



SWG FAO Joint TCP: "Streamlining of agriculture and rural development policies of SEE countries for EU accession"

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State of the art of the preparation of national Agricultural Policy Measures: CROATIA

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1. GENERAL CHANGES IN CROATIAN AGRICULTURAL POLICY

Harmonization with CAP

- **2001** – First **Agricultural Act**
- **2002** – **Act on State Support in Agriculture, Fishery and Forestry** with 4 models of support: 1) price aid, and coupled **area** payments in crop production and per head in livestock production, 2) income support, 3) capital investment and 4) rural development.
- **2009** – introduction of
 - ⇒ **Basic flat rate payments** for meadows and pastures and other types of agricultural land utilization (arable land, orchards, vineyards, olive groves)
 - ⇒ **Coupled payments** remained for olive oil, sugar beet and tobacco, suckler cows, sheep and goats, fattening cattle, dairy cows and cow's milk
- **2012** => **Single payment scheme** with further decreasing of coupled support + coupled payments and state aids for sensitive production and rural development measures
 - Farmers must comply with conditions** related to environmental protection, health of people, animals and plants, good agricultural and environmental practices established by special regulations
- **2013** – entrance in EU-beginning of implementation of *European Agricultural Guarantee Fund*-special state aid remains for sensitive sectors, rural development measures from *European Agricultural Fund for Rural Development AFRD* will be implemented from **2014**.

Main issues during harmonization period

- Strong **demands to decrease the overall amount of agricultural budget** due to global crisis and food prices, while at the same time competitiveness needs to be improved
- **Capital investment** support and **operational programs** – benefit mostly for salesmen of mechanization, not significant increase in competitiveness of agricultural production
- **Reconstruction** of farms resulted in decrease of number (livestock!), but some started to be more **specialized**
- First **pre-accession EU** funds were not enough recognized (similar national programs were more easy to use)
- New demands considering **food-safety, nitrates directive, administration** (ARKOD)
- Fast **increase** in support for **rural development** and then **stagnation**
- Fast **increase of public administration** – establishment and reorganization)
- Increase of **input prices, price volatility**
- **Lagging behind** with annual budget **payments** to beneficiaries –demonstrations
- Risk management, climate change, innovation-**new approaches**

What is expected with entrance?

=> **Changes due to liberalization of market:**

- In trade, supply, demand and market structures
- Decline of prices of output-especially livestock

=> **Changes in Croatian agricultural policy:**

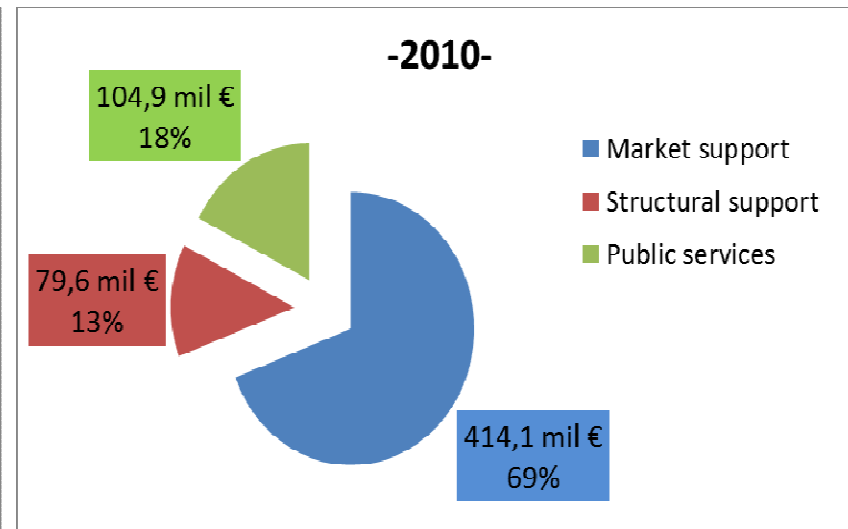
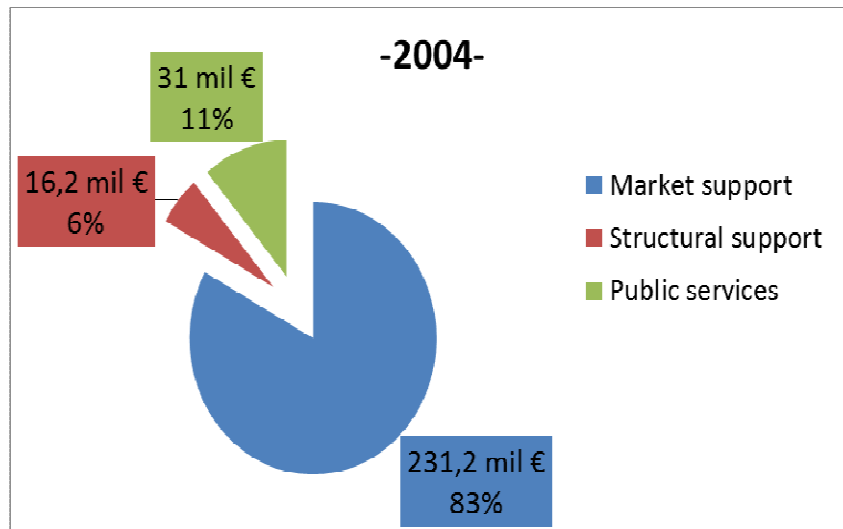
- End of sovereignty, new priorities and goals
- **Increase of agricultural budget** in numbers, but uncertainty in actual payments to beneficiaries due to the **national crisis** of budget
- Changes in **structure of support** (gradual decrease of direct support linked to production - I. pillar)
- New goals => LFA, agro-environmental measures
- Changes in **structure of income**- decrease of direct support, support from II. Pillar =>income would not expect direct impact in short term, but in long term due to the improvement of competitiveness
- Chance in **rural development** measures should be recognized, which depends on **transfer of information to beneficiaries**

