



UDRUGA OBITELJSKIH POLJOPRIVREDNIH
GOSPODARSTAVA HRVATSKE – ŽIVOT

Association of Croatian family farms - LIFE

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Tassos Haniotis Esq
Acting Director of Directorate for Direct Support,
Market Measures and Promoting
AGRI
European Commission
Bruxelles

Dear Mr. Haniotis,

The Croatian Government has recently proposed a national model of direct payments to farmers within the framework of the latest version of the EU's Common Agricultural Policy. The Croatian public was informed that the proposal, covering the period until year 2020, has been forwarded to the European Commission but its exact content has so far been withheld from the public. However, a number of statements by high officials of the Ministry of Agriculture have indicated that crucial proposals have closely followed the draft which had been submitted to public debate after the Ministry internally consulted with the corporate recipients of biggest direct payments.

Our Association, which is a non-political organization of small and mid-size family farms, is one of those who have criticized official handling of the matter and the Ministry's proposal. We see it as a continuation of disastrous policies of gambling on industrial type agriculture which is not only unrealistic but also clearly at odds with successful experiences of organic growth of family farms in most developed EU countries. As an end result of these policies, which we believe to be contrary to basic CAP principles, Croatia has despite excellent natural conditions been pushed into depending on food imports for a half of its needs.

At the heart of disagreements are different concepts of development of agriculture and rural areas. During the communist period large state agricultural firms (the so-called *kombinats*) were favored while small family farms, perceived as ideologically questionable, were kept small and under control. Subsequently, the introduction of market economy in a free Croatia did not entail a thorough reappraisal of the system: The *kombinats* continued to be viewed as the key to progress in agriculture while little was done to create conditions for a revival of rural areas, based on family farms.

Strong vertically integrated corporate interests were instead allowed, and indeed generously helped, to acquire and maintain control of large public agricultural sector and to vertically integrate production of raw materials, their industrial treatment and distribution, as well as imports. Small and unorganized family farms had no countervailing market power but internal inconsistencies of the system made it self-defeating in a broader sense. They brought about a deeply unsettling inability of the nation to feed itself.

We believe that it is of crucial importance that the coming six years' period be used to reenergize small and medium-sized family farms by redistributing to them a substantial part of the resources which the new CAP reserves for the task. The Association has therefore submitted an alternative proposal on allocation of direct payments which differs from the official one in several respects.

During the public debate the Ministry accepted our suggestion that € 50 million be yearly switched from the second to the first pillar and that the greening component be more than doubled. Unfortunately it has absolutely refused to discuss the key issue of redistribution between different sizes of land holdings which is one of the key elements in the development of competitive family farming.



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The Government proposes to redistribute only 1/3 of the amount made available by the CAP, while our Association pleads for using about 85 % of the amount. There is also a difference in approach: While the Government wants to limit redistribution to households with less than 20 ha, the Association proposed a 30-ha limit. Simulations show that following our formula the largest recipients, i.e. those with holdings over 53 ha – representing 2 per cent of the recipients but holding about 2/5 of the land under consideration – would lose only 12-13 per cent of their direct payments. The remaining 98 per cent of farms (holding 3/5 of the land) would receive higher payments than under the official proposal, with highest proportional income additions envisaged for the 25-30 ha household bracket which we view as an optimal farm size target under present conditions.

The Association takes the liberty of approaching the European Commission in this matter for two reasons, one internal for Croatia and one pertaining to the communitarian responsibilities of the Union itself.

Croatia first. Discussions during the last few months have clearly demonstrated how difficult it is to obtain documentation necessary to control the scope and legality of different national measures within the CAP. Croatian receivers of direct payments for year 2012 have e.g. not at all been officially notified of the amount they were supposed to obtain. A lot of effort was necessary to find out that almost € 10 million was paid in year 2013 (as a redistribution for production year 2012) to some recipients of direct payments who receive more than € 300,000, in clear contravention of the Council Regulation 73/2009 of 19 January 2009 (§ 7, mom 2) and different national statutes. To make the matter even more serious, the rights thus extralegally obtained for year 2012 are to be recognized as valid in the new model of direct payments for the whole period 2015-2020.

The association has experienced similar problems in obtaining documentation necessary to develop and simulate with an alternative model of direct payments for the coming 6-year CAP period. After the main points of our proposal have been published, albeit sparingly, by the media, the Croatian Parliament's agricultural Committee discussed it on two occasions (including a large roundtable) and our representatives were received by an interested Speaker of the Parliament.

Representatives of the Association were also awarded a long session with the highest officials of the Ministry but during all discussions they made it clear that the matter of redistribution could not be discussed at all. It turned out that it had initially been settled with the largest receivers and that this was the “reality that would be adhered to”. Both the minister and his closest associates have repeatedly stated that they are “not interested in discussing principles but realities” as if the two were not related. The weakness of this approach was made apparent when the representatives of the largest receivers threatened during the roundtable in the parliament to forgo the preliminary “compromise” which they reached in closed preliminary discussions with the Ministry and proposed instead that the Government completely abstains from the redistribution!

We believe that the Commission would do well to remind Croatian authorities of the aims of the Common Agricultural policy, request that they take under serious reconsideration their task to develop family farming and, as a result, propose a substantial redistribution of direct payments and corresponding rights.

The second reason to turn to the Commission is the fact that the CAP system of per ha payments has important unintended structural consequences in countries where very large corporate land holdings coexist with small family farms. Croatia, with its skewed distribution of land holdings, can serve as an example of such adverse consequences: An average Croatian family farm receives several times smaller direct payments than its counterparts in relevant EU countries as an aggregate result of lower per ha payment, smaller holdings and lesser redistribution from the large recipients. Consequences extend also to production subsidies:



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For example, 69 per cent of the envelope for cattle fattening is received by 1 per cent those engaged in fattening and at the time the envelope for pig breeding still existed only 3 breeders used to get 60 % of it.

While conceived to improve income stability of family farms, the per ha criterion – when applied without considerable redistribution – amounts to subsidies to large corporate entities (which should be competitive in their own right) while destituting the character of payments to small farmers to something close to existence level social assistance. We believe this to be contrary to the CAP spirit and ask the Commission to insist, or recommend the Council of Ministers to insist, on redistribution schemes that would address the problem.

Yours sincerely,

Antun Laslo
President



Association of Croatian family farms LIFE

Att to (E-mail):

EC Commissioner for Agriculture and Rural Development, Mr. Ciolos Dacian
Chairman, AGRI, European Parliament, Mr. Czesław Adam Siekierski

Prime Minister, Croatian Government, Mr. Zoran Milanović
Croatian Minister of Agriculture, Mr. Tihomir Jakovina + associates

Speaker, Croatian Parliament, Mr. Josip Leko
Chairman, Committee on Agriculture, Croatian Parliament, Mr. Franjo Lucić