



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 6/28/2004

GAIN Report Number: E34028

EU-25

Agricultural Situation

Agriculture Talks End For Romania and Bulgaria

2004

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Report Highlights:

Talks between the Council and Romania and Bulgaria on the agriculture chapter ended on June 4, 2004, with the two countries getting basically the same agreement as the recently acceded 10 New Member States (NMS). These talks were much less painful than the yearlong negotiations for the 10 NMS. There will be a phase in period for direct aid cap payments, the possibility to "top-up" EU payments with additional funds, and an option for the Single Area Payment Scheme. Both Romania and Bulgaria negotiated favorable terms for their quotas with isoglucose, milk, and ewe premium. Bulgaria wrapped up its overall accession negotiations on June 15, and Romania has 7 more chapters to conclude before it is ready. The countries are currently scheduled to join the EU on January 1, 2007.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Brussels USEU [BE2]
[E3]

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Phasing-in

Just as the 10 NMS have a 10-year direct payment phase in period, so will Romania and Bulgaria. Their period will begin in 2007, three years after the 10 NMS, and end in 2016. During this period, they will receive only a percentage of the direct payments applicable in the EU-15. Examples of direct payments include area payments for arable crops, nuts, protein crops and dairy and livestock payments. "Market support" payments (mainly payments for processing agricultural products) will not be phased in. Examples of these kinds of payments include: dried fodder, flax/hemp and potato starch processing aid, as well as aid to producer organizations for delivery of tomatoes, citrus, peaches and pears for processing. These "market support" payments will be paid at 100% of the EU level upon accession.

"Topping-up"

The same "topping-up" provision will apply to Romania and Bulgaria. These payments, also known as Complementary National Direct Payments (CNDP), are intended to offset the impact of the 10-year phase-in period for direct payments.

Within defined limits, Romania and Bulgaria may use their own funds to increase payments by a maximum of 30% (of the EU payment). In 2004, if they could get 25% of the EU payment, they could top-up to 55%. Topping-up allows Romania and Bulgaria to reach 100% of the EU payment by 2013 instead of 2016. The table below highlights the phase-in period taking into account the top-up payments.

Percent of Aid

Year	% of EU-15 CAP AID		% Plus Top-Up		% CAP AID EU-15
	Bulgaria & Romania	10 New Member States	Bulgaria & Romania	10 New Member States	
2004		25		55	100
2005		30		60	100
2006		35		65	100
2007	25	40	55	70	100
2008	30	50	60	80	100
2009	35	60	65	90	100
2010	40	70	70	100	100
2011	50	80	80	100	100
2012	60	90	90	100	100
2013	70	100	100	100	100
2014	80		100		100
2015	90		100		100
2016+	100		100		100

Source: AgraFood East Europe Online

Payment Schemes

The NMS states had the choice of adopting the Single Farm Payment (SFP), a form of decoupled aid based on historic production from 2000 to 2002, or a simplified version, Simplified Area Payment Scheme (SAPS). See Gain Report E34004 for greater detail. Since NMS did not receive direct payments during the reference period and because implementing direct payment systems is administratively difficult, the SAPS allows for a flat per-hectare payment to farmers paid once per year, irrespective of the crops produced, or even whether any crops are produced at all. The only requirement is that the land be maintained in good agricultural condition. This same option applies for Romania and Bulgaria.

Romania and Bulgaria may choose this option for up to three years, through 2010. This time line is two years shorter than the 2004 accession countries, which have five years to utilize SAPS before switching to the SFP regional plan. Before the countries can revert to the SFP used by the existing EU-15 for direct payments, they must demonstrate that they have the management and control systems in place to do so. If they do not have these systems in place by 2010, they will continue under the SAPS, but their aid percentage will be frozen at 50% of the EU level. There is no set-aside requirement for SAPS, but production quotas, which apply to sectors such as dairy and sugar, must be respected. As long as a country employs SAPS, farmers are exempt from the full requirements of cross-compliance under SFP. However, Romania and Bulgaria would be required to meet these conditions starting in 2010 even if the EU decided to grant them an extension for the use of SAPS.

"Market support" payments in certain sectors, such as fruit and vegetables for processing, are not included in SAPS. These schemes will operate in addition to SAPS in countries that qualify for the payments and have opted for SAPS.

Quota Deals

Both Romania and Bulgaria were able negotiate additional quotas for the production of the sugar substitute isoglucose. Bulgaria received an additional 18,635t of isoglucose quota and Romania obtained an additional 6,000t from the original proposal set out by the Commission. Bulgaria may also transfer its entire sugar quota to isoglucose. Both countries also were able to negotiate a milk quota reserve. Pending the outcome of a Commission report in 2008, the quotas could increase to 39,180t for Bulgaria and 188,400t for Romania in 2009. This provision allows for an increase in milk quotas to account for undeclared direct sales that may understate each country's production. The two countries also received strong offers for their ewe premium.

The following table highlights the negotiations for key commodities.

Agreed quotas, reference yields and base areas for Romania and Bulgaria		
<u>Quotas</u>	<u>Bulgaria</u>	<u>Romania</u>
Arable area (ha)	2,625,258	701,266
Arable yield (t/ha)	2.90	2.65
Durum wheat base area (ha)	21,800	0
Grain legumes base area (ha)	18,047	0
Rice base area (ha)	4,166	500
Rice ref. Yield (t/ha)	4.60	1.68
Dried fodder (ha)	0	0
Potato starch quota (t)	0	0
Sugar quota (t)	4,752	109,164
- A quota	4,320	99,240
- B quota	432	9,924
Isoglucose (t)	56,063	9,790
- A quota	56,063	9,790
- B quota	0	191
Cotton - national guaranteed quantity (t)	9,115	0
Tobacco - National production quota (t)	42,243	12,312
Milk quota - total	979,000	3,057,000
- deliveries (t)	722,000	1,093,000
- direct sales (t)	257,000	1,964,000
Milk quota reserve (for possible release in 2009)	39,180	188,400
Beef national envelopes (Euro)	380,172	858,260
Beef slaughter premia adult (head)	22,191	1,148,000
Beef slaughter premia calves (head)	101,542	85,000
Beef special premia (head)	90,343	452,000
Suckler cow premia (head)	16,019	150,000
Ewe premium rights (head)	2,058,483	5,888,620
Sheep national envelopes (Euro)	2,176,155	6,216,782

Source: AGRAFACTS & Agra Europe Online

The State of Negotiations

Bulgaria completed its accession provisional negotiations on June 15, 2004. However, Romania has 7 remaining chapters to complete. Questions remain about Romania's ability to be ready in time for the accession date of 2007. Talks with Croatia may allow for an easier delay of Romania's entry, by possibly postponing Romania's accession until Croatia is ready.

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