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Analysis of Commission Proposal on Direct Payments in 2014 - 2020

Fekete Pál Győző[41]
Selye János Egyetem, Révkomárom

ABSTRACT The proposal is aimed at 3 major objectives: Viable food production, sustainable management of natural resources and climate action and balanced territorial development. The Commission's proposal is based on the perception that the pressure on the agricultural income is expected to continue therefore there is a need to maintain the present support also during the next planning period and to reinforce instruments to better manage risks and respond to crisis situations possibly evading from ecologic, climate, energy and biodiversity risks. Concerning the questions of direct payments the article shows that the Commission Proposal would not resulting in elimination of the presently unjustifiable support differences between the Old and New Member States, and in creation of fair, i.e. EQUAL conditions in the field of income and economic competition.
KEYWORDS European Union, agricultural policy, financial support

Introduction

The Rome Treaty in Art. 33 denominates the system of objectives on which at any time the actual CAP- management should be oriented. Since the beginnings of the Community the changing times and their challangies in different periods of its development however made necessary to stress one or the other selected objective. During the first two decades this objective was to rase agricultural productivity and farmers` income, the Andriessen reform in 1980s, the McSharry and AGENDA 2000 reforms in 1990s had to control production and through different measures, mainly by price decreases to stabilize markets. The main objectives of 2002/ 2003-reform were to redesign the features of direct payments by decoupling of support payments from production and to create the system (SPS) as well as due conditions for NMS`s accession by introduction and management of a dual system of SAPS + Additional payments. The Health Check reform measures made some further changes by CR (EC)1290/ 2005 and CR (EC)1698/2005 creating two financial funds (EAGF and EAFRD) to improve transparency in the field of market operations and rural development payments, as well as to lay down the legal, administrative and financial basements for Pillar II. The further measures were oriented to improve

41 E-mail: feketep@selyeuni.sk

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market orientation in milk and dairy products, from 2008 on to increase and in 2015 abolish milk quotas, in 2009 abolish set- aside and by CR 1234/2007 to reduce the scope of the intervention system. The management of the contemporary direct payments is based on CR 73/ 2009, ensuring Single Farm Payments to farmers of EU-15, Slovenia and Malta. The farmers of NMS experience since 2004 a phase-in of direct payments from Brussels from 25% in 2004 to100% in 2013 - in several years without receiving less or none additional national payments, e.g. in Slovakia.

The economic situation in the world since the 2008. crisis has been changed: The dynamic of economic growth has been lost and some MS of the European Union are confronted with major financial crisis, huge fiscal and monetary problems endangering the stability of euro zone, but also the monetary stability of other MS. During the last years the agricultural productionin Europe was hit by floods, resp. by draught while the number of world population already exceeded the number of 7 billion and on the world market the scissors of supply and demand started to open. At the same time the rapid air- water- and soil pollution has caused growing ecological problems which could be encountered only by major progress in their continues reduction.

Changing and unchanging agricultural policy

All the above mentioned reasons led the Commission to further reform ideas of future agricultural policy to ensure food supply, protect the environment and ensure proper sustainable development of rural areas. However the proposal in some relations to NMS raises concerns where the farm structure, the production conditions and the level of supports substantially differ from that of EU-15 MS. "It is clear that the variation is enormous, from an average of almost €600 per hectare in Greece, to a mere €80 per hectare in Latvia. In general the older member states do much better than the new member states. Payments per hectare fluctuate widely across farms in the EU, and within countries. *The Times* reported on a plot of land in the UK for which the owner was claiming €40,000 per hectare. Direct payment entitlements are strongly positively correlated with the productivity of farmland as they depend on (past) crop yields and livestock herd stocking densities. Farmers who farm the most fertile lands are getting the highest payments per hectare. A distribution of state support which favours farmers in advantaged areas over those in disadvantaged areas is hard to justify from an equity standpoint.", says J. Thurston.

Because of the unjustifiable differences in direct payments Commissioner Dacian Ciolos wants to change their distribution in CEECs` favor, while their West-European counterparts would receive less than before therefore the Commission Proposal establishing rules for direct payments to farmers under support schemes within the framework of the Common Agricultural Policy has stated that "Due to the successive integration of various sectors into SPS and the ensuing periods of

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adjustment it has become increasingly difficult to justify the presence of significant individual differences in the level of support per hectare resulting from use of historical references. Therefore direct income support should be more equitable distributed between Member States, by reducing the link to historical references and having regard to the overall context of the Union budget… while taking account of the differences still exist in wage levels and input costs, the levels of direct support per hectare should be progressively adjusted." This formulation in the language of diplomacy means that there are not to be major reductions in EU/15 states` payments and that the existing substantial differences between their and CEECs` payments should prevail still for years to come.

