



Accession to European Union in the Field of Agricultural and Rural Policies

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D. Integration processes and tasks

**Issues, lessons and
strategies for Western
Balkan agriculture**



Motivation

- **EU acceding country has to change in agriculture (will or not, sooner or later, ASAP is better) significantly its legal system, institutions, policy, values and concepts.**
- **Radical reforms, strategic planning and analytical support are necessary:**
 - not to underestimate the significance and burdens of the Accession negotiations chapter agriculture
 - accession is necessary way how to modernize the state and society...
 - high costs and efforts necessary...
- **What is the accession process and tasks in agriculture in details?**
- **Could we learn something from previous enlargement?**

Modul content



- a. Accession negotiations process
- b. Accession process – the Slovene case of last enlargement
- c. Western Balkans EU integration process



a. Accession integration and negotiations process



Time Table of Accession

(formal procedure and experiences
from CEEC and Mediterranean EU Enlargement)

Year 0: *Stabilisation and Association agreement with EU*

Year 1-2 : *Application, questionnaire, avis (EC opinion)*

Year 3-5: *Start of negotiations: “screenings”, NP*

- screenings: analytical comparison of acquis (differences, step of adjustments, negotiation positions NP)
- formal negotiation positions; implementation obligations, requests on derogation's and transitional periods

Year 6: *Finale finance package process*

- EU financial position
- political bargaining on enlargement
- technical meetings on quotas, rural develop., additional payments

Year 7-8; *Accession preparation*

... time table is provisional, extensions are realistic ...

Accession Tasks – Agriculture; Adjustment to the CAP!



1. Legal harmonisations

- 4 main systems of CAP Regulations (direct payments, market interventions, rural development, financial rules)!
- Member state be able to implement CAP after accession

2. Implementation capacity upgrading

- execution of EU rules, new institutions and mentality
- around 600 civil servants necessary for small countries!
- very costly but the key condition...
- upgrading of agricultural policy (economics) analysis infrastructure

3. Policy reforms and economic adjustments

- policy adjustments and modernisations
- increase of competitiveness, farm restructuring, land reforms

4. Accession negotiations

- sum-up of above issues and derogations from acquis
- financial package negotiations

Process of negotiations - Actors



EU

- EU-Institutions
 - European Council
 - Council (Spec. working group, Presidency)
 - Commission (DG Agri, DG Enlarg)
 - EP
- Member states
 - ministries (Agri, Fin, ForAff)
 - /
 - NGO (agricultural interest groups)

Candidate countries

- Govern. co-ordination bodies (negotiations teams)
- ministries (Agri, Fin, ForAff)
- parties (parliament)
- NGO (agricultural interest groups)



Multi-level process

■ EU: CC

- Formal level: accession conferences
 - ministers, deputies
 - paper work, formal level, confirmation of previous work, negotiation positions, additional clarifications, (draft) common positions CP
- Technical level
 - DG Agri : agric. ministries (decisive, exchange)
- Political-diplomatic level
 - hidden, important for some technical issues in last stages

■ EU internal

- Council working groups
 - CP discussion, few changes of Commission proposal
 - trying to bring own priorities
- EU Council
 - strategically discussion, new contents?
- Member states internal (agriculture?)

■ CC internal

- ministries
 - responsibility clash, decision quality and tempo?
- GO : NGO
 - fears and threats, emotional discussion



b. Accession proces – the Slovenian case of last enlargement



Slovenia

Objectives of accession in agriculture

- **Adoption of the CAP with all rights and responsibilities (equal treatment).**
- **No worsening of the economic position of the farmers.**
- **Due to accession the support for development of agriculture.**
- **Modernisation of the policies and state administration.**
- **Agriculture one of the priorities in the EU integration process.**



Slovenia

Steps of adjustment

■ Comparable legal system

- adoption of the Agricultural Act (CMO, Rural Develop.)
- adoption of several systemic laws for "food safety"

■ Reform of agricultural policy

- introduction of comparable market organisations
- introduction of direct payment
- attention to the rural development policy
- increasing of budget (100% between 1997 and 2003)
- pre-accession aid SAPARD

■ Harmonised institutions

- Agency for agricultural markets and rural development
- Competent authorities for veterinary and phytosanitary issues



Negotiations

Derogation from acquis

Initially, Slovenia had about 15 requests for derogations.

- Most issues became irrelevant because of amendments to the acquis, additional clarifications and a better understanding of the acquis.
- Certain issues were addressed at the technical level – agreement was reached after accession following an appropriate procedure.

At the end only few exceptions allowed, only technical, local and non-discriminations issues

Transitional periods

- farms with laying-hens
- marketing of planting materials
- individual rights for milk, suckler cows, sheep

Permanent derogations

- wine Cviček PTP

Solutions in accordance with acquis

- prohibition of other species than kranjska čebela (domestic bee-species)
- obligatory distillation of wine by-products
- wine designation
- pesticide residuals

Stronger regulation in Slovenia allowed

- Slovenia is free of same harmful animal and plant disease

“Special issue”

- wine zoning (two zones with special treatments in one border region)



Negotiation Financial framework

■ Negotiations on agriculture:

- level of production quotas and reference quantities
- amount and payment method for direct payments
- amount of funds allocated to rural development (EAGGF - Guarantee Section measures)



Quotes and Reference Quantities

■ **Permissible production (milk, sugar) or financial limitations (arable crops, beef, sheep).**

■ **Commission**

- is responsible; horizontal rules for CC - based on statistic.
- The initial EU position was very unfavourable, below the level of the current production (statistical data from the more distant reference period 1995-1999 were taken into account, calculations were simplified, errors were made, etc.).

■ **Accession countries**

- Large expectations and pressures at home.
- Commission proposals could be changed according to the technical expertise - deep technical work.
- Slovenia managed to have higher quotas than existing production: success.

■ **Existing negotiations with Western Balkan**

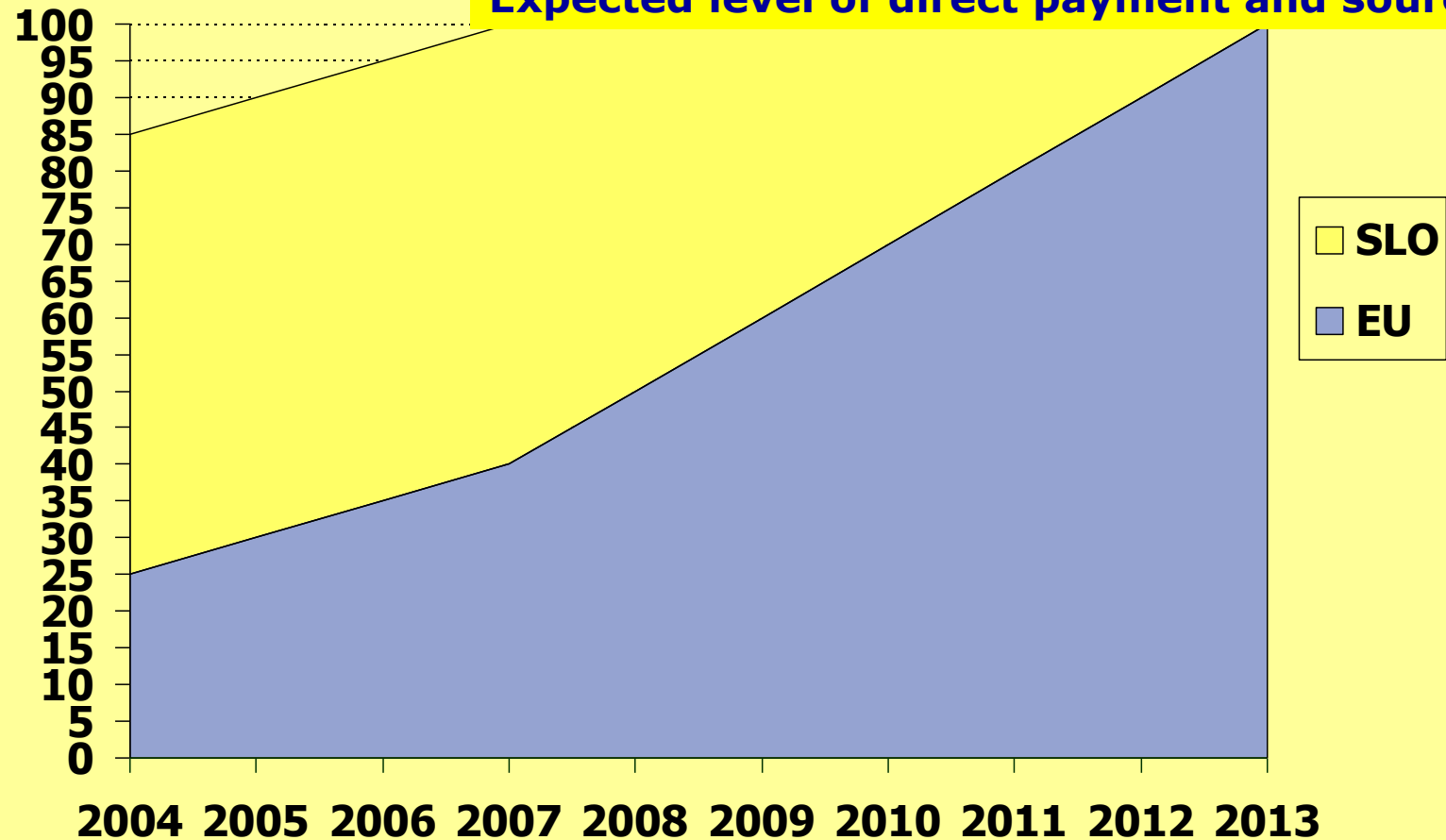
- No negotiation in this field, but important for calculation of national envelope for direct payments



Negotiations

Direct payments

Expected level of direct payment and sources



The same procedure for WB countries



Negotiations

Rural Development

■ Initial EU offer:

- 2.1% (of 95%) of all resources for the measures of EAGGF - Guarantee Section (allocation on the basis of statistical criteria), i.e., approximately EUR 100 million for the period of three years.

