIN DIRECT PAYMENTS FOR THE PERIOD 2014-2020

Agnieszka BIERNAT-JARKA ¹,

¹ Warsaw University of Life Sciences – SGGW, Warsaw, 166 Nowoursynowska, 02-787 Warsaw, Poland, Phone: +48 22 59 34071, Fax: +48 22 59 34077,
E-mail: biernat-jarka.agnieszka@wp.pl

Abstract

The aim of the paper is to determine consequences of changes in direct payments proposed by the European Commission for the period 2014-2020 for the Polish beneficiaries. The author analyzed proposals of Regulations of the European Parliament and the Council as well as opinions of experts showing influence of the proposed solutions on the Polish agriculture. Presented results have a preliminary character because there have been not published the final regulations so far, so we can determine influence on a range, kind and level of payments directed for the Polish beneficiaries only on the base of proposals. The analysis conducted by the author displays that decrease in direct payments for large farms in Poland will not contribute to a fundamental change in a level of their income whereas implementation of obligatory greening in farms with more than 3 ha will contribute to excluding for ecological purposes about 700 thousand hectares.

Key words : Common Agricultural Policy, Poland, direct payments, European Commission

INTRODUCTION

Direct payments contribute contemporary to the largest proportion of expenditures realized by the Common Agricultural Policy of the European Union. Implemented in 90ties in Member States of the European Union within the MacSharry's reform, they have been still used till nowadays. They were implemented as a compensation of decrease in income caused by decrease in guaranteed prices of the basic agricultural products [1]. A level of payments implemented at the beginning was calculated on the base of a crop, farming area, and number of animals in a reference period. This direction of changes was maintained within the Agenda 2000, when guaranteed prices was lowered again and direct payments partly not connected with production was raised (decoupling) [2].

A new approach to direct payments was accepted in Luxemburg in 2003. Although it did not change a level of support, it caused changes in a structure of support. A conclusion was that a new system of direct payments should support income of farmers and there was stressed a necessity of complete separation of payments from a production type [3]. However, Member States could

choose a model of direct payments as well as a partial connection of payments with production. There was an assumption that this rule can be used only in strictly defined cases and in a limited range [4].

In October 2011, the European Commission published new proposals of changes in direct payments for the period 2014-2020. It was stressed that a possibility of direct payments depends on fulfillment of ecological requirements. The attention was also focused on a necessity of further changes in order to make the system simpler and use of lower payments for large farms [5].

MATERIAL AND METHOD

The aim of the paper is to present and asses changes in direct payments proposed by the European Commission. In order to do it, the Author analyzed documents published by the European Commission, especially proposal of Regulations concerning changes in direct payments as well as their influences on a situation of the Polish beneficiaries. Changes proposed by the Commission will concern the next budget perspective for the period 2014-2020.

RESULTS AND DISCUSSIONS

In the period 2014-2020, the CAP will be still based on two pillars: the first one with direct payments and the second one concerning rural areas development. Financial resources within the first pillar are a base of farmers' support and on the other hand they stressed a necessity of sustainable farming for example through a connection of payments with ecological requirements. Actions in the first pillar have been still, with few exceptions, financed totally from the budget of the European Union.

The second pillar including a policy of rural areas development concerns increase in competitiveness of agriculture and also stresses providing of ecological public goods. Improvement of life quality as well as differentiation of agricultural activities is also important aspects. Financial resources in this pillar are spent within particular programmes prepared according to guidelines of the European Commission and co-financed on a national level.

The Commission proposed also that if there is a situation that direct payments in any country are lower than 90% of the European average level, this difference should decrease by one third.

In its proposal concerning direct payments, The Commission presented a definition of an active farmer who is entitled for payments. Direct payments will not be accessible for persons, whose the annual amount of direct payments is less than 5% of the total receipts they obtained from non-agricultural activities in the most recent fiscal year. When the total amount of direct payments is less than 100 euro or the eligible area of the holding is less than one hectare, a beneficiary has no rights for direct payments. In the new programming period there are also proposals of decrease in support for large farms according to the following rule [5]:

- by 20% for the tranche of more than 150 thousand euro and up to 200 thousand euro;
- by 40% for the tranche of more than 200 thousand euro and up to 250 thousand euro; by

-70% for the tranche of more than 250 thousand euro and up to 300 thousand euro;
-by 100% for the tranche of more than 300 thousand euro.