2. INFORMATION AVAILABLE FOR APM ANALYSIS

What has been done so far?

- Meetings with financial offices in Ministry of Agriculture and Paying Agency and explanation of project goals
- Collecting of data on agricultural budget
- Analysis of reliability and harmonization between two financial offices
- Input of data for one year-2011
- Detected first issues and gaps in data needed for detailed analysis by APM tool

Agricultural budget due to previous analysis



FACTS:

- Increase of total agricultural budget
- Increase in direct support and rural development measures
- Increase in every administrative sense
- Decrease in market support in relative terms
- Still problems in certain sectors and with certain family farms (frequent demonstrations in milk sector)

3. ISSUES

State of the art:

- Raw, printed materials which demand **significant amount of time** and concentration to be adapted to APM tool
- Data from Paying Agency (**agricultural support**) are not completely harmonized with data held by Ministry of Agriculture (**agricultural support + administrative costs of all agricultural public institutions + different types of loans, donations**)

Additional explanations:

- Data of Ministry of Agriculture are considered as **official**
- Data from **Paying Agency** are more reliable as they show **real situation** after all financial reimbursements – calculated after financial year is finished – by the end of January of next year
- Data of **MoA** show **preliminary demands** for support and are not completely harmonized after the payments are redistributed
- **Problem: 2 different systems** of calculation and closure of the financial year

Budget issues which could be expected in the future

- Agreed national commitments could not be completely met due to the **crisis with overall state budget** (further demonstrations of farmers)
- Funds for Croatia as EU member state will be increasing, but new questions are:
- **How** to spend the money?
- Would the money be spent in **planned dynamics**?
- Are the goals well defined-what is potential **effect**?
- **Are the beneficiaries prepared**, especially for the possibilities within rural development measures (young farmers, small farms, LFA, AE)

4. FUTURE STEPS

...due to data on agricultural budget

- Further **explanations from PA and MoA** for some issues in each year would probably be necessary
- Further **consultations** about some specific measures and APM tool will be necessary
- **Entrance** of cleared data in APM tool
- Further **analysis** of measures
- Conclusions and recommendations...

...due to agricultural policy

Government, Ministry

- **Communication** with beneficiaries and field, in order **to avoid demonstrations** and waste of funds
- Clear **agreement on priorities** (after sector analysis, cost-benefit analysis)
- Communication **within agricultural institutions** in order to avoid gaps and overlaps in implementation of policy measures
- **Accelerate** the flow of information (constant e-mails, memos are time consuming)
- Make the most of national questions that have a **dose of sovereignty**: management of public agricultural land, less favorite area definition

Beneficiaries

- Participate actively and **articulate suggestions** and demands through NGOs, cooperatives, producer groups, agricultural chamber
- Decide and follow on what **type of farm** they are (holding, small farm, beneficiary of rural development support), improve their knowledge on new policy directions.

Experts, academics

- Data analysis, recommendations, reactions, simplification-understandable approach...