■ AGREEMENT:

- Slovenia has obtained an additional EUR 150 mio from so-called reserve (unallocated reserve in the amount of 5% of all funds).
- In total, EUR 249.8 mio from the EU Budget have been allocated to Slovenia for the 2004-2006 period.
- Candidate countries had the possibility to submit the Rural Development Plan 2004-2006 for approval by the Commission as of 1 January 2004.
- In negotiations, Slovenia managed to obtain 4.1% of funds for agriculture and almost 8% of all funds for rural development (guarantee section).

■ Lessons for WB

- Here the funds are available!



Financial Package

Expected payments for agriculture (mio. euro)

	2001	2004		2005		2006	
	SLO	Total	EU	Total	EU	Total	EU
direct payments	37	75	0	84	26	90	32
market measures	37	15	15	38	38	39	39
rural development	24	62	29	92	59	120	87
total	98	151	43	215	124	248	157

- At the end: agriculture decided about the financial position of country to the EU.
- Rural development program improved the financial position. (249 mio. euro for 2004-2006)
- Necessary reconstruction of budget.

WB:

planning of the budget is requested!



Case Slovenia:

Accession is strategic work

■ 5 years of adjustments and negotiations

- paperwork: negotiations positions and 13 additional clarifications, 5 EU common positions, 500 pages of governmental positions
- meetings: 60 formal technical, more than 100 other diplomatic work
- human resources: 150 people, 30 on daily basis

■ Levels of negotiations:

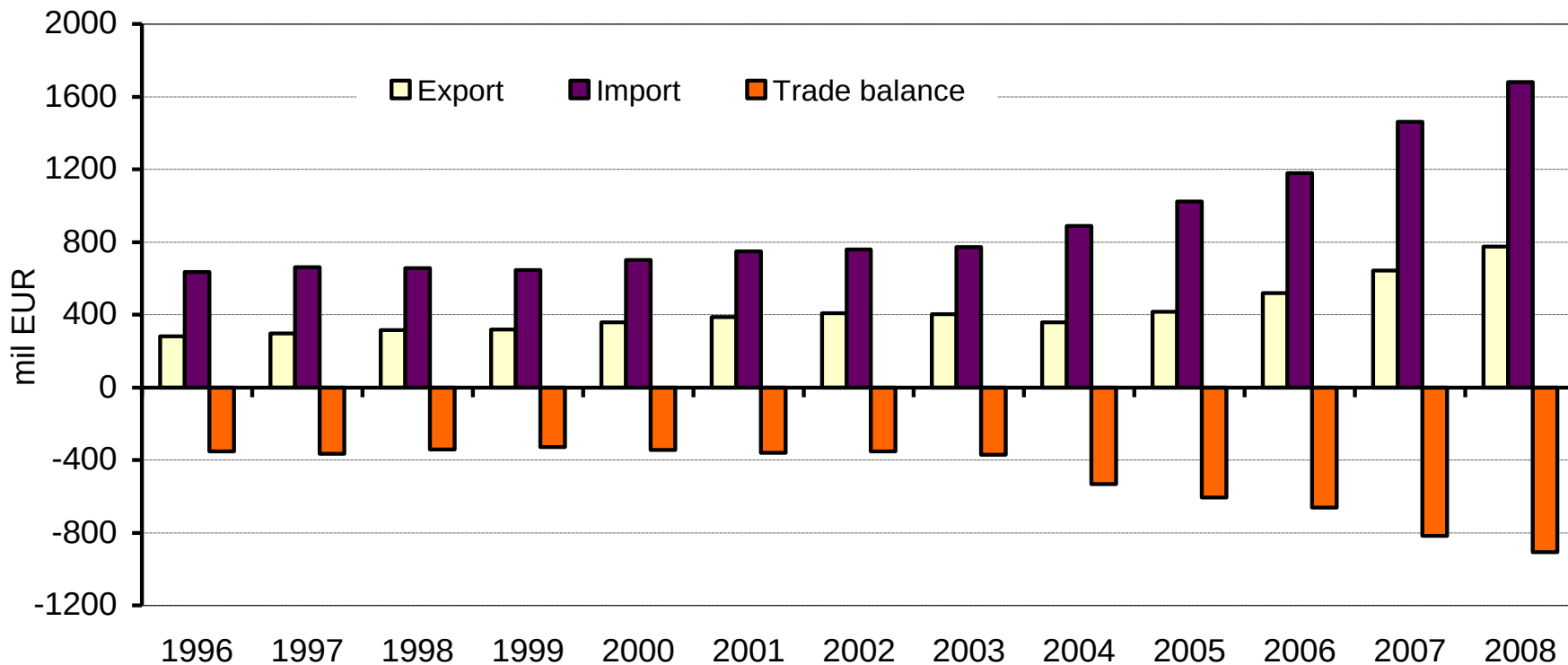
- technical-strategically (analysis, concepts)
 - expert assistance outside the government, good analytical work and statistics
- administrative-technical (proposals, legal base)
 - new young and educated elite
- diplomatic (information's, positions, net-working)
 - how to get and to sell information's
- political (decision, support)

Slovenian accession effects

Trade is growing



Trade of Slovenian agricultural products (mil. €)



Source: SORS, processed by AIS

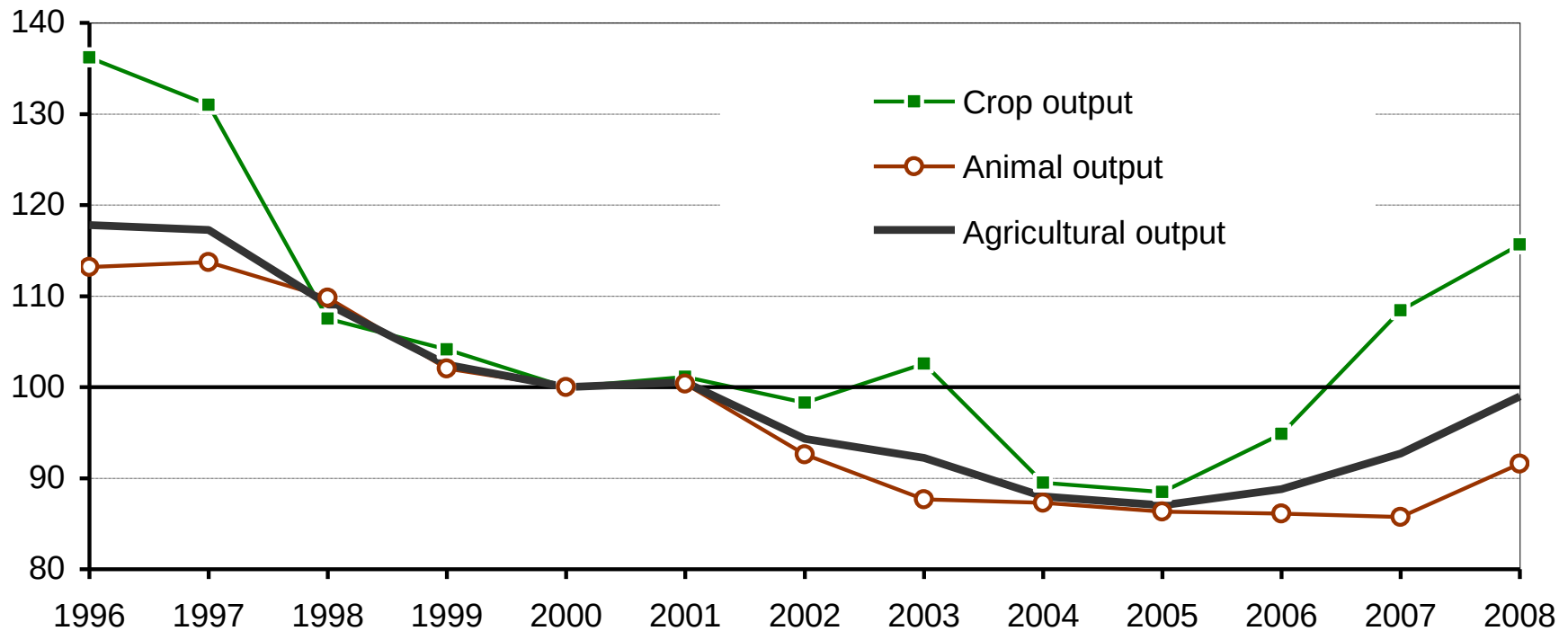
- **Traditionally net food importer**
- **Accession stimulated trade in both directions**
- **Trade deficit on the highest level so far**

