

Single Area Payment - as One of the Supports of Agriculture in the European Union - 25.

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SUMMARY

The 2003 reform of the CAP introduces a new system of single farm payments (income support) and cuts the link between support and production (decoupling). The majority of common organisations of markets (COMs) will become subject to this new system in 2005 or 2006 (with the exception of the new Member States). Existing direct aids may be continued until 2012, subject to certain conditions (cross-compliance), but they will be gradually reduced (modulation). Certain crops are eligible for additional support to compensate for the loss of income resulting from modulation and the transition to the single farm payment.

Council Regulation (EC) No 1782/2003 of 29 September 2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers and amending Regulations (EEC) No 2019/93.

Key words: European Union, Common Agricultural Policy (CAP), Integration, Single area payments (SAP), Income support.

SINGLE PAYMENTS

All farmers may apply for direct payments, which are independent of their production and supplementary to their income. Specific support schemes have nevertheless been introduced for durum wheat, protein crops, rice, nuts, energy crops, starch potatoes, milk products, seeds, arable crops, sheepmeat and goatmeat, beef and veal, grain legumes, cotton, tobacco, hops, as well as for farmers maintaining olive groves.

The single payment is an annual income payment to farmers that is based on their entitlement over the 2000-02 reference period (with the exception of the new Member States). The main aim of this payment is to ensure greater income stability for farmers. Farmers are free to decide what they want to produce in response to demand without losing their entitlement to support.

GRANTING DIRECT PAYMENTS

Farmers may receive direct payments provided that they maintain their land in good agricultural condition and comply with the standards on public health, animal and plant health, the environment and animal welfare (cross-compliance).

If a farmer fails to comply with those rules through negligence, direct payments may be reduced by between 5% and 15%. In the event of deliberate non-compliance, payments will be reduced by at least 20% and the producer may be completely excluded from receiving aid.

Amounts not spent are to be paid back into the European Agricultural Guidance and Guarantee Fund (EAGGF). Member States may keep 25% of those sums, however. By 1 January 2008 the Commission is to present a report on the application of the conditionality system.

Degressivity, Modulation and Financial Discipline

Between 2005 and 2012, direct payments - other than those to farmers in the outermost regions (French overseas departments, the Azores, Madeira, the Canary Islands) and the Aegean Islands - are to be reduced each year: by 3% in 2005, 4% in 2006 and then 5% annually (degressivity). The sums thereby saved are to be divided among the Member States and allocated to rural development measures (modulation). Each Member State is to receive at least 80% of the sums generated. It may even receive up to 90% of the amount in order to alleviate the effects of abolishing the intervention mechanism for rye.

In order not to penalise small farms, farmers may receive an additional amount of aid. That amount, possibly reduced by the Member States, is to correspond to the loss resulting from modulation for the first EUR 5 000 tranche of direct payments.

In order to comply with the financial perspective set by the European Council for the period 2007-2013, direct payments may be adjusted if agricultural expenditure relating to markets and direct aid risks exceeding the annual limits laid down.

Farm Advisory System

By 1 January 2007 Member States are to set up a system for advising farmers on land and farm management.

Farm advisory work will relate to compliance with regulatory requirements and to good agricultural and environmental conditions. The system will operate on a voluntary basis. Member States are to give priority to farmers receiving more than EUR 15 000 in direct payments per year. By 1 January 2011 the Commission is to present a report on the application of the farm advisory system accompanied, if necessary, by proposals for making it compulsory.

Integrated Administration and Control System (IACS)

Each Member State is to set up an integrated administration and control system comprising:

- a computerised data base;
- an identification system for agricultural parcels;
- a system for the identification and registration of payment entitlements;
- aid applications;
- an integrated control system;
- a single system to record the identity of each farmer who submits an aid application.

