

Results from Working Group 2

1. How can the existing Support Schemes be adjusted to the EU-System (“Freedom to Farm”)

2. Which innovative policy measures can help to overcome the negative effects of the world economic crises on investment and food production in SEE countries?

1. How can the existing support Schemes be adjusted to the EU-System (“freedom to farm”)

Regarding 1st Pillar Instruments

Findings and conclusions -1-

- **As a clear result already from yesterday morning presentations there is urgent need to start with a step-by-step adaptation of the market instruments (1st Pillar) applied so far in SEE countries.**
- **Positive experiences from former enlargement processes indicate the necessity and the viability.**
- **If this process does not start soon, it may endanger the whole accession process or put severely in risk the farming sector in case of exposure to open and free markets.**
- **There is a controversial discussion about the degree of progressive trade liberalization in SEE with regard to agricultural and food products.**
- **In any case, there is need for an open negotiation and the necessary political decisions about agreements on regional level - SEE**

Findings and Conclusions - 2 -

- **There is a huge difference between the dimensions of budgetary support to agriculture and rural development at EU or at SEE level**
- **The necessary shift from coupled to decoupled support measures is underlined by the following arguments:**
 - **the low level of support to Agriculture (see differences e.g. between Croatia and BiH) is no argument in favor of product-related payments**
 - **it may be even better to start with direct payments from a low level because of more efficient use of scarce resources**
 - **farmers fear change, but as change is needed, trust building and reliability are essential.**
 - **decoupling is a dialogue process between experts, politicians, farmers, processing and input industries as well as traders which has to start as early as possible**

Findings and Conclusions - 3 -

- **Nevertheless it has to be taken into consideration that**
 - also within EU there is a strong resistance to a significant shift from Market to RD measures**
 - EU is acting under surplus conditions and not as e.g. a huge food importer (objective: reduce foreign trade deficit)**
 - Governments of SEE countries are made responsible more intensively for the protection of their own farming sector**
 - In many places the control base for direct payments is not given (land registration, cataster, land measurements etc.)- monitoring and evaluation system is not in place.**
- **There is high need for a transparent and credible mid-term strategy regarding the national support schemes**

Regarding 2nd Pillar Instruments

Findings and Conclusions

- **The division into 1st and 2nd pillar is a result from CAP history**
- **Today, both pillars and their respective instruments have to be seen as a complementary tool box which allows for more options.**
- **On this background, the first thing is not a technical discussion on which type of measures to apply, but a National Strategy that creates credibility („from now to membership ...“)**
- **Only then the assessment of the most appropriate measures makes sense.**

Findings and Conclusions

- **There is doubt whether the existing strategic documents receive the necessary political support**
- **Looking at the amount of resources applied, the question is why the preparatory instrument for RD (IPARD) receives special attention if compared with the instruments that are part of the 1st Pillar.**

2.

Which innovative policy measures can help to overcome the negative effects of the world economic crises on investment and food production in SEE countries?

Statements and ideas

If the answer would be easy ...

- **The Group identified 3 central problems resulting from the crises that need special attention – additional to all other existing measures to increase competitiveness, modernisation and diversification:**
 - Not a problem of lending institutions liquidity but difficult access to capital, e.g. investment credits**
 - Uncertainty about future developments (see baseline / perspectives presented yesterday morning)**
 - How to increase a shrinking demand**

1. Proposals to improve availability, access and conditions of credits under SEE conditions:

- **Support for the process of updating and reconciling the land book and the land registry**
- **Provide targeted stimulus for Farm diversification (income alternatives)**
- **Support farm investments (e.g. machinery, equipments, etc.)**
- **Create Public Guarantee Funds for farm investment credits**
- **Support the establishment of farmer groups („clustering“) – e.g. marketing, input supply, etc.**
- **... ?**

2. Proposals to reduce uncertainties:

- **Find answers to the question which mechanisms will replace the „outdated“ intervention instruments like guarantee prices, quota, etc.**
- **For example the US approach with lump-sum prices/payments?**
- **Re-establish stocks beyond the strategic stocks like wheat or corn (on the base of actually favorable market prices, which may induce a price increase)**
- **Look for other market regulation measures that do not conflict with EU strategies**
- **... ?**

3. How to increase demand?

- **Food subsidizing as part of poverty alleviation or prevention (e.g. Montenegrin example of buying lambs in peak season)**
- **Consider without ideology the option food – energy**
- **Look for job creation measures, e.g. using surplus wood from state forests for energy or biofuel purposes (Biomass)**
- **... ?**

4. Open questions

- **When discussing possible measures, the group often slipped into discussing proposals within the EU - which not necessarily or not at all are applicable in SEE countries**
- **Therefor:**
What is meant by „Safety Nets“:
 - **Income maintenance by which measures?**
 - **market loss insurance?**
 - **lump-sum payments?**
 - **?**
- **Looking at the severeness of the actual situation what are the Commission proposals for SEE countries ...?**