Slovenian accession effects

Output price decreasing



Agricultural output price index (deflated, 2000=100)



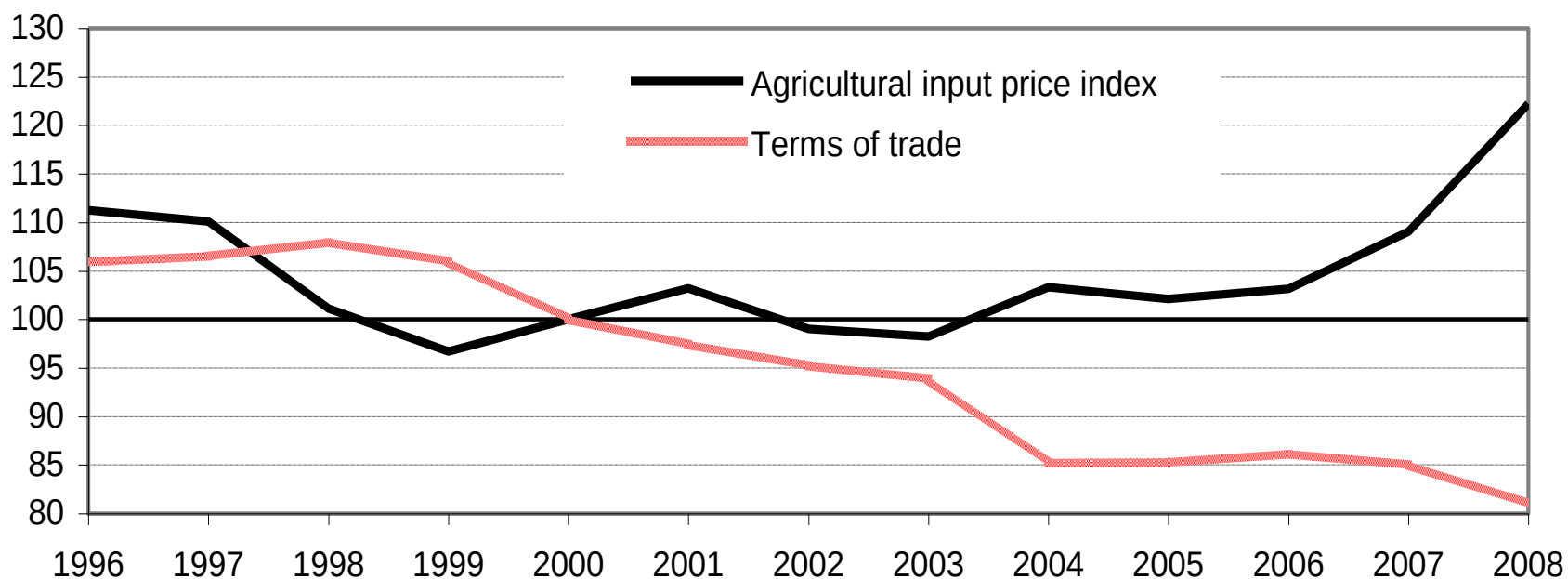
Source: SORS, calculated by AIS

Slovenian accession effects

Input price growing



Agricultural input price index (deflated) and terms of trade (2000=100)



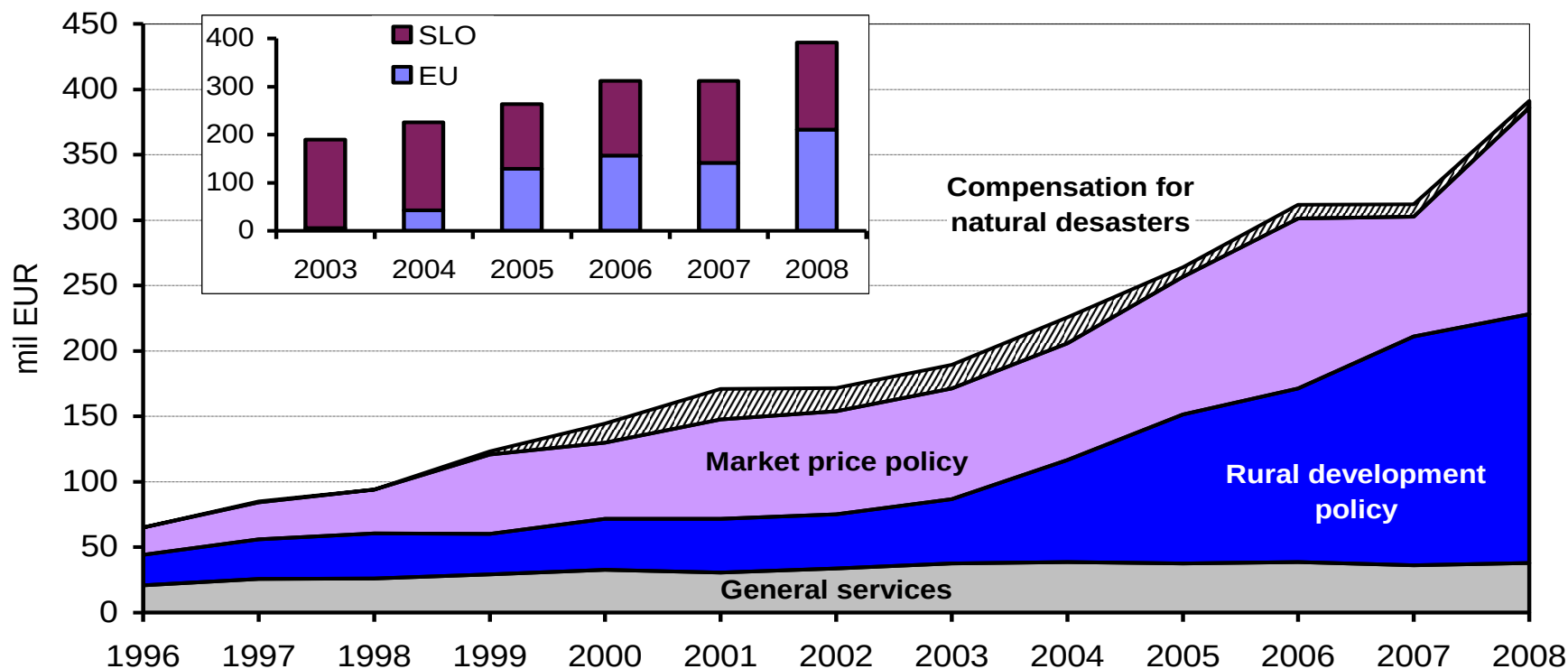
Source: SORS, calculated by AIS

Slovenian accession

Increase in budget



Budgetary expenditure for agriculture (mil. €)