IACS will enable farmers' payment applications to be checked. Each year, farmers are to submit an application for direct payments and Member States are to carry out the requisite checks. In the event of non-compliance with the rules, the aid granted may be reduced or cancelled. The Commission will be kept informed of, and monitor, the application of IACS.

Payments

Payments will be made once a year between 1 December and 30 June of the year following the application. The additional amount of aid is to be paid at the latest by 30 September of the year following the calendar year concerned. The Commission may also extend the period of payment in the oils and fats sector and authorise advances.

Farmers who have artificially created the conditions required for obtaining payments will not receive them.

Allocation and Calculation of the Single Area Payment

In order to receive a single payment, farmers must have received certain direct payments. They will thus receive a payment entitlement calculated as a general rule on the basis of the sums received during the reference period 2000-02 and the number of hectares which conferred entitlement to those payments. Total direct payments in each Member State are subject to a ceiling.

From 2007, producers of milk products will receive an amount supplementary to the single payment.

National Reserve

In order to constitute a national reserve of payment entitlements for assisting new farmers, Member States may reduce the amounts of direct payments by a maximum of 3%.

Table 1. National ceilings (millions of euro)

<i>Member State</i>	<i>2005 -2007</i>	<i>2008</i>	<i>2009</i>	<i>2010 and subsequent years</i>
Belgium	411	413	530	530
Denmark	838	838	996	996
Germany	4 489	4 503	5 492	5 496
Greece	837	1 700	1 722	1 760
Spain	3 244	4 043	4 241	4 253
France	7 199	7 231	8 091	8 099
Ireland	1 136	1 136	1 322	1 322
Italy	2 539	3 112	3 464	3 497
Luxembourg	27	27	37	37
Netherlands	386	386	779	779
Austria	613	614	712	712
Portugal	452	493	559	561
Finland	467	467	552	552
Sweden	612	612	729	729

<i>New Member State</i>	2005	2006	2007	2008	2009	2010	2011	2012
Czech Republic	228.8	226.7	343.6	429.2	514.9	600.5	686.2	771.8
Estonia	23.4	27.3	40.4	50.5	60.5	70.6	80.7	90.8
Cyprus	8.9	12.5	16.3	20.4	24.5	28.6	32.7	36.8
Latvia	33.9	39.6	55.6	69.5	83.4	97.3	111.2	125.1
Lithuania	92	107.3	146.9	183.6	220.3	257	293.7	330.4
Hungary	350.8	420.2	508.3	634.9	761.6	882.2	1 014.9	1 141.5
Malta	0.67	0.83	1.64	2.05	2.46	2.87	3.28	3.69
Poland	724.6	881.7	1 140.8	1 425.9	1 711.0	1 996.1	2 281.1	2 566.2
Slovenia	35.8	41.9	56.1	70.1	84.1	98.1	112.1	126.1
Slovakia	97.7	115.4	146.6	183.2	219.7	256.2	292.8	329.3

Use of Payment Entitlements

Payments depend on the area of the holding. A farmer who has an eligible hectare is to receive payment of the amount fixed by the payment entitlement. Other than in exceptional circumstances, any payment entitlement which has not been used for a period of 3 years is transferred to the national reserve. As a general rule, payment entitlements may be transferred only between farmers in the same Member State.

Land Use

Land conferring payment entitlement is to be used for agricultural activity, except for permanent crops such as wine, the production of fruit and vegetables, and potatoes other than those intended for the manufacture of potato starch. Farmers must set aside part of their land, except that used for organic production or for materials not intended for human or animal consumption. They are then entitled to direct payments. The land set aside must be maintained in good agricultural and environmental condition and may be subject to rotation. There, farmers may also cultivate oilseeds or bio-mass not intended primarily for food production. In that case, Member States may pay up to 50% of the costs associated with establishing multiannual crops.