The proposed measures and their Commission reasoning include the following:

- "**Making support fairer, simpler and more focused** – limit basic assistance to active farmers and cap it at €300 000 per farm per year and distribute funds more equitably among farmers, regions and EU countries,
- **Helping farmers cope with rapid changes in prices and demand** – support during economic crises,
- **Reserving 30% of CAP payments for farms using environment-friendly practices** – support crop diversification, permanent pasture maintenance and preservation of natural areas and landscapes,
- **Targeting better research and innovation** – double R&D funding, make research more relevant to farmers' needs, and accelerate knowledge transfer from lab to field ,
- **Empowering farmers** – support farming organisations and promote more direct links with consumers by cutting the number of intermediaries,
- **Backing environment protection** – make the fight against climate change and efficient resource use top priorities for rural areas,
- **Attracting younger farmers** – support those under-40 during their first five years of farming,
- **Promoting rural employment and entrepreneurship** – up to €70 000 over five years for small projects,
- **Preventing desertification** – provide additional funds for farmers in areas with natural handicaps,
- **Cutting red tape** – make rules simpler, especially for small farmers, who would receive lump-sum payments from €500 to €1000 per year per farm."

To guarantee the ability to meet the set priority objectives the Multi-annual Financial Framework (MFF) would foresee to continue the two - pillar budget structure by maintaining the 2013 support level. According to Article 11 of the Commission

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proposal the payment levels in Pillar I up to € 300.000 should progressively converge and payments to large beneficiaries should be subject to progressive reductions, while payments beyond this amount are to be annulated as follows:

1. The amount of direct payments to be granted to a farmer under this Regulation in a given calendar year shall be reduced as follows:

- by 20 % for the tranche of more than EUR 150 000 and up to EUR 200 000;
- by 40 % for the tranche of more than EUR 200 000 and up to EUR 250 000;
- by 70 % for the tranche of more than EUR 250 000 and up to EUR 300 000;
- by 100 % for the tranche of more than EUR 300 000.

2. The amount referred to in paragraph 1 shall be calculated by subtracting the salaries effectively paid and declared by the farmer in the previous year, including taxes and social contributions related to employment, from the total amount of direct payments initially due to the farmer without taking into account the payments to be granted pursuant to Chapter 2 of Title III of this Regulation.

3. As a precausenary measure the Member States shall ensure that no payment is made to farmers for whom it is established that, as from the date of publication of the Commission proposal for this Regulation, they artificially created the conditions to avoid the effects of this Article.

According to the Commission proposal the budget provisions for the CAP should create a real basis to continue the level of present financial promotion amounting to a total of EUR 435.6 billion over the 2014 – 2020 – period, allocating EUR 317.2 billion to Pillar I and EUR 101.2 billion to Pillar II. Further funding should be ensured for research and innovation (5.1), food safety (2.5), for food support of the most deprived persons (2.8), in a new reserve for crisis in agriculture (3.9) and in the European Globalization Adjustment Fund outside the MFF EUR 2.8 billion.

National ceilings referred to in Article 6

(In thousands EUR)

Cal. Year	2014	2015	2016	2017	2018	2019 -
Belgium	553521	544065	534632	525205	525205	525205
Bulgaria	655661	737164	810525	812106	812106	812106
Czech Rep.	892698	891875	891059	890229	890229	890229
Denmark	942 931	931 719	920 534	909 353	909 353	909 353