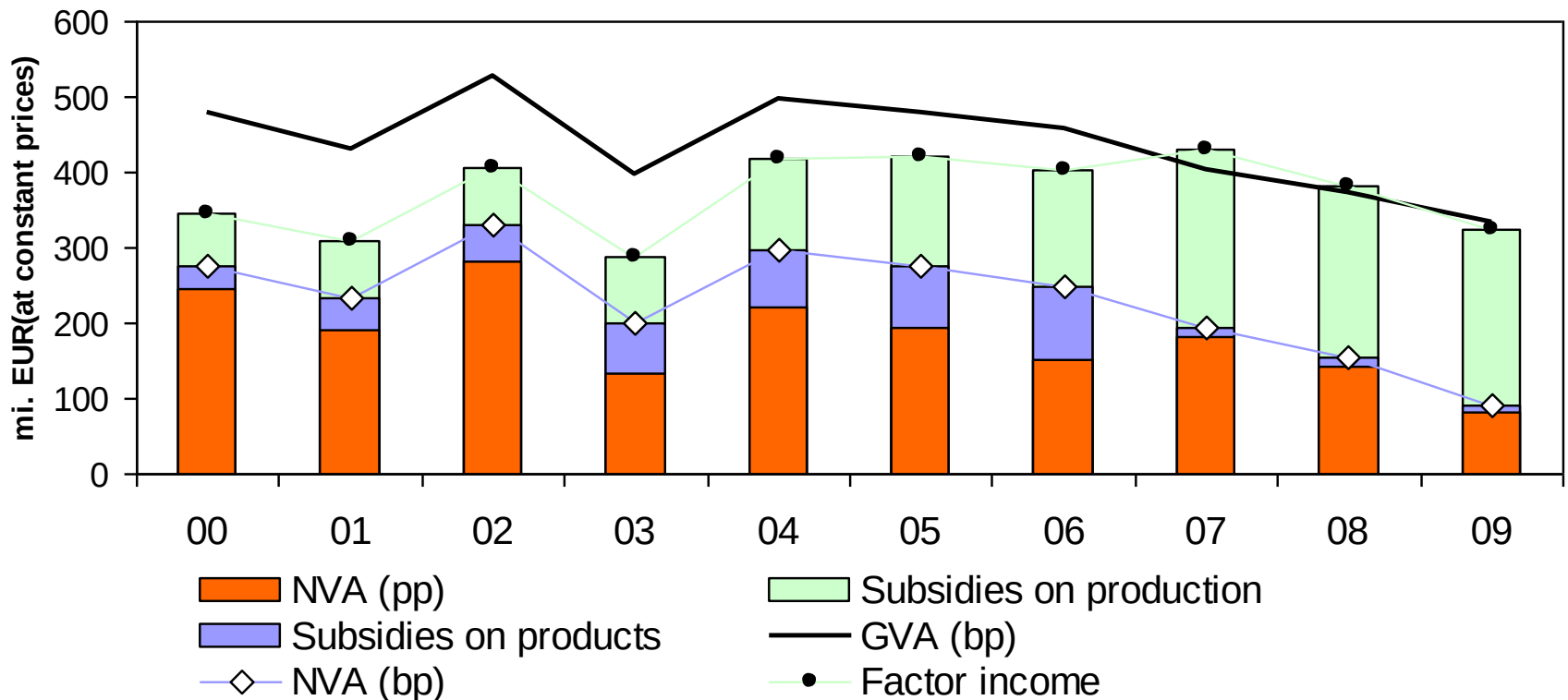


Source: MAFF, calculated by AIS

- Three typical periods
- After accession 50% of support from EU funds

Slovenian accession

Agricultural income stable



Factor income remained relatively stable throughout transition and pre-accession period

Little changes in income level after accession, but significant changes in it's composition (subsidies!)



Slovenia - accession effects

- **No major difficulties in agriculture**
 - CAP like policy introduced before Accession
 - Adoption of the CAP as a continuation of national policy
 - Higher funds to support agriculture
- **Deterioration of business performance of the food processing sector**
 - Relatively high protection till the end of pre-Accession period
 - Less prepared for international competition
- **Consumers benefited the most**
 - lower consumer prices; supply diversification



c. Western Balkan integration process in agriculture

Western Balkan and European Integration – political dimension



Candidate countries

■ Croatia

- started accession negotiations in October 2005. For the moment again very active in agriculture.
- potential date of accession 2012.

■ Macedonia

- Candidate status from December 2005.
- Negotiations (2010?) Potential date of accession: 2015-17?

Potential candidate countries

- Application for membership
 - **Albania, Montenegro**
- Stabilisation and Association Agreement in force:
 - Bosna & Hercegovina, Serbia
- SAA negotiations in the preparation (?):
 - Kosovo.

Three rounds of accession ?

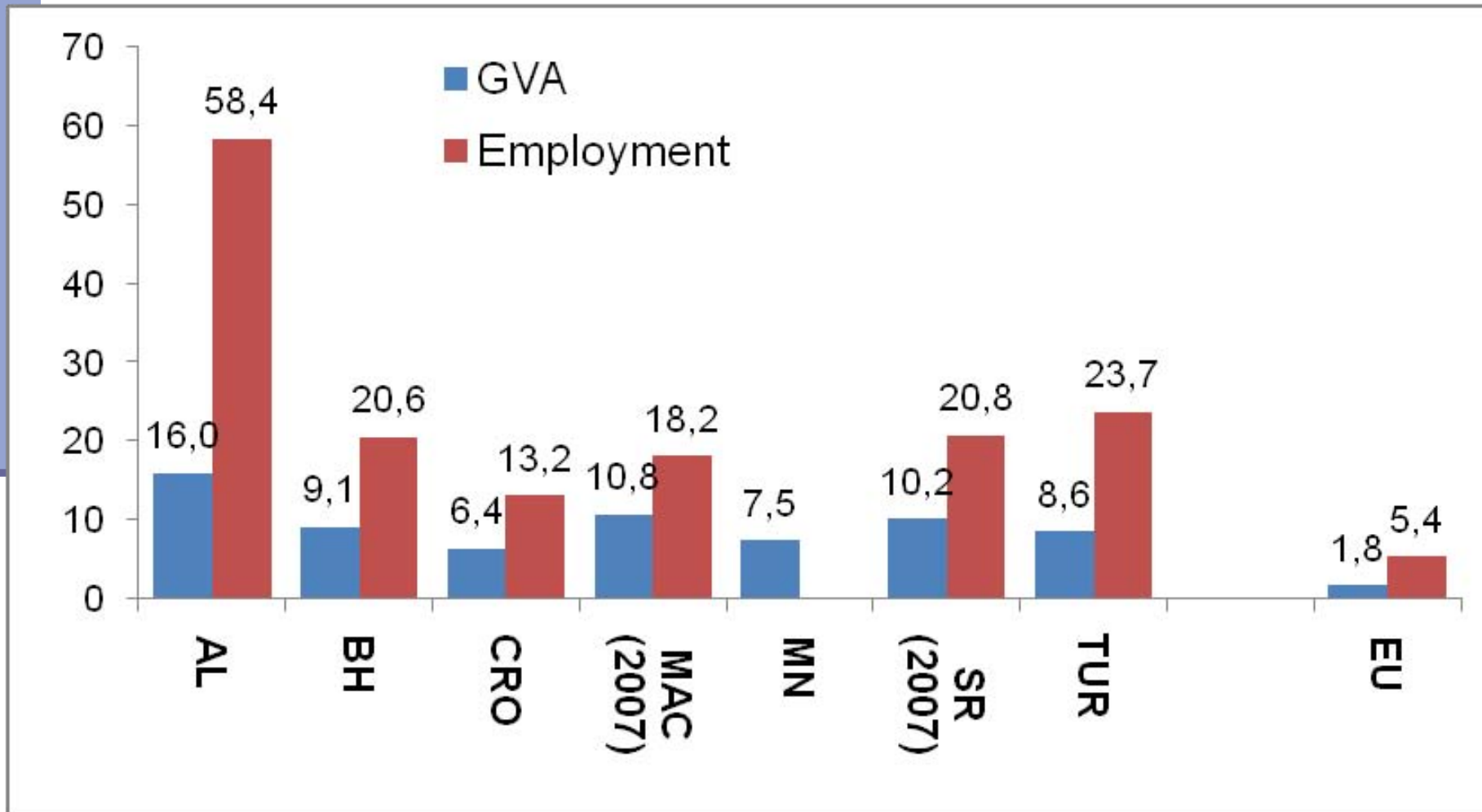
- 1: Cro; 2: Srb, Mak, MN; 3: BH, ALB, KOS



SITUATION IN AGRICULTURE

Agriculture in the economy

■ Share of agriculture in GVA and employment (2008)





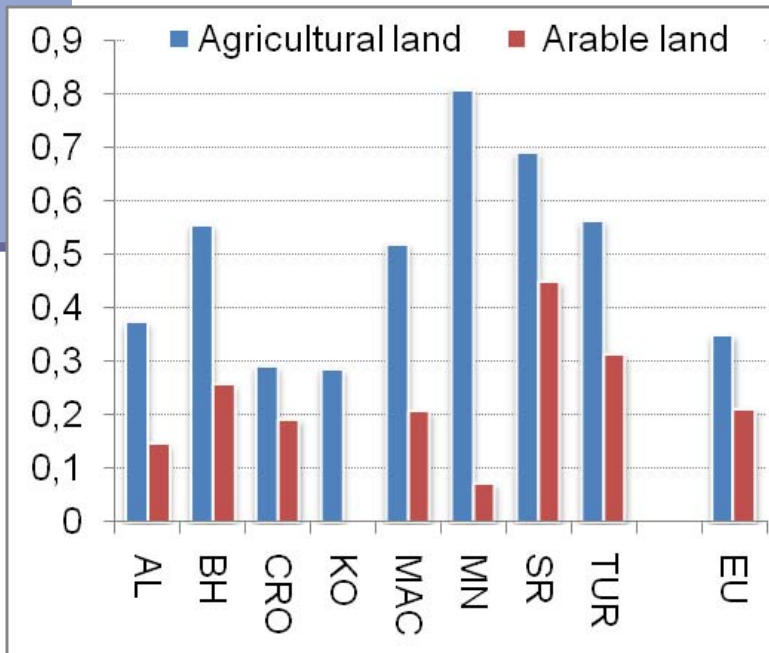
SITUATION IN AGRICULTURE

Land use

- Limited comparability: EU, CRO - utilised agricultural area; other countries - total agricultural area
- Rather big natural potencial (resources) for agricultural

	2008	AL	BH	CRO	KO	MAC	MN	SR	TUR	EU
Share of AA in total land area		41%	42%	23%	56%	41%	37%	66%	51%	40%

Land per capita



➤ Very different natural conditions and land use; SR, CRO, TR: high share of arable land; MN, MAC, BH: high share of grasslands

➤ In most countries high share of fallow and unused area (BH, MAC, KO, CRO?, MN?)