Regional Implementation

By 1 August 2004, Member States may decided to allocate payments at regional level. Regional ceilings are to be established and divided among the farmers in the region. Where regionalisation is implemented, farmers may use the parcels covered by a payment entitlement to produce fruit and vegetables or non-starch potatoes. Member States may also set the value of entitlements for grassland and include the dairy premium and additional payments in the single payment scheme. Transfers of payment entitlements within a region or between regions may take place only if the entitlements are identical.

Partial Implementation

When introducing the single payment system, Member States may opt for its partial implementation in order to combat the abandonment of land. Aid will be paid to farmers partly as a single payment and partly as an additional payment.

For arable crops, Member States may allocate per-hectare payments up to 25% of the total amount or up to 40% if they decide to retain the additional premium for durum wheat.

For beef and veal, the suckler cow premium may be retained in its entirety with up to 40% of the slaughter premium. If the first option is discarded, it is also possible to retain 100% of the slaughter premium and 75% of the special male premium. The sheep meat and goatmeat premiums may remain linked to production up to 50%.

Member States are to be entitled to pay additional aid representing 10% of single payments to farmers developing specific types of farming which are important for the environment or for the quality and marketing of agricultural products. At the latest by 31 December 2009 the Commission is to submit to the Council a report on the implementation of the general or partial single payment system.

Optional Exclusion

Member States may, if they wish, exclude some aid from the single payment scheme, such as that for growing cereals in the Nordic countries, the dairy premium and certain types of aid for producers in the outermost regions.

Transition

In order to facilitate implementation of the single payment system, Member States may decide whether or not to opt for a transitional period ending on either 31 December 2005 or 31 December 2006. During that period, Member States will apply a direct payment system in compliance with the EU's competition rules and international obligations.

Communication

Member States and the Commission are to communicate to each other the information necessary for implementing the Regulation.

Committee

In implementing the Regulation, the Commission is to be assisted by a Management Committee for Direct Payments, consisting of representatives of the Member States and chaired by a representative of the Commission.

Transitional Measures

The simplified scheme for small farmers is to apply until 2005. While participating in that scheme, farmers are not to be entitled to direct payments.

ADDITIONAL PREMIUMS

Durum wheat – For durum wheat, the per-hectare aid available for improving quality is to be EUR 40, subject to national limits. If the area in respect of which it is applied for turns out to exceed the limit, then the amount is reduced proportionately. Where the single payment scheme is partially implemented, an area payment supplement of EUR 291 per hectare for 2005/06 and EUR 285 from 2006/07 onwards is to be paid, subject to national limits. If the area in respect of which the payment is applied for exceeds the limit, then the aid is to be reduced proportionately.

For well-established areas of durum wheat production, special aid of EUR 46 per hectare is to be allocated during the 2005/06 marketing year.

Protein crops – For peas, field beans and sweet lupins, the amount of aid is EUR 55.57 per hectare for a maximum guaranteed area of 1.4 million hectares for the EU. If the area is exceeded, the aid is reduced proportionately.

Rice – In order to preserve certain traditional production areas, producers will receive aid for rice set on the basis of the yield for a maximum guaranteed area in each Member State. That area will vary depending on whether or not the Member State opts for the transitional period. If the area is exceeded, the aid is reduced proportionately.

Nuts – In order to protect certain traditional production areas, aid of EUR 120.75 per hectare for the production of hazelnuts, walnuts, filberts, pistachios and almonds may be paid to producers. The guaranteed area is 80 000 hectares for the whole EU. If the area is exceeded, the amount of aid is reduced proportionately. Community aid is granted if farmers comply with a minimum tree density and plot size. At the same time, Member States may grant national aid up to an annual maximum of EUR 120.75.

Energy crops – Aid of EUR 45 per hectare is to be available for producers of energy crops (crops intended

for the production of biofuels or electric and thermal energy) the production of which is covered by a contract with the processing plant, subject to a maximum guaranteed area of 1.5 million hectares for the EU. If the area is exceeded, the aid is reduced proportionately.