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Cal. Year	2014	2015	2016	2017	2018	2019 -
Germany	5 275 876	5 236 176	5 196 585	5 156 970	5 156 970	5 156 970
Estonia	108 781	117 453	126110	134749	134749	134749
Ireland	1240652	1239027	1237413	12357789	1235779	1235779
Greece	2099920	2071481	2043111	2014751	2014751	2014751
Spain	4 934 910	4 950 726	4 966 546	4 988 380	4 988 380	4 988 380
France	7 732 611	7 694 854	7 657 219	7 619 511	7 619 511	7 619 511
Italy	4 023 865	3 963 007	3 902 289	3 841 609	3 841 609	3 841 609
Cyprus	52 273	51 611	50 950	50 290	50 290	50 290
Latvia	163 261	181 594	199 895	218 159	218 159	218 159
Lithuania	396 499	417 127	437 720	458 267	458 267	458 267
Luxembourg	34 313	34 250	34 187	34 123	34 123	34 123
Hungary	1 298 104	1 296 907	1 295 721	1 294 513	1 294 513	1 294 513
Malta	5 316	5 183	5 050	4 917	4 917	4 917
Netherlands	806 975	792 131	777 320	762 521	762 521	762 521
Austria	707 503	706 850	706 204	705 546	705 546	705 546
Poland	3 038 969	3 066 519	3 094 039	3 121 451	3 121 451	3 121 451
Portugal	573 046	585 655	598 245	610 800	610 800	610 800
Romania	1 472 005	1 692 450	1 895 075	1 939 357	1 939 357	1 939 357
Slovenia	141 585	140 420	139 258	138 096	138 096	138 096
Slovakia	386 744	391 862	396 973	402 067	402 067	402 067
Finland	533 932	534 315	534 700	535 075	535 075	535 075
Sweden	710 853	711 798	712 747	713 681	713 681	713 681
United-Kingdom	3 624 384	3 637 210	3 650 038	3 662 774	3 662 774	3 662 774

Source: Commission Proposal COM (2011) 625 final / 2

The proposal foresees a progressive approximation of the payment levels in the following way: "All Member States with direct payments below 90% of the EU average will see one third of this gap closed." The calculation of RD- support is based on objective criteria linked to the policy objectives taking into account the currant distribution. The proposal also contains the possibility of flexibility for transfers between the two pillars up to 5% of direct payments. However transfers

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from Pillar II to Pillar I can be provided only in those Member States where the level of direct payments remains below 90% of the EU average.

Proposed components of direct aids
In million EUR (current prices)

BUDGET YEAR	2015	2016	2017	2018	2019	2020	TOTAL
Annex II	42407.2	42623.4	42814.2	42780.3	42780.3	42780.3	256185.7
30% due to practices climate, environment	12866.5	12855.3	12844.3	12834.1	12834.1	12834.1	77068.4
2% max. payment for young farmers	857.8	857.0	856.3	855.6	855.6	855.6	5137.9
Basic Pay. S., "LFA", Vol. Coupled Support	28682.9	28911.1	29113.6	29090.6	29090.6	29090.6	173979.4
10% Small Farmers Scheme(-from above)	4288.8	4285.1	4281.4	4278.0	4278.0	4278.0	25689.3
Wine transfers incl. in Annex II	159.9	159.9	159.9	159.9	159.9	159.9	959.1
Capping	-164.1	-172.1	-184.7	-185.6	-185.6	-185.6	-1077.7
Cotton	256.0	256.3	256.5	256.6	256.6	256.6	1538.6
POSEI/Small Aegean Isl.	417.4	417.4	417.4	417.4	417.4	417.4	2504.4

Discussions

1. As to the question whether the proposal does improve the simplicity and transparency of the system of payments and production management to farmers, the daily work of administrative and control institutions, as well as of consultative, education and training facilities. On the basis of the proposal as it is shown below, he author is convinced that it will not make easier the life of all of us.

The legal framework of the proposal creates a new situation by the provisions of the Direct Payment Regulation enacting a **Basic Payment Scheme (BPS)** and replaces the Single Payment Scheme (SPS) and the Single Area Payment Scheme

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(SAPS) as from 2014. In the provisions of the proposal a convergence of entitlements of support to active farmers at national or regional level towards a “uniform value” is foreseen which “is done progressively to avoid major disruptions”. According to the proposal the following payments should be provided:

5. **30% of annual national ceiling** for farmers following good agricultural practices: crop diversification, maintenance of permanent pastures, organic farming and ecological focus areas, e.g. Natura 2000 areas,
6. **Up to 5 % of annual national ceiling** a voluntary payment for farmers in areas facing specific natural constrains (as delimited in RD schemes),
7. **Up to 2% of annual national ceiling** for young farmers in their installation (up to 5 years), which may be complemented by RD supports.

At the same time up to 10 % of annual national ceiling a simplified scheme for small farmers as a lump sum payment replacing all direct payments while easing their obligations related to greening, cross compliance and controls.

Up to 5% or more of annual national ceiling as a voluntary coupled support scheme is provided for specific types of farming to maintain the currant level of production.

