



European Commission
Directorate-General for Agriculture

Newsletter

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Studies on impact of accession back Commission's enlargement strategy

On 30 January, the European Commission set out its integration strategy for the EU's enlargement negotiations on agriculture with 10 new Member States ⁽¹⁾. Support for the main elements of the strategy, such as an enhanced rural development policy, specific measures for semi-subsistence farms and a gradual introduction of direct payments, has come from two studies ⁽²⁾. The first, undertaken by the Directorate-General for Agriculture, concludes that enlargement is likely to improve farmers' incomes in most candidate countries, without triggering significant market disparities. However, EU membership will only bring about these economic benefits if the necessary restructuring to meet EU production standards is made. The second says that the central and eastern European countries (CEECs) face a major challenge in restructuring their agriculture. Here, the key question is how to carry it out successfully while ensuring progressive alignment with all the instruments of the common agricultural policy (CAP). The author does not consider that an immediate introduction of full direct income payments is appropriate, and that a gradual introduction linked to aid for the restructuring of the commercial sector would be a reasonable solution.

The European Commission report presents the results of simulations on the possible impact of enlargement on agricultural markets for the main agricultural commodities in the CEECs, on the basis of different alternative assumptions on the conditions for accession. The results of the simulations are compared with those obtained under the assumption of unchanged policies and non-accession. In this impact assessment four different policy scenarios have been considered ⁽³⁾.

Effects on agricultural markets

The report suggests that, without accession, agricultural markets in the CEECs are likely to expand only moderately in the long run. Labour intensive beef and

milk production could further significantly decline due to unfavourable cost structures, which weaken its competitiveness. In the crops sector output is likely to increase only slightly. Only pork and poultry production (favoured by relatively low prices of feed grains and intensive support policies) could develop more positively. The study confirms that in the medium term without accession, agricultural policies currently in place in the CEECs would not be able to support current producer price levels for a number of key commodities, without budget and WTO implications.

The CAP after enlargement, on the other hand, is likely to be beneficial for crop and cattle production due to the level of prices as well as of direct payments. Still, restructuring remains one of the vital challenges for most of the CEECs' agricultural sectors under CAP conditions, especially in livestock production. To produce to EU standards in the livestock sector will be a basic concern, particularly in those countries with a large semi-subsistence sector. Consequently, restructuring will be the indispensable vehicle to deliver the fruits of a successful accession.

Effects on income

As regards income, the Commission study suggests that, whereas non-accession would lead to a reduction of income for most of the CEECs, enlargement, even without direct payments, is likely to lead to an improvement of the income situation in most countries. Even a low level of direct aid support should ensure a positive income effect for all CEECs after enlargement. Then again, full direct payments would result in a large income increase so that agricultural revenues in most countries would far outweigh non-agricultural wages. Increased inequalities in rural areas could induce labour to stay in agriculture instead of seeking other employment.

⁽¹⁾ See Newsletter No 42.

⁽²⁾ The report, entitled 'Analysis of the impact on agricultural markets and incomes of EU enlargement to the CEECs', has been prepared by the Directorate-General for Agriculture. The study 'Competitiveness and farm incomes in the CEEC agri-food sectors' is by Alain Pouliquen. Both are available on http://europa.eu.int/comm/agriculture/publi/index_en.htm

⁽³⁾ (i) **Baseline**, which assumes that no candidate country will join the EU by 2012 and that domestic agricultural policies in place in 1999 in the CEECs remain unchanged;
(ii) **CAP**, the implementation of the CAP without direct payments. Production quotas are based on a recent reference period;
(iii) **CAP DP**, the implementation of the CAP with full direct payments and quotas. The reference quantities are based on recent reference periods;
(iv) **CC position**, the implementation of the CAP with full requested direct payments and quotas.

Study on competitiveness and incomes

The study undertaken by Alain Pouliquen ⁽⁴⁾ aims to identify the major trends in the agri-food sectors of the CEECs, as regards their current and future competitiveness compared to EU-15 before and after accession, and their implications for Community markets and policies. Professor Pouliquen states that making a success of restructuring, while ensuring progressive alignment with all the instruments of the CAP, will become a key issue for agricultural enlargement. In this, the principal elements required for the successful restructuring of the agri-food sector will be rapid access to the Structural Funds and to the rural development programmes and relatively long transitional periods to carry out the economic and social adaptation of the sector. This should include, amongst others, more aid for restructuring of the commercial sector and the progressive and conditional introduction of

direct aid in order to align the agricultural policies of the CEECs with the CAP without major destabilisation.

On Commission approval, new Member States will also be allowed to use national top-ups where EU support does not reach pre-transition levels. This must not exceed the level of payments received in current Member States.

Both studies support the Commission's approach to encouraging the necessary restructuring in the agricultural sectors of the new Member States by an enhanced rural development policy and a gradual introduction of direct payments. The *Commission proposal* ⁽⁵⁾ foresees restructuring aid under rural development and includes a specific measure to help semi-subsistence farming move to full commercial standards.

⁽⁴⁾ Professor Pouliquen is Research Director at the Institut National de la Recherche Agronomique (INRA), France.

⁽⁵⁾ 'Enlargement and agriculture: successfully integrating the new Member States into the CAP' — Issues paper (SEC(2002) 95 of 31 January 2002).

News in brief

□ Better protection for geographical names of food products

The European Commission has suggested a number of amendments to Regulation (EEC) No 2081/92 ⁽¹⁾ which aims to protect the intellectual property rights of geographical names of certain products that meet precisely defined requirements, and are produced in a specific and traditional way. The proposal aims for full implementation of the World Trade Organisation's (WTO) TRIPS Agreement which requires all WTO members to respect a comprehensive set of minimum standards of protection for intellectual property rights (IPRs).

The main changes proposed are:

- an extension to all WTO member nationals of the right to object to registration of a geographical indication, and the abolition of the simplified registration procedure;
- the inclusion of wine vinegar and the removal of mineral and spring waters from the list of products eligible for protection.

About 570 foodstuffs, such as 'Scottish lamb' and 'Queso Manchego', are already registered as PDO (protected designation of origin), PGI (protected geographical indication) and TSG (traditional speciality guaranteed) under the regulation. Following an opinion by the European Parliament, the proposal will then have to be adopted with a qualified majority in the Agriculture Council.

⁽¹⁾ Council Regulation (EEC) No 2081/92 of 14 July 1992 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs (OJ L 208, 24.7.1992).



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