SITUATION IN AGRICULTURE

Farm structure

- Limited comparability: not complete data available (BH - estimates only; SR - family farms only; MN - partial census data); different census years

Average size of farms and the share of farms and land on farms bigger than 10 ha

	AL	BH	CRO	KO	MAC	MN	SR	TR	EU
	(2008)	(est.)	(2003)	(2008)	(2007)	(2003)	(2002)	(2001)	(2007)
Average size (ha/farm)	1.2	3.3	2.4	1.5	1.7	3.2	3.5	6.1	12.7
Farms with over 10 ha - No	:	:	4.8%	0.8%	0.9%	5.3%	5.5%	16.6%	19.6%
Farms with over 10 ha - Area	:	:	51.6%	10.4%	30.8%	40.9%	24.7%	58.0%	85.3%

- Very small average size of farms (far below the EU average)
- Dual structure (small family farms – big agricultural enterprises) in CRO, MAC, SR, BH?
- Large number of self-subsistence or semi-subsistence farms
- Low share of agricultural area on bigger farms

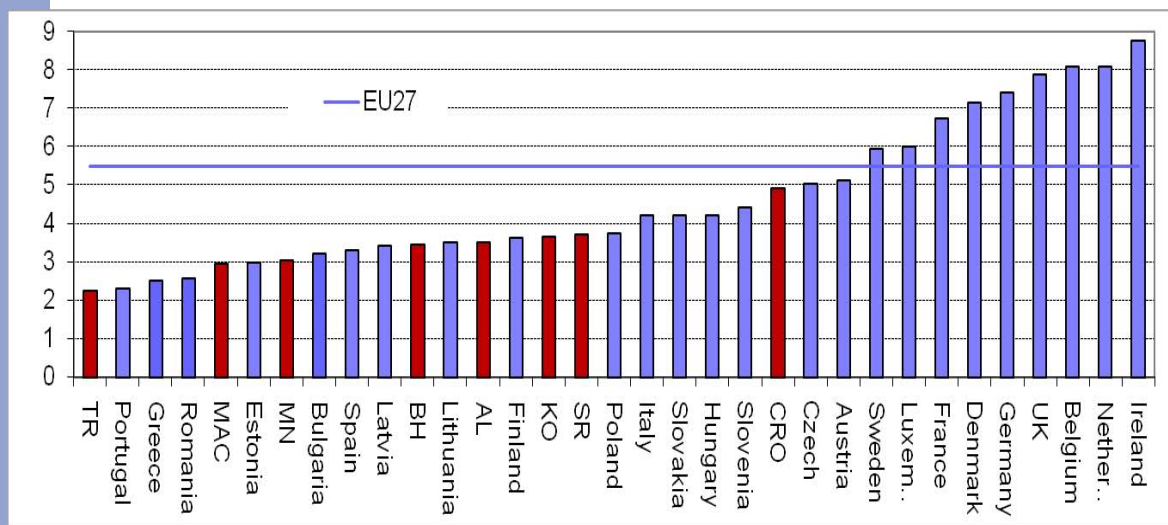
Agricultural production – main products



Crop output (% GAO; 2006-2008)				
AL (54%)	vegetables (12%)	fruits (10%)	cereals (9%)	
BH ?	cereals	vegetables	potatoes	fruits
CRO (56%?)	cereals (28%)	fruits (14%)	industrial c. (7%)	
KO ?	cereals	vegetables	potatoes	fruits
MAC (73%)	vegetables (28%)	fruits (13%)	cereals (9%)	wine (7%)
MN ?	potatoes	vegetables	fruits	wine
SR (65%)	cereals (29%)	fruits (10%)	vegetables (8%)	industrial c. (7%)
TUR ?	cereals	fruits	vegetables	industrial c.
Livestock output (% GAO; 2006-2008)				
AL (46%)	milk (19%)	beef (11%)	sheep (7%)	eggs (5%)
BH ?	milk	beef	sheep	pigs
CRO (45%?)	pigs (12%)	milk (12%)	poultry (7%)	beef (7%)
KO ?	milk	beef	sheep	
MAC (27%)	milk (13%)	pigs (4%)	beef (3%)	sheep (2%)
MN ?	milk	beef	sheep	
SR (35%)	pigs (13%)	milk (9%)	beef (7%)	
TUR ?	milk	poultry	beef	sheep

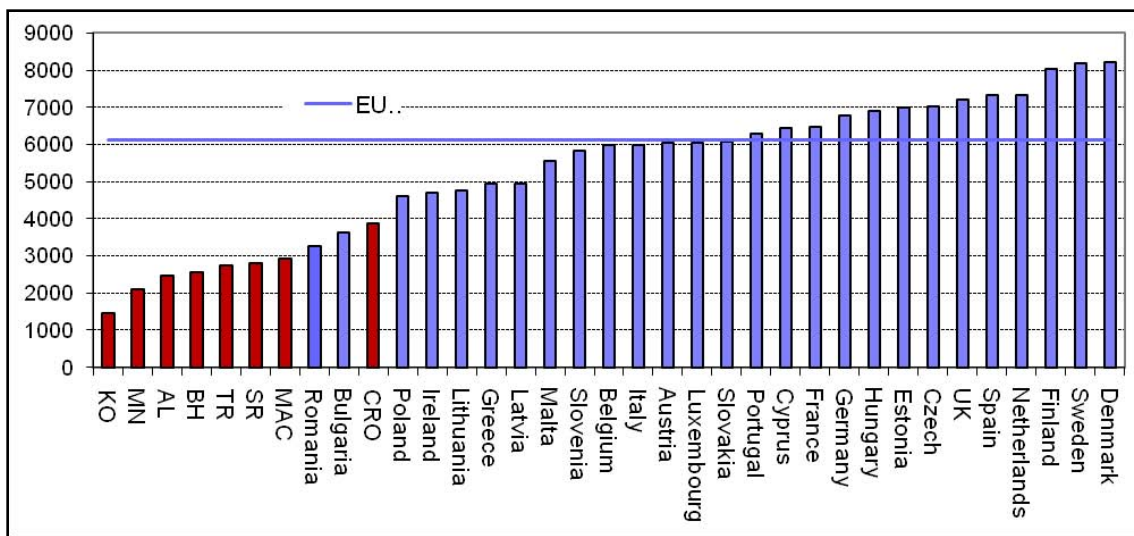
SITUATION IN AGRICULTURE

Agricultural production - wheat and milk yields



Wheat (t/ha)
2006-2008

Milk (kg/cow)
2008





SITUATION IN AGRICULTURE

Agricultural prices – price competitiveness

Absolute prices (average 2006-2008; EUR/t)

	Wheat	Maize	Potato	S. beet	Tomato	Milk	Beef	Pig	Lamb
AL	239	245	241		317	308	2328		2321
BH	182	173	133		185	255	1802	1395	2746
CRO	157	136	213	33	618	295	1811	1318	2826
KO	223	193	303		610	301	1823		1880
MAC	170	190	319		517	312	1240	1395	2218
MN			323		797	311	1717		2160
SR	146	122	171	30	382	232	1632	1202	2000
TUR		211		53	306	398			2867
EU min	127	111	102	24	138	222	835	1004	1116
EU max	201	226	481	41	963	408	2232	1451	3631