In Poland in 2010, only 802 entities out of 1 362 thousand of beneficiaries were granted with direct payments in the tranche more than 150 thousand euro [6]. They owned 980 thousand of hectares, which constituted 7% of an area under payments. Taking into account the proposal of the Commission concerning a way of lowering direct payments for large farms, so implementation of limits of payments with a possibility of deduction of labour costs, it can be concluded that a necessity of payments' reduction will take place only in a group of farms which were granted more than 300 thousand euro in 2010 [7]. In Poland there were 241 of such farms in 2010. An estimated amount of decrease in payments is about 30 million zlotys, so 2.2% of the amount which these farms were granted with in 2010. This situation will not cause a fundamental change in a level of income of this group of beneficiaries. The reform proposed by the Commission implements a new approach within the first pillar, so called greening, so an obligation of producers to fulfilling additional requirements apart from rules of cross-compliance. Within total direct payments, 30% of payment will depend on fulfilling requirements positively influencing on the environment and the climate. These activities include diversification of crops, maintaining of permanent grasslands and ecological focus areas. Ecological focus area should be maintained at least on 7% of their eligible area, besides areas under permanent grassland, is land left fallow, terraces, buffer strips and afforested areas. Farms will be obliged to deliver environmental and climate benefits through the retention of soil carbon and grassland habitats associated with permanent pasture, the delivery of water and habitat protection and improvement of the resilience of soil and ecosystems through crop diversification. Farmers shall maintain as permanent grassland the areas of their holdings declared for the claim year 2014 and they will be allowed to convert a maximum of

5% of their reference areas under permanent grassland [5]. Organic farming will automatically benefit from these payments, but what is important farmers in Natura 2000 areas will have to comply with the relevant requirements in the Natura 2000 legislation. The requirement of agricultural practices beneficial for the climate and the environment will be an obligation on farms covering more than 3 hectares. In Poland in 2010, direct payments were granted for the areas of 13 162 thousand of hectares (farms exceeding 3 hectares). After excluding permanent grasslands, so about 2 800 thousand hectares, about 700 thousand hectares should be used as ecological focus areas. However, it should be stressed that many areas in Poland (about 280 thousand) are left fallow in good agricultural conditions, so maintained on a level qualifying for payments. As a result, these areas will be firstly declared as ecological focus areas [6]. It means that finally 3-4% of area under payments will be excluded for ecological purposes [8].

A next solution proposed by the Commission is a possibility of use a voluntary payment in Member States, up to 5% of an annual national ceiling, for farmers operating under certain difficulties determined by Member States. The aim of this action is to support income and simultaneous maintenance of agriculture on areas of disadvantageous conditions for farming.

The European Commission determined also a possibility of additional support for young farmers entitled for direct payments. According to the Commission young farmers means natural persons who are setting up for the first time an agricultural holding as head of the holding, or who have already set up such a holding during the five years preceding the first submission of an application to the basic payment scheme. Age, lower than 40 years, is an additional requirement. The additional payments can be granted for a period of five years. Percentage of the annual national ceiling for this support cannot be higher than 2% in Member States [5]. However, the Commission proposes that in Member States where the average size of

agricultural holdings is lower than 25 hectares, a payment should be maximum multiplied by 25. In Member States where the average size of agricultural holdings is higher than 25 hectares, a maximum multiplication should be no less than 25. It means that there will be a very wide range of differentiation of support granted for young farmers in particular Member States.

An important element of the Commission's proposal was also connected with support coupled to production. Since many years there have been discussions on simplifications of payments and attention has been focused on decoupling of payments from production. On the other hand, in some particular conditions such coupled support has been still present and has been still proposing by the Commission. The European Commissions pointed out sectors where such coupled support can take place; they groups both plant production as well as animal production. There were proposed for example the following sectors: cereals, oilseeds, protein crops, milk and milk products, beef and veal, and sugar beet. In such situation there occurs a question – under what circumstances such support can be granted? According to the Commission such support can be used where specific agricultural sectors undergo certain difficulties and are particularly important for economic, social, and environmental reasons in particular Member State. Coupled support is in a form of an annual payment and is granted to the extent guarantying maintenance of present production levels on fixed areas [5]. Any coupled support granted in that form shall be consistent with other Union measures and policies. In this case, a Member State can use 5% of an annual national ceiling, in special cases up to 10% of the annual national ceiling. The Commission determines also a procedure of its notification on probable support taking into account regions, agricultural types or sectors as well as the level of support to be granted. The Commission adopts also a possibility of support by means of implementing acts when in the region there is demonstrated the necessity to sustain a certain level of specific production due to prevent social or environmental problems or

there exists a necessity to provide stable supply to the local processing industry.