The Replacement of SPS in EU-15 + 2 countries and that of the dual system of SAPS + Additional payments in EU-12 by the Basic Payment Scheme generally would simplify the system, but only if all kinds of special entitlements and differences, e.g. Art. 68, the transpositions from EAGF to EAFRD and vice versa would be annulated. On the other hand the requirement of the proposed crop diversification could cause difficulties in crop management and rise costs, mainly in case of smaller or medium size farms, when parcels of their land would be at a larger distance from their other parcels. To make this to a subject of “greening component” and cross compliance might cause an unnecessary increase in disinformation besides the farmers and further administrative and control burdens to MS bodies.

Only the version of a simplified direct payment scheme for small farmers as a flat rate or lump sum payment replacing the different kinds of direct payments would decrease administrative and control burdens, however the question is how to equalize the preconditions of this payments as the average farm size in MS differs. There the question is emerging in relation to a proper general definition of the notion “small farmer”. It should be analyzed, if a common general limit, e.g. 30 hectares of arable land or an income capacity of 30 ESU a year and farm unit could be seen as a proper solution. This version would simplify the farm and administrative management, and give impetus to a better market orientation.

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2. Within an analysis of possible perspective policies the Commission concluded an impact assessment comparing three alternative scenarios for the future architecture of Common Agricultural Policy:

- Refocus scenario, which would accelerate structural adjustment in agriculture shifting production to the most efficient areas and profitable sectors,
- The adjustment scenario best allowing policy continuity with limited but tangible improvement both in agricultural competitiveness and environmental performance.
- The integration scenario with enhanced targeting and greening of direct payments.

The Commission considers the integration scenario as the most balanced in progressively aligning the CAP with the EU- strategic objectives and allowing simplification in the streamlining of Cross Compliance and market instruments, or the introduction of the small farmers direct payments scheme as to minimize administrative burdens of controls. Here the question is emerging whether the integration scenario is the most proper way to comply with the basic objectives of CAP and to respond to the necessities of higher production levels and critical challenges by climate change and economic and social crisis of the years to come.

To be able to analyze the above mentioned scenarios the exact definition of the contents of notion "enhanced targeting and greening" and of the scope of direct payments subordinated to this version should be presented. Which farms would be entitled to these payments, and which excluded as in agriculture all crop production has greening effects? If the integration scenario is a plane mix of the former two scenarios with an expected impact to boost production and a "greener" or a more organic way of production, then there might be an antinomy of objectives without to reach the imagined or desired results.

3. The article questions the way of distribution of direct payment supports and shows that the Commission Proposal does not eliminate the presently high and unjustifiable differences and does not create - even after a 10 years lasting long transition period - fair equal conditions for the New Member States.

The Commission proposal does not aim at a complete convergence of direct payments as it should. The reasons for keeping on lower entitlements in NMS the Commission sees in the differences that still exist in wage levels and input costs of EU-15 and EU-12 countries without any thoughts or reasoning about the justifiability of that situation in the future. There the question arises whether

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the Commission supposes that those differences in wages and salaries should be considered yet as normal, and if they should persist in an unlimited number of years or decades? Instead to achieve a step-by-step approximation, to keep the mentioned differences, the proposal provides a derogation to "MS having used the SPS, and in particular the historic model, (a majority of EU-15 countries) which should be allowed to partially take the historical factors into account even calcualating the value of payment entitlements in the application of the new scheme." This provision clearly expresses the intention not to want to allow an equitable solution by a proper redistribution of income support between Member States during the planning period 2014 – 2020.

To ensure the continuation of the present status quo the Commission proposes the following solution:

1.) to create an average of a lower support level by considering all EU-27 countries, and further

2.) to take 90 % level of it, to which the conversion of lower payments should happen, instead to equilize them to the support level of the average of EU-15 countries, as it was promised to NMS before their accession.

In the final effect on the basis of the Commission Proposal some NMS would receive minimal higher payments, e.g. Cyprus, Latvia, Estonia, Lithuania, Malta and Poland, while those MS of which payment level is above 90% of EU-27 average, e.g. Czech Republic, Hungary, Slovenia and Slovakia would receive even lower payments than in 2013.

The major (questionable) differences in national envelopes between the Old and New Member States - as shown below - result from the used anachronistic calculation method and the selected statistical period with the formula which according to the Commission should not be touched by the reform:

NE = NBA x RY x 63, being calculated on the basis of poor yields' in years 2000 – 2002.

