

Brussels, 20 December 2002

FACT SHEET - Enlargement and agriculture: A fair and tailor-made package which benefits farmers in accession countries

On 13 December 2002, Heads of State and Government from the EU and ten candidate countries reached agreement on a formula for enlarging the EU to encompass ten new member states as from 2004. Following the decision of the Copenhagen Summit, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia will join the EU on 1 May 2004. Regarding agriculture the following was agreed: The new member states will receive a rural development package which is specifically adapted to their requirements and 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. Direct aids for the new member states will be phased in over 10 years. They will thus receive 25% of the full EU rate in 2004, rising to 30% in 2005 and 35% in 2006. This level can be topped up by 30% up to 55% in 2004, 60% in 2005 and 65% in 2006. Until 2006 the top-up payments can be co-financed up to 40% of the EU-level from the new Member States' rural development funds. However the share of EU rural development funds used for the top-up cannot exceed 20% (or 25% in 2004, 20% in 2005 and 15% in 2006). From 2007, the new member states may continue 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. 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. For details of the deal, see annex.

Franz Fischler, EU Commissioner for Agriculture, Rural Development and Fisheries commented: "With this result, the leaders of the candidate countries can return home with their heads held high. They have achieved a farm package which is perfectly saleable to their farm community. The deal is fair, far-sighted and tailor-made for the needs of the farm sectors of the ten new member states. EU membership will make the farm sector of each new member state better off. Producers and processors will have access to a huge, enlarged internal market of 500 million consumers. Farmers will receive higher prices for their produce and income stability from the CAP. Furthermore farmers and the rural sector will benefit from increased rural development support which will help them to restructure and modernise."

The Copenhagen decisions in detail

How much CAP money will the new members receive?

The Summit agreement fully respects the financial framework for enlargement, as decided by the Heads of State and Government in Berlin. (For details see annex).

Agriculture expenditure ("commitments¹") foreseen for ten new members:

Mio €,1999 prices			
	2004	2005	2006
Total direct payments	p.m.	1211	1464
Market expenditure	327	822	858
Rural development	1570	1715	1825
T O T A L	1897	3748	4147

An enhanced rural development policy to incite change

In order to tackle structural problems in the rural areas of the new member states, the Summit enhances rural development strategy, broadens it in scope and – in comparison to the funds available for the existing EU countries – beefs it up in financial terms. From Day 1 upon accession, a wide range of rural development measures will be co-financed at a maximum rate of 80% by the EU (see below and Annex I Budgetary cost of CAP measures). For 2004-2006 € 5,1 billion are foreseen. The Summit agreement also states that spending on the Structural Funds in the new member states over the period 2004-06 is to be fixed at a rate of €21.9 billion for the three years (for details see annex). The special rural development instrument foreseen for the period 2004-2006 will facilitate the uptake of the rural development allocations.

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
- special aid to meet EU standards

Additional rural development measures² will be financed from the Structural Funds (EAGGF Guidance sector).

¹ For 2004, no direct payments have to be foreseen in the EU-budget. They will be paid out by the member states in 2004, but will only be reimbursed from the EU budget in 2005

² Investment in agricultural holdings, aid for young farmers, training, other forestry measures, improvement of processing and marketing, adaptation and development of rural areas

A special measure to make semi-subsistence farms viable

In the candidate countries many "semi-subsistence farms" exist, which produce for own consumption, but market part of their production. To help to turn them into commercially viable units and to contribute additional income support while the farm is upgrading, a specific measure of maximum €1000 a year per semi-subsistence farm is offered.

A gradual increase of direct payments

Given that immediate introduction of 100% direct payments would serve to freeze existing structures and to hamper modernisation, the EU leaders agreed on gradual introduction of direct payments over a transition period of ten years. The starting level for 2004 is set at a rate equivalent to 25% of the present EU-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 CAP support level then applicable. This money can be topped up with rural development money or national funds (see below).

Phasing-in of direct payments, Budgetary outlay, (Mio. €, 1999 prices)

	<i>Percentage</i>	<i>Amount of Money</i>
2004	25%	1211
2005	30%	1464
2006	35%	1743
2007	40%	
2008	50%	
2009	60%	
2010	70%	
2011	80%	
2012	90%	
2013	100%	

The possibility to top up direct payments

The new member states are offered two options to complement direct aid paid to a farmer under any CAP scheme - subject to authorisation by the Commission:

1. By 30%, financed by the candidate countries rural development funds and national funds 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 in this case the financing will be entirely from national funds,

or

2. Up to the total level of direct support the farmer would have been entitled to receive, on a product by product basis, in the candidate country prior to accession (2003) under a like national scheme increased by 10% and with special provisions for Cyprus and Slovenia.