A small farmers scheme is a possibility proposed by the Commission in order to simplify the system of direct payments. Farmers wishing to participate in the small farmers scheme shall submit an application by 15 October 2014. Member States will be able to set the amount of the annual payment for the small farmers on a level not exceeding 15% of the national average payment per beneficiary or an amount corresponding to the national average payment per hectare multiplied by a number of hectares (maximum of three) [5]. This amount shall not be lower than 500 euro and not be higher than 1 000 euro – in other cases it is rounded up or down, respectively, to the minimum or maximum amount. By way of derogation this amount in Cyprus and Malta may be set at a value lower than 500 euro, but not less than 200 euro. The small farmers scheme will contribute to administrative simplification in the situation of granting support for selected farms. What is also important for these producers – they will not have to fulfill requirements connected with ecological focus area. In Poland, there are about 570 thousand such farms with an area lower than 3 hectares. A list of support schemes proposed by the Commission was presented in the table 1.

Table 1. List of support schemes

Sector	Notes
Basic payments	Decoupled payment
Payment for farmers following agricultural practices beneficial for the climate and the environment	Decoupled payment
Payment for farmers in areas with specific natural constraints	Decoupled payment
Payment for young farmers	Decoupled payment
Voluntary coupled support	
Payment for small farmers	Decoupled payment

Source: [5]

CONCLUSIONS

An assessment of proposals of changes in a scheme of direct payments leads to the conclusion that differentiation of support levels in Member States has been still the most important problem. Nowadays, payments are very different, from lower than 100 euro per hectare in Lithuania to more than 400 euro in the Netherlands. The Commission's proposal assumes gradual decrease in these differences. Farmers who now are granted less than 90% of the European average (now 271 euro) will be granted by one third more of the difference between contemporary support and 90% of the European average. Such approach concerns mainly the Baltic States, Romania, Portugal, and Slovakia. These, who are granted by the highest level, will be affected by decrease in the level of payment – but not more than 10% comparing with the present level. Decrease in differences in the level of payments will take place gradually to 2018, but the final equalization is planned only in the next budget perspective after 2020. The Polish beneficiaries also receive less than 90% of the European average so they can expect gradual increase in the level of payments. According to some estimation, farmers should receive about 230 euro per hectare. The proposed decrease in payments for large farms will not result in a significant change in a level of their income. Implementation of obligatory greening in farms with more than 3 hectares will contribute to excluding about 700 thousand hectares for ecological purposes.

REFERENCES

- [1] Council of the European Communities, Council Regulation (EEC) No. 1765/92 of 30 June 1992 establishing a support system for producers of certain arable crops. Official Journal of the European Communities, L181, p. 12
- [2] Beard N., Swinbank A., Decoupled payments to facilitate CAP reform, Food Policy, 26 (2001): p. 121-145

- [3]The future of CAP direct payments [w:] Agricultural Policy Perspectives Briefs, Brief n 2, January 2011, European Commission p. 2
- [4] Biernat-Jarka A., Ocena systemu płatności bezpośrednich na przykładzie Wielkiej Brytanii, Roczniki Naukowe Stowarzyszenia Ekonomistów Rolnictwa i Agrobiznesu , 2010 T. 12, z. 2, p. 24-28
- [5] Proposal for a Regulation of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy, European Commission, Brussels, 12.10.2011, http://ec.europa.eu/governance/impact/ia_carried_out/docs/ia_2011/com_2011_0625_en.pdf (10.03.2012)
- [6] Poczta W., Możliwe skutki propozycji pakietu legislacyjnego Komisji Europejskiej w sprawie przyszłości WPR po 2013 roku dla polskiego rolnictwa, maszynopis powielany, p.2-13
- [7] Goraj L., Mańko S., 2011: Analiza sytuacji finansowej z wykorzystaniem pełnych kosztów działalności gospodarstw rolnych. IERiGŻ-PIB, Warszawa, p. 1-15
- [8] Raport z wyników – Powszechny Spis Rolny, 2011, Warszawa, GUS, p. 21-30