NE = amount of national envelope (€)
NBA = national base area (ha)
RY = average of referential yields (t / ha)
63 = value (€) / t

Therefore the author proposes by 2013 to terminate the use of this method of calculation of national envelopes for hectare payments on the basis of presently applied referential yields and to equalize the payment levels throughout the EU without any regard to any geographical or other differences in total amount of Pillar I supports. The impact of this solution would result in a consecutive

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reorientation of the prevailing distorted allocation of production to the best use of the potential fertility and specific characteristic features of agricultural land and in the achievement of best comparative cost advantages boosting competitive production, reduce useless transports, pollution and by that improve environment. To meet the arguments against this method the author states that there is a natural historic pattern for production distribution between mountain or other "LFA" – areas which also have their specific relative advantages against "non-LFA" - areas in their own historical production cultures, e.g. in production of sheep, goats, animal husbandry and dairy products in which the latter are not. The proposed solution would mean to return to the well proved old historic patterns in the field of undistorted production competition while granting equal income support to the farmers giving respect to the good principle "hard on the matter but soft on the people".

National basis of arable land in eu-10 ms

MS	Arable land basis (ha)	Ref. Yields (t/ha)	€/ha	€/ basis
CZ	2 253 598	4, 20	264,6	596.302.030,8
ES	362 827	2,40	151,2	54.859.442,4
CY	79 004	2,30	144,9	11.447.679,6
LA	443 580	2,50	157,5	69.863.850,0
LI	1 146 633	2,70	170,1	195.042.273,3
HU	3 487 792	4,73	297,9	1.039.327.138,0
MA	4 565	2,02	127,2	580.941,9
PL	9 454 671	3,00	189,0	1.786.932.819,0
SLO	125 171	5,27	332,0	41.558.023,7
SK	1 003 453	4, 06	255,7	256.663.208,3

The new reform proposals of the Commission concerning the modulation system seems to be a future desaster to larger farms, where a progressive reduction and capping of support is foreseen – with exception to outermost regions of EU and the smaller Aegean islands. The capping of SAPS- support over € 300.000 / farm would have the impact of a further major financial restraint to their viability and future economic development. In the conditions of the prevailing world ecenomic crisis and growing stochastic instabilities the proposed changes in

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modulation of direct payments expectably would force many large cooperatives to react to this challenge by „proper economic measures“, e.g. by a reduction of the number of their staff and employes and possibly restrain their production to even fewer varieties. The proposed possibility of reductions of some variable costs from the eligible amount of their direct payments might have only a minor impact on their rationalisation decisions.

The Commission proposal might have utmost negative impacts in some Member States, e.g. in Slovakia , where beneath the fact, that the government - in spite of the relevant provision of the Accession Treaty - since 2009 does not support its farmers by any additional payments, and additionally it decreases their income by taxation of arable land and even that of direct payments. These reductions would worsen not only their competition positions, but also their financial accumulation capabilities, and by that their investments and future development.

Additionally to the mentioned complex of problems the Commission proposal does not aim at solving the problem of the seezed safety net for farmers. The major reductions of the intervention system to a sole product (bread wheat) made by provisions of Council Regulation (EC) 1234/ 2007 raise the question relating to a need of a wider and stronger safety net for farmers enabling them to face the continuing rough times of volatile world market conditions. At the same time it would be also useful and equitable, if the Commission would state such intervention prices which in NMS would orient and promote the farmers to approach the prevailing substantially higher market prices in EU-15 countries.

Taking into consideration the CAP- objectives and measures, to create fair future conditions for all farmers and MS the author submits to consider the following main policy recommendations:

1. Equilize the levels of direct payment in all MS to one unified amount per hectare, while taking in account the services provided by farmers to countryside, ecology and the society in all areas within Pillar I- payments,
2. Take into account the needs to increase farmers`competition power, improvements in ecological adjustment and differences in working conditions in LFA within Pillar II- payments,
3. Reinforce the safety net for farmers by reforming the intervention system,
4. Take measures to equilize market price levels of agricultural products in all MS,
5. Consecutively equilize input price levels in all MS,
6. Create in all MS equal conditions in taxation in agriculture to create equal conditions for economic competence,

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7. Seize British rebate which by NMS'-accession has become completely unjustifiable and obsolete,
8. Respect and meet the objectives stated in Art. 33 of Rome Treaty equally in all MS,
9. Eliminate the proposed cotton- support as it would distort production and competition position of developing countries and would be a further unjustifiable an unproportionate subvention to some souther MS.

