N.04

Supporting farms in the new Member States to enter the market

Introduction:

One of the main objectives of rural development policy, as laid out in the Community strategic guidelines for the programming period 2007-2013, is to improve the competitiveness of the agricultural and forestry sector.

In this respect a significant part of resources are devoted by the rural development programmes (RDPs) in the EU-12 - the new Member States[1] - to initiatives that help farmers prepare for operating and competing within the enlarged market.

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Identifying the needs

Enlargement has changed the agricultural map. In the EU-15 Member States agriculture accounts for 2% of GDP, while in the EU-12 it accounts for 3% and in Romania and Bulgaria more than 10%. In the new Member States the employment share of agriculture is three times higher (12%) than in the EU-15 Member States (4%) whereas, in Bulgaria and Romania the agricultural employment levels are considerably higher. At the same time competition in the sector has increased due to the growing liberalisation of agricultural trade.

To meet these challenges, improving efficiency and competitiveness remains a key aim while taking into account the diversity of agricultural potential in different rural areas. This is most notable in the EU-12, whose rural areas will continue to undergo far-reaching structural changes.

Support for the new Member States is available for the period 2007–2013 via measures which support semi-subsistence farming and the setting up and operation of producer groups. This is in order to ensure a smooth transition for these countries by addressing their particular challenges.

The interventions at "a glance"

Rural development policy supports semi-subsistence agricultural holdings that are undergoing restructuring. This helps to ease the transitional problems of the agricultural sector and rural economy of the new Member States, which are now exposed to the competitive environment of the single market. This measure is available for the current programming period in order to ensure a smooth transition of the current programming period in the EU-12. Support is provided to agricultural holdings on the condition of the elaboration of a business plan.

Relevant RDP measures

- Measure 141 – Supporting semi-subsistence agricultural holdings undergoing restructuring
- Measure 142 – Supporting setting up of producer groups

The setting up of producer groups is supported with the aim of strengthening the institutional structure of the primary sector for survival in a market driven environment. Under this measure, farmers are given incentives to unite and cooperate. The support provided will facilitate the set up and administrative operations of producer groups in order to adapt the production of its members to market requirements. In this way, they can work together to place jointly goods on the market, and establish common rules on product information.

Target groups

The target groups of measure 141 are farmers in the EU-12 producing primarily for their own consumption and bringing only a fraction of output to the market. The target groups of measure 142 are producer groups officially recognised by the Member State's competent authority by 31 December 2013.

[1] Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia

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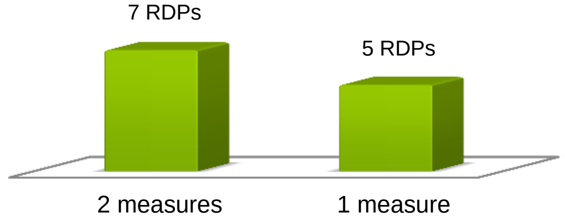
Selection of measures in the Member States

According to their needs and priorities, as identified in their National Strategy Plans, the EU-12 have decided to implement combinations of the two measures in order to support their farms as they enter the market.

As shown in the figure on the right, seven RDPs[2] in the EU-12 implement both measures. In the RDPs of Cyprus, Czech Republic, Malta and Slovenia has been selected only measure 142, while in the RDP of Lithuania is implemented only measure 141.

NMS transitional measures: Number of measures implemented in the 12 NMS RDPs



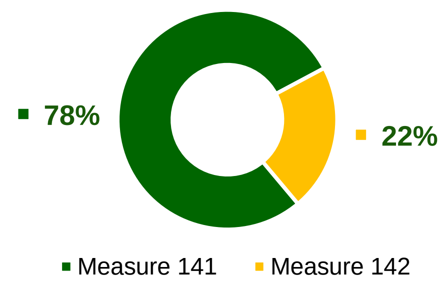
Financial support

Investments to support EU-12 small farms to enter the market are supported by a budget[3] of €1.3 billion, of which, €1 billion is the contribution of the European Agricultural Fund for Rural Development (EAFRD).