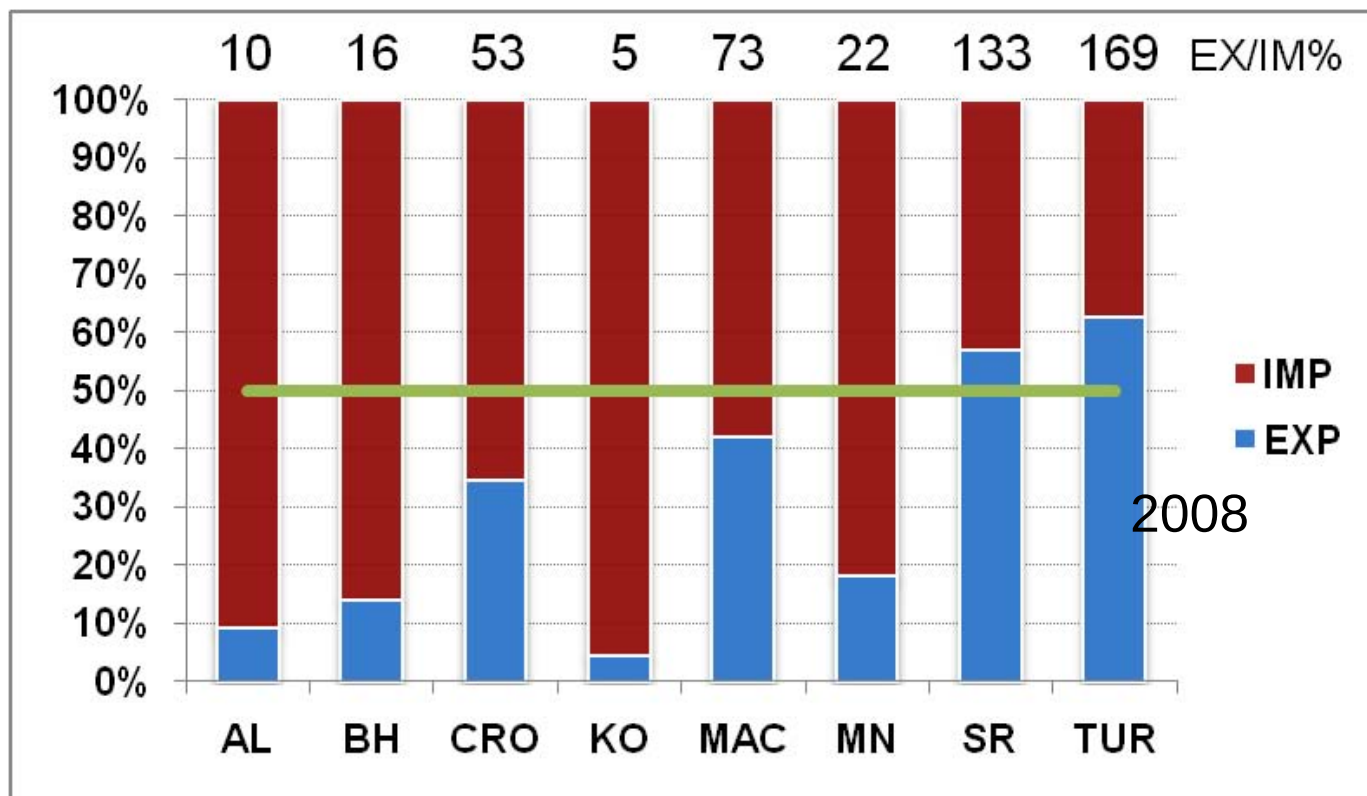
Price competitiveness:

- SR: most agricultural products; CRO: predominantly field crops (wheat, maize, oilseeds, sugar beet)
- Other countries: specific products (vegetables, potato, fruits?, tobacco?, lambs)
- Milk: hard to evaluate – quality?

AGRICULTURAL TRADE



- increasing trend in exports and imports
- SR, TR: net exporters
- other countries net importers with increasing trade deficit
- different export/import coverage (extremely low: AL, KO; BH, MN)





WB – Comparison with the EU

Different resources and potentials

- Danube region and some rivers valley with favourable conditions

In general less competitive agriculture

- Worsening of trade balances...
- Especially in livestock and dairy production
- Few competitive products (vegetables, lamb, some individual products per country)
- However, potential for crop production in Danube region

Low technological level and progress

Dual farm structure

- Small subsistence farming is prevailing
- Growing potential for bigger companies and family farms

Less developed market structures, problems with hygiene standards



AGRICULTURAL POLICY

Quantitative analyses – Data sources

■ Agri-policy measures (APM) database

■ Created under the project. **Huge efforts needed to collect data.**
Data not systematically collected, presented and publicly available on the detail level in any country. NO publicly available comprehensive quantitative analyses!

APM database - some methodological notes

Objective: To establish database for:

- Monitoring and evaluation of agricultural policy
- International comparison of policy
- Supporting EU accession process and programming of pre-accession support

Basic principles:

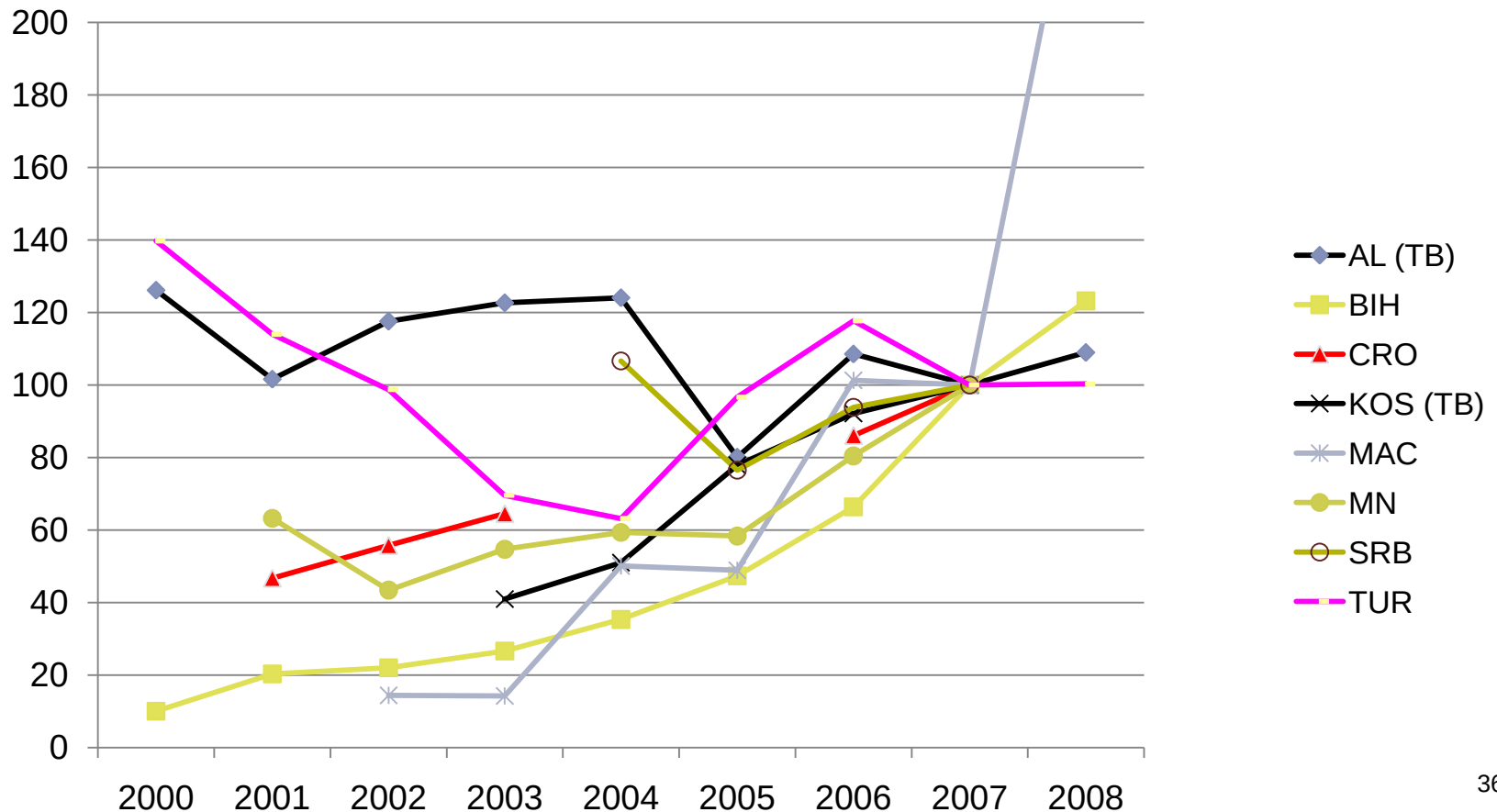
- To cover all budgetary transfers to agriculture
- Multipurpose use of database
- Enables analyses by group of measures according to:
- EU classification; OECD PSE/CSE classification; EAA