Due to rough economic and financial developments and processes in the world during the last months the European Union since its foundation is experiencing the hardest challenge of its existence, being confronted not only with an economic and social crisis, but a crisis of trust, too. It has arrived at a crossing point in its development where the question is whether the Member States and the EU as a whole are capable to solve the complex of their difficulties or not. Possible failing to solve them will have far reaching consequences with new scenarios for the further development of the Union. On its way to get through the challenges and dangers the Union in its "Europe 2020" growth strategy marked the way for this decade when in a changing world the EU should become "a smart, sustainable and inclusive economy" with high levels of employment, productivity and social cohesion continuing the targets of the former Lisbon Strategy.

The European Commission to underpin the new strategy after a huge preparatory work based on wide ranged public consultations and economic and social impact analysis on CAP prepared its proposal for a new regulation on CAP after 2013: COM (2011) 625 final/2, published on 19.10.2011 in FR/EN/DE versions.

The proposal is aimed at 3 major objectives: Viable food production, sustainable management of natural resources and climate action and balanced territorial development. The Commission's proposal is based on the perception that the pressure on the agricultural income is expected to continue therefore there is a need to maintain the present support also during the next planning period and to reinforce instruments to better manage risks and respond to crisis situations possibly evading from ecologic, climate, energy and biodiversity risks. For these reasons the reform proposals go beyond the requirements of present Cross Compliance standards and introduce Water Framework Directives (WFD) and integrate further environmental requirements by a strong greening component into Pillar I. To ensure their implementation it is proposed to regroup 30% of direct payments to greening standards of the retention of soil carbon and grassland habitats associated with permanent pasture, by the establishment of ecological focus areas and improvement of the resilience of soil and ecosystems through crop diversification.

To guarantee the ability to meet the set priority objectives the Multi-annual Financial Framework (MFF) will foresee to continue the two - pillar budget

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structure by maintaining the 2013 support level. The Commission proposal in Pillar I area involves some major changes in Direct Payments where payment levels from € 150.000 / farm should progressively converge and payments to large beneficiaries above € 300.000 / farm should be abolished. The capping amounts in Policy Area 05 should be transferred to rural development expenditure within Heading 2 while the revenues from sugar production charge should be terminated along with the end of sugar quota management by 2015.

The Commission proposed as well a diversification of direct aids in line with new reform proposals, e.g. 30% payments for agricultural practices beneficial for the climate and environment, payments for young farmers, wine transfers, cotton aid for South European Countries and POSEI / Small Aegean Islands, as well as major changes in present systems of direct aids by abolishing SPS, SFP and SAPS and replace them by some new titles of support, such as the Basic Payment Scheme, Payment for areas with Natural Constraints, Voluntary Coupled Support and the Small Farmers Scheme. Further changes are proposed in an extended use of the possibility of private storage and the intervention system to cope with the expected market risks and crisis events. The proposal contains inside MFF within Heading 1 the introduction of aids for Agricultural research and innovation, for the most deprived persons, within Heading 3 a title for Food safety and outside MFF Reserve for agricultural crisis and a part of the European Globalisation Fund (EGF) determined for agriculture and further setting up aid for F&V producer groups, a continuation of School fruit scheme and the abolition of aids for hops PO and skimmed milk powder as feeding stuff and casein.

In Pillar II area the Commission proposal aims at the promotion of initiatives of local development by creation of "starting packages" for micro enterprises to be paid during the first 5 years of their existence up to € 70 000 and the reinforcement of LEADER groups, last not least, the sells of land by small farmers to viable units should be promoted to accelerate structural changes in farm structure by speeding up the concentration process in agriculture.

In spite of the fact that the Commission Proposal seems to have considered the past experience and reacted on a number of problematic elements, the objective of this article is to find proper answers based on analysis of the questions below:

1. Whether the proposal does improve the simplicity and transparency of CAP- management system, especially to farmers, administrative and control institutions, as well as to students, consultative, education and training facilities.

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2. Within its analysis of possible perspective policies the Commission concluded an impact assessment comparing three alternative scenarios for the future architecture of Common Agricultural Policy: The refocus scenario, the adjustment scenario and the integration scenario. The Commission considers the third, i.e. the integration scenario as the most balanced in progressively aligning the CAP with EU- strategic objectives and allowing simplification in the streamlining of Cross Compliance and market instruments. Here the question is emerging whether the integration scenario is the most proper way to comply with the basic objectives of CAP and to respond to the requirements, necessities and challenges of the years to come.
3. Concerning the questions of direct payments the article shows that the Commission Proposal would not resulting in elimination of the presently unjustifiable support differences between the Old and New Member States, and in creation of fair, i.e. EQUAL conditions in the field of income and economic competition.

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