By 1 January 2007 the Commission is to submit a report on the implementation of the scheme, accompanied, where appropriate, by proposals taking into account the EU biofuels initiative.

Starch potatoes – Producers of potatoes intended for the manufacture of starch are allocated aid of EUR 110.54 for the transitional period or EUR 66.32 from the 2005/06 marketing year per tonne of starch. Aid is granted only if a contract has been concluded between the producer and the starch manufacturer.

Dairy premium and additional payment – From 2004 to 2007, and subsequently if the dairy premium is excluded from the single payment scheme, each holding's milk reference quantity (quota) expressed in tonnes is to be multiplied by EUR 8.15 for the 2004 calendar year, EUR 16.31 for 2005 and EUR 24.49 for 2006 and subsequent years. From 2004 to 2007, and subsequently in the event of exclusion from the single payment scheme, additional payments are to be made to each farmer. A global amount is to be set for each Member State.

If the single payment system is partially implemented for beef and veal, farmers may apply for various premiums:

- the special premium for bulls (uncastrated male bovine animals) or steers (castrated male bovine animals);
- the deseasonalisation premium, within the limit of the budgetary resources available where the Member State opts for the transitional period, if the number of bovine animals slaughtered during the year is more than the average annual slaughterings of male bovine animals;
- the suckler cow premium (EUR 200) for farmers supplying little or no milk or producing organic milk. An additional premium of EUR 50 may be allocated by the Member State.

Suckler cow premium rights may be transferred. If the rights are transferred without the holding, the Member State may return up to 15% of the rights to the national reserve. Member States may prevent premium rights from being transferred outside regions where beef and veal production is particularly important for the local economy. Premium rights from the national reserve are to be allocated to newcomers, young farmers and other priority farmers. For Member States where more than 60% of heifers and suckler cows are kept in mountain areas, the granting of premiums for heifers and suckler cows may be managed separately;

- the slaughter premium, subject to ceilings to be determined, is to be EUR 80 for cows, bulls and heifers and EUR 50 for calves;

- the extensification premium, if the farmer is already receiving the special premium and/or the suckler cow premium during the transitional period;
- additional payments during the transitional period are to be made according to area and/or headage.

which provokes limited or no market distortion with regard to the COM). For the new Member States, access to the new single payments is not necessarily subject to conditionality.

Adaptation of the Reform of the CAP to the New Member States

SUMMARY

The two pillars of the June 2003 reform of the common agricultural policy (CAP) are the decoupling of direct aid to producers (cutting the link between support and production) and the introduction of the single payment scheme. The CAP was based on a series of direct aids linked to area, production and number of livestock units. Following decoupling, aids paid to producers will no longer be dependent on the type of production.

Commission Regulation (EC) of 21 April 2004 laying down detailed rules for the implementation of the single payment scheme provided for in Council Regulation (EC) establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers. Single payments will be subject to farmers complying with the conditionality provisions.

The decoupling of payments will result in a large proportion of aid for agriculture being shifted from the "yellow box" (e.g. export refunds, which are regarded as a source of market distortion under the rules governing the COM) to the "green box" (e.g. rural development aid,

Council Decision of 22 March 2004 adapting the Act concerning the conditions of accession of the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Republic of Hungary, the Republic of Malta, the Republic of Poland, the Republic of Slovenia and the Slovak Republic and the adjustments to the Treaties on which the European Union is founded, following the reform of the common agricultural policy.

The new additional premiums (new direct payments or aid schemes) will gradually become applicable to the new Member States, from 25% in 2004 to 30% in 2005 and 35% in 2006. After this last date, they will be gradually increased until 2013. The compensatory direct payments for dairy will be increased. The tables on quotas and fat content covering the new Member States will also be amended. The single area payment scheme (SAPS) will be maintained for these countries until 2007, and additional direct payments will be maintained until the end of 2008 with regard to the SAPS. In the framework of the new farm payments, the additional payments may be applied from 2005.

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