APM Quantative cross country comparison

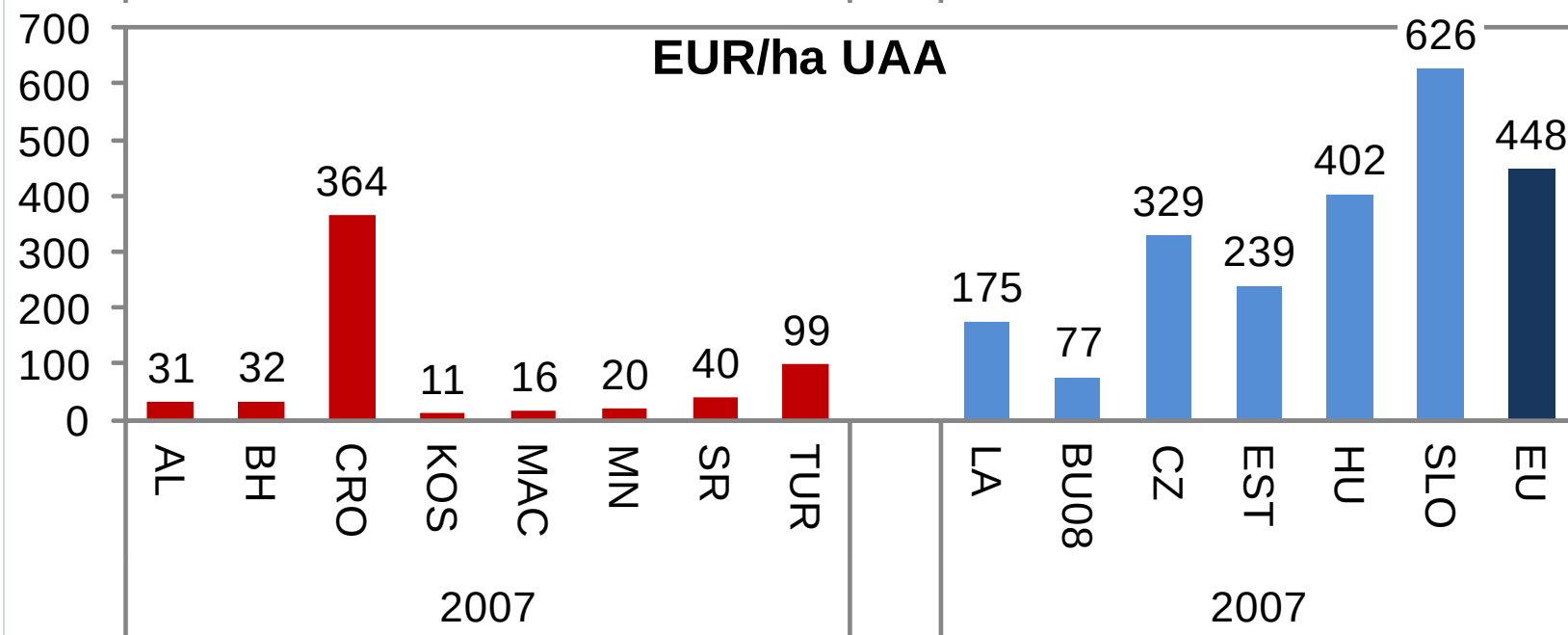
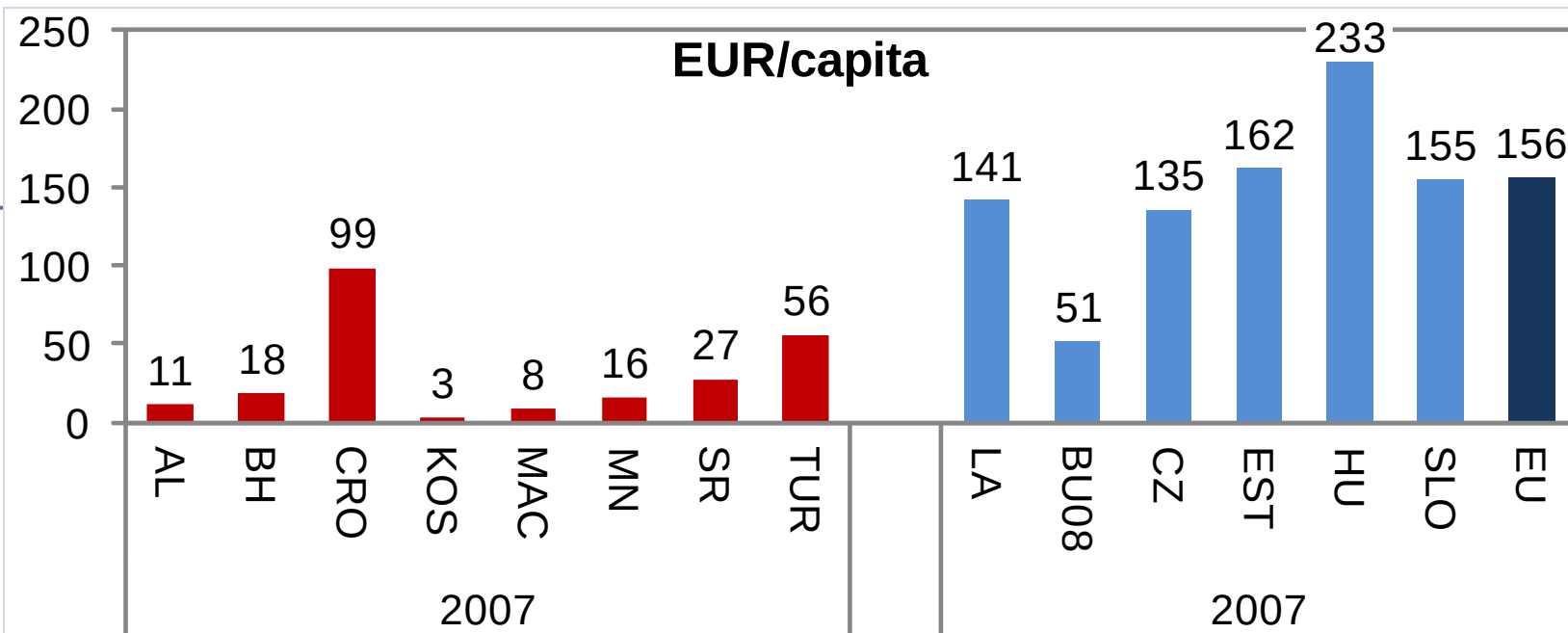
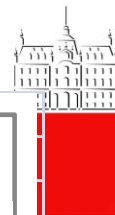


Budgetary support evolution

Total budgetary support for agriculture (index 2007=100)