The accompanying figure provides a breakdown of the programmed total public expenditure for this objective per measure in the EU-12.

This allocation accounts for almost 1% of the programmed total public expenditure for rural development - €151.5 billion, for the period 2007-2013 at EU 27 level. It also accounts for some 2.3% of the programmed total public expenditure of €48 billion for the EU-12.

Breakdown per measure of the programmed total public expenditure for 2007-2013 supporting farms to enter the market in the NMS



By 2013 some €1 billion or 78% of the programmed €1.3 billion had been dispersed, supporting farms in the new Member States to enter the market.

Financial implementation progress

In terms of financial implementation up to 2013, the two measures have been implemented in various degrees across the EU-12. Measure 141 has spent 80% of its programmed expenditure, while measure 142 has dispersed 67% of its programmed budget.

Physical outputs (2007 – 2012)

The progress achieved in supporting farms in the new Member States to enter the market, can also be assessed by the outputs achieved up to 2012. Based on data available, by 2012 some 57,000 semi-subsistence farms have been supported (in four of the NMS, namely Bulgaria, Latvia, Lithuania and Romania) through a total public expenditure of €158 million.

In the same period, in six of the EU-12 and based on the data available, 1,219 producer groups had been supported through a total public expenditure of €122 million.

[2] Bulgaria, Estonia, Hungary, Latvia, Poland, Romania and Slovakia
[3] Programmed total public expenditure for 2007-2013 for the two measures

Supporting farms in the new Member States to enter the market

Supporting production and sales association for efficient poultry breeding in Hungary, Latvia

(RDP measure 142)

Szanki Biovíziszárnyas (Szank Organic Waterfowl) Production and Sales Association was founded in Bócsa (Hungary) in 2005, and currently has 28 members who are all involved in poultry breeding, in many of the nearby villages. It first received RDP support in 2008 as a result of the successful implementation of its business plans and by gradually increasing membership and production. The support received from the EAFRD contributes to the operational costs of the association and its members.

Laszlo Razsonyi, president of the association and a domestic duck breeder, believes firmly in animal-friendly production methods. His farm, where large spaces are provided for poultry, reflects this commitment to animal welfare. He admits that without support, their business would not have survived. However, he believes that investing in their association is worthwhile, since the support provided creates employment and contributes to the production of quality food products for the local as well as the international market.

Members of the association have further plans, including investing in a feed mill, storage rooms, and buying a truck. However, their main aspiration is to have stronger interest representation in the markets and to have the possibility to sign sales agreement with trade partners (including those abroad) directly.

The farm receives an annual support of some HUF 14 million (approximately €48,000) yearly.

Source of the data:

- Programmed expenditures 2007-2013: RDP budget allocation following Health Check revision (December 2013)
- Expenditures 2007-2013: DG AGRI
- Output indicators: monitoring tables submitted by Managing Authorities along with the 2008, 2009, 2010, 2011, 2012 and 2013 Annual Progress Reports. Data referring to programming years 2007 to 2012. Only commitments made from year 2007 onwards are considered.
- Output targets 2007-2013: DG AGRI
- Community strategic guidelines for rural development (programming period 2007 to 2013) http://ec.europa.eu/agriculture/rurdev/leg/index_en.htm
- Fact sheet - THE EU RURAL DEVELOPMENT POLICY 2007–2013, DG AGRI http://ec.europa.eu/agriculture/publi/fact/rurdev2007/en_2007.pdf
- Common Monitoring and Evaluation Framework (CMEF) http://ec.europa.eu/agriculture/rurdev/eval/index_en.htm
- ENRD Projects Database http://enrd.ec.europa.eu/projects/en/projects_home.cfm

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http://enrd.ec.europa.eu

For further detailed information on financial and output indicators data please refer to the dedicated ENRD website section “Rural Development Policy in figures”.

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