However, the total direct support the farmer could be granted after accession under the relevant EU scheme including all complementary national direct payments should in no case exceed the level of direct support he would be entitled to receive under that scheme in the existing EU.

Simplified implementation of direct payments

Under the simplified system, the new Member States will have the option to grant direct payments during a limited period in the form of a de-coupled area payment applied to the whole utilised 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 that have been maintained in good agricultural condition are eligible for the payment. The approach is optional and transitional. The simplified scheme is available for three years, renewable twice by one year. Controls of payments will be effected by a simple physical control of land, through the Integrated Administration and Control System (IACS). At the end of the transitional period, the Commission will assess the preparedness of any new Member State to fully apply the standard direct payment scheme before the end of the application of the simplified scheme. At the end of the five year period should a new Member State not be ready administratively to apply the normal EU system the percentage rate for the phasing-in of direct payments will be frozen and the simplified scheme will continue until the problems are solved

Production quotas based on recent reference periods

The Council agreed on production quotas on the basis of the most recent historical reference periods for which data are available. In addition, specific problems, such as the Russian crisis or particular climatic conditions have been taken into account. For milk quotas the future switch from on farm consumption to milk production for the market has also been taken into account. For this, a restructuring reserve for 2006 according to the size of on-farm consumption has been established. Release of the reserve for the quota year 2006/2007 is to be decided by the Commission (see annex "fixed quotas").

More information about enlargement and agriculture is available on the Internet at: http://europa.eu.int/comm/agriculture/index_en.htm

Annex

1. Direct payments by candidate country
2. Market measures by candidate country
3. Rural development commitments by candidate country
4. Milk quotas by candidate country

**1. Estimated expenditure, total direct payments by candidate country
2004 – 2006 (€m, 1999 prices)**

	<i>Czech Rep</i>	<i>Estonia</i>	<i>Hungary</i>	<i>Latvia</i>	<i>Lithuania</i>	<i>Poland</i>	<i>Slovakia</i>	<i>Slovenia</i>	<i>Cyprus</i>	<i>Malta</i>	<i>Total</i>
2005	169	17	265	25	68	557	73	27	9	0.1	1,211
2006	204	22	316	31	84	675	88	33	11	0.3	1,464

**2. Estimated expenditure, with indicative allocations, per new Member State for
market support, Heading 1a accession 1 May 2005
(€m, 1999 prices)**

	<i>Czech Rep</i>	<i>Estonia</i>	<i>Hungary</i>	<i>Latvia</i>	<i>Lithuania</i>	<i>Poland</i>	<i>Slovakia</i>	<i>Slovenia</i>	<i>Cyprus</i>	<i>Malta</i>	<i>Total</i>
2004	45.0	13.6	63.6	8.9	23.2	135.2	16.9	14.9	4.9	0.7	327
2005	109.0	33.4	151.9	21.6	56.1	349.8	48.1	38.3	11.8	1.71	822
2006	111.0	34.4	152.0	23.6	59.2	376.5	49.2	38.8	11.5	1.7	858

**3. Rural development commitments by candidate country
(€m, 1999 prices)**

	<i>Czech Rep</i>	<i>Estonia</i>	<i>Hungary</i>	<i>Latvia</i>	<i>Lithuania</i>	<i>Poland</i>	<i>Slovakia</i>	<i>Slovenia</i>	<i>Cyprus</i>	<i>Malta</i>	<i>Total</i>
2004	147.9	41.0	164.2	89.4	133.4	781.2	108.2	76.7	20.3	7.3	1,570
2005	161.6	44.8	179.4	97.7	145.7	853.6	118.3	83.9	22.2	8.0	1,715
2006	172.0	47.7	190.8	103.9	155.1	908.2	125.8	89.2	23.9	8.5	1,825

4. Fixed milk quotas per new Member State for 2004-2006 (tonnes)

	Quota 2004	% Reserve of total production in 2000/1998	Reserve absolute (additional quota in 2004 for CY and MT)
CY	145,200 t	0%	(6000) t in 2004
CZ	2,682,143 t	2%	55,787 t
EE	624,483 t	3%	21,885 t
HU	1,947,280 t	2%	42,780 t
LV	695,395 t	3.5%	33,253 t
LT	1,646,939 t	3%	57,900 t
MT	48,698 t	-	(3,000 t) in 2004
PL	8,964,017 t	3.5%	416,126 t
SK	1,013,316 t	2.5%	27,472 t
SI	560,424	2.5%	16,214 t
Total	18,327,897 t		671,417 t (680,417t with CY, MT)