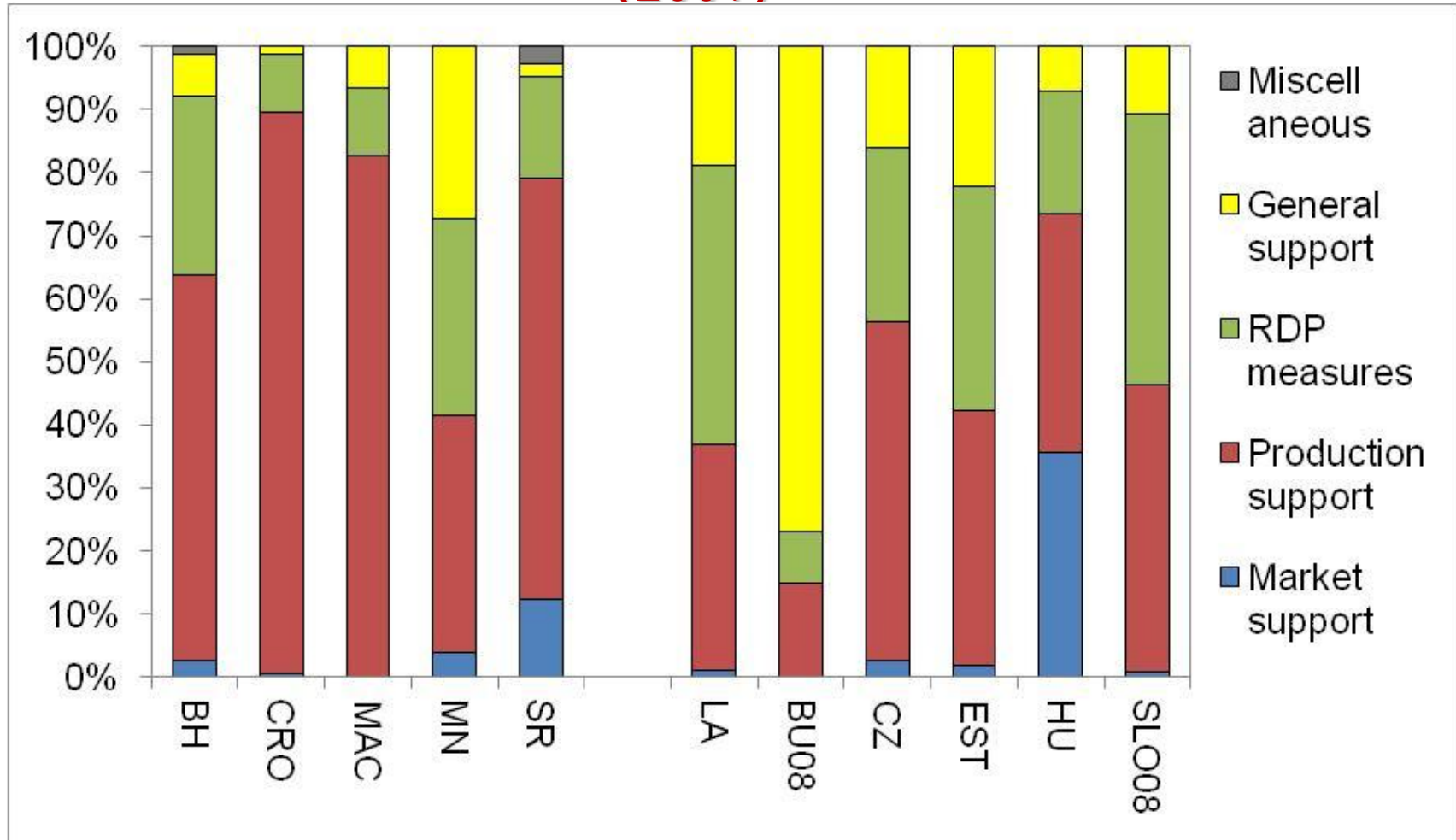
Total budgetary support for agriculture



Quantitative cross country comparison



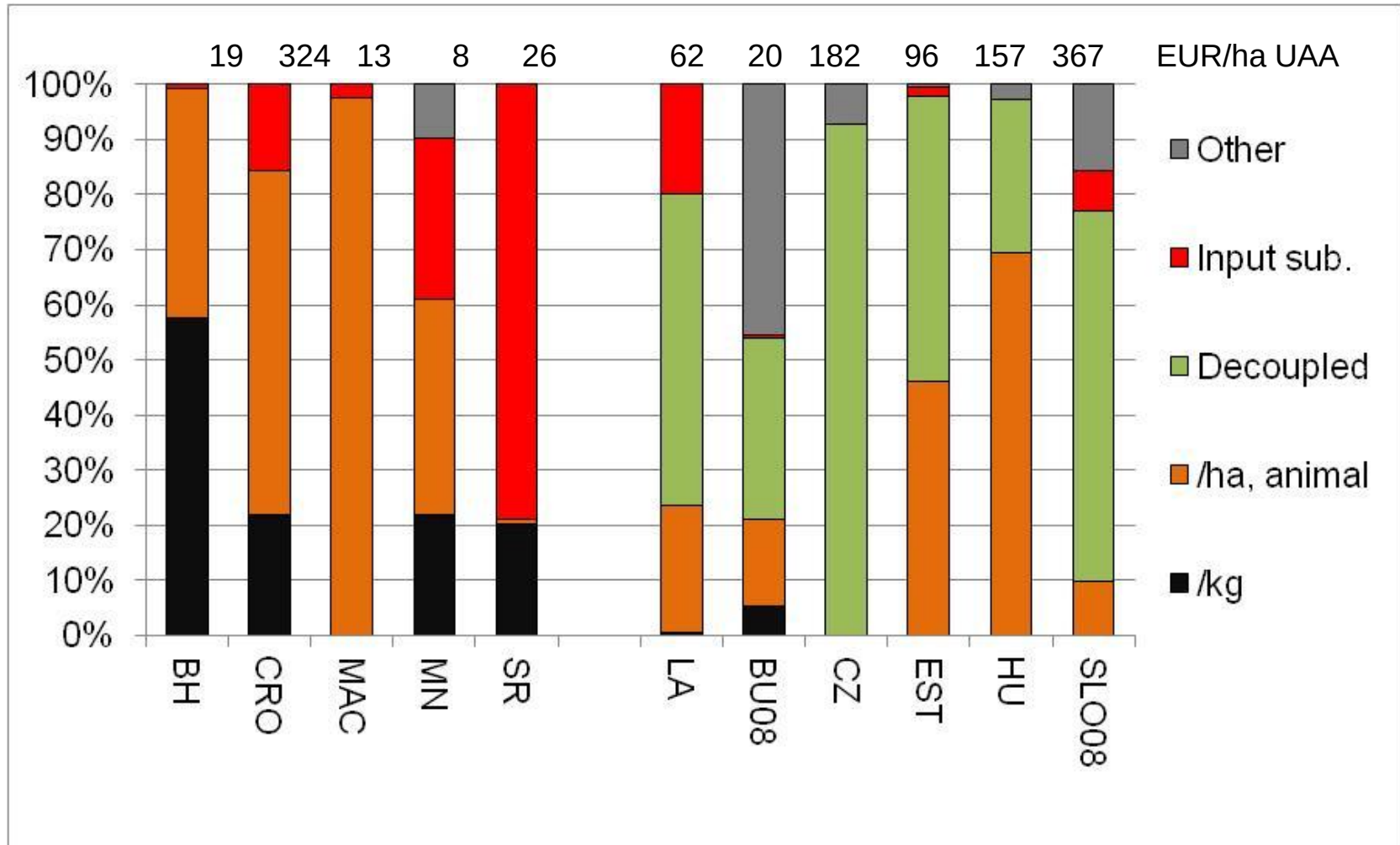
Total budgetary support composition (2007)





Quantitative cross country comparison

Production support composition (2007)



AGRICULTURAL POLICY

General (qualitative) assessment



Market policy measures:

- Different level of market liberalization.
- Border protection important in TUR; technically also in CRO, SR, MN; less effective because of free trade agreements.
- Export subsidies implemented only in SR and TUR.
- Market intervention system generally not introduced (except CRO and SR).

Production (producers) support measures

- Direct payments based on area or animal are the most widespread subsidies.
- Payments based on output (price aids) still important in most countries (BH).
- Variable input subsidies most important in SR; used also in other countries.
- Decoupling process has not started yet (some forms in TUR).

AGRICULTURAL POLICY

General (qualitative) assessment



Structural and rural development measures

- Investment support (various forms) most important measure.
- In all countries a significant proportion of areas with difficult production conditions. No special measure for LFAs (planned in MN); CRO, MN, SR:
- higher subsidies for LFAs in the frame of some regular measures.
- Environmental measures in rural areas: first programmes launched



AGRICULTURAL POLICY

CONCLUSIONS

Very different situation by country.

Generally, the growing tendency in budget,

- ... however, except CRO low level of agricultural support in comparison with actual support in the EU.

Ups and downs, rapid changes in the structure, lack of stability in some countries.

- This shows that in some countries there was no clear long term agricultural policy strategy.

The policy differ significantly from the EU type of support.

- This could be a problem especially for countries which are close to EU accession.
- The process of alignment towards the EU CAP is important also for PCC, especially in the light of the efficient implementation of pre-accession support programmes and use of EU funds.

Process of harmonisation with the EU



- **Country with planned activities and partial implementation of CAP-like measures:**

- CRO, MN

- **Country with planned activities and some CAP-like measures:**

- CRO, MN

- **Countries with elements of harmonisation (mostly at programming level)**

- Mak

- **Countries with non-harmonised strategies**

- Kos, Tur, Al

- **Countries with “pragmatic” approach:**

- SR, BH



Policy recommendation I

Strategy

- Clear long-term strategy (until expected EU accession!)
- Systematic implementation of the strategies (to pragmatic approach is prevailing)
- Introduction of gradual CAP like approach
- Not to change the measures each year, but select the approach and then implement it
- More attention on RD policies
- New elite in administration
- Upgrading of analytical support in the country



Policy recommendation II

■ Direct payments

- Non introduction of production support which is not existing (in broader sense, from 1992 onwards) in EU.
- Not going with the levels of support over the EU levels
- If the country is on the start of accession process some input subsidies and output support are “allowed”,
 - but be carefully: historical rights for farmers is difficult to move out.
- Focusing on area payments and per head for ruminants.
- Establishing of IACS system when the time accession is approaching (also for domestic purposes)



Policy recommendation III

Rural development

- Not only copying from EU cases, develop your own priorities
- But gradual EU like programming and implementation
- If is possible not to make separate EU RD policy and implementation structure
- Strategic investment in market structures and processing
- Support for small farmers
- Focus also on 2. and 3. axis
- LFA denomination of areas, support could be for start also coupled

Financial Package for agriculture

Expected EU payments for Western Balkan



(mio. EUR, annual basis after the end of 10 years transitional period, actual calculation system)

	1. Pillar	2. Pillar	Total
Croatia	400	250	650
FYROM	150	120	270
Serbia	1200	520	1720
Monte Negro	30	30	60
B & H	150	220	370
Albania	90	190	280

- Agriculture will decided about the financial position of country to the EU.
- Rural development program improved the financial position.
- Necessary reconstruction of budget before the accession.



Final words

- **Uzdaj se use i u svoje kljuse...**
- **Misli svojom glavom i uzimaj konzultante koji su sposobni razumeti tvoju zemlju**
- **Gradi svoje kapacitete pameti (i van ministarstva)**
- **Imaj jasne politične odluke i jasne duročne ciljeve!**
- **Radi reforme, jer bez toga nema ništa!**
- **Gradi i svoj image vani zemlje, slušaj, uči i komuniciraj, a budi jednopravan, to se očekuje...**
- **To je historijska prilika za generacije...**