IMPLEMENTATION OF SINGLE AREA PAYMENT SCHEME IN THE EU NEW MEMBER STATES

Sophia Davidova

Department of Economics, University of Kent UK

Contact: S.M.Davidova@kent.ac.uk

Tel +44(0) 1227 82 47 64; +44 (0) 207 59 42 690

Fax +44 (0) 207 59 42 838

European Association of Agricultural Economists

Università degli Studi della Tuscia

Istituto nazionale di Economia Agraria

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Abstract

The 2003 reform represents a significant shift in the EU policy, particularly in its movement to decoupled support. The potential impact of the reform depends on a range of factors including the modalities of its implementation and the structure of farming sectors in different countries. The then acceding countries had the flexibility to choose to implement the Single Payment Scheme (SPS) or to opt for the simplified Single Area Payment Scheme (SAPS). This paper attempts to provide a comparative overview of the level and distributional aspects of direct payments across seven New Member States (NMS) covering different sub-regions, the Baltics, Central and Eastern Europe, and the two most recent Member States from the Balkans – Bulgaria and Romania.

Although the choice of 10 out of 12 NMS was similar – to implement SAPS – the pre-accession policies, the structure of agricultural output and the distribution of farm sizes have created substantial differences in the distribution of support and the choices between de-coupled and coupled Complementary National Direct Payments (CNDP) or 'top-ups'. As expected, due to the phasing-in process there has been a tendency of increased payments per hectare over time; however this increase has not been uniformly manifested.

The differences in the output structure and labour intensity, as well as the large differences in farm structures and farm size distribution have brought about substantial differences in amounts of direct payments per beneficiary and AWU. One of the countries with the most concentrated land use in large farms, some of them corporate farms (companies or co-operatives), are the Czech Republic and Slovakia. Hungary and Bulgaria occupy the middle ground, whilst the Baltic States, Poland and Romania are characterised by small size farms almost across the board. This variety across the NMS has substantial implications for several aspects of SAPS implementation and its beneficiaries, including the amount of direct payments per beneficiary, the average size of beneficiary and the share of holdings benefitting from the scheme. The share of beneficiaries varies from a small segment of the holdings covered by the Farm Structure Survey (FSS), as for example in Bulgaria and Slovakia, to covering almost all holdings included in FSS (Lithuania). One of the positive signals is that in some NMS the concentration of SAP on a small segment has been decreasing (although slowly) in parallel with the increasing farmers and administration experiences. All these structural and distributional differences mean that setting payments limitations or including (eventually) the NMS in a system of progressive modulation may have widely different effects on different NMS and thus may generate substantially different political positions.

Analytical survey results are presented concerning the change (or the lack of) of farmers strategic plans as a result of the implementation of SAPS in two of the above NMS with contrasting farm structures and payment distribution. The results indicate that as the implementation of SAPS means more predictable and increasing payments in comparison to the pre-accession policy the main change in the strategic farmers' plans is their increased willingness to stay longer in farming and increase the farm area operated. The expected response to 2003 CAP reform, namely lower incentives to produce and increased drive to diversification to non-farm activities was not detected in this early survey in NMS. However, it is difficult to disentangle the changes induced by SAPS from the general expectations due to accession to the EU.

Keywords: Single Area Payment Scheme, new member states.

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