

EU-10 AND THE CAP

10 YEARS OF SUCCESS



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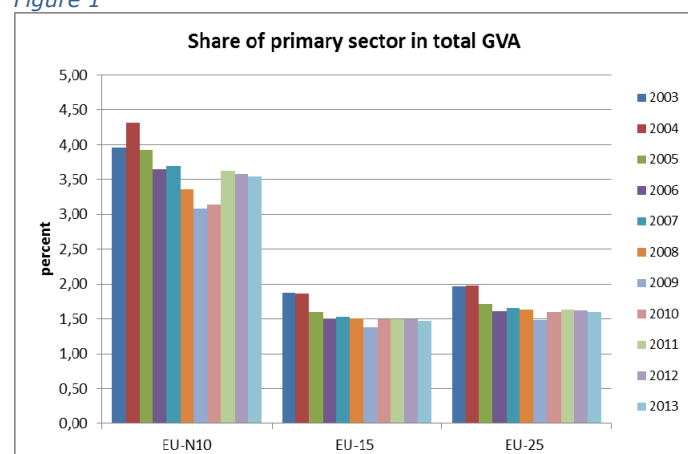
http://ec.europa.eu/agriculture/policy-perspectives/index_en.htm

Ten years ago, on 1 May 2004, the EU enlarged from 15 to 25 Member States (subsequent enlargements bring the EU to 28). The focus of this Brief is on developments in agriculture and the rural economy and the impact of the CAP in the 10 new Member States. The balance of these ten years of EU membership is clearly positive for agriculture and the agri-food sector in the EU-N10¹.

1. Structural Adjustment

Over the last decade, the agricultural sector in the EU-N10 has undergone important structural changes.

Figure 1



Declining importance of the primary sector in line with economic development

Linked to economic development, the importance of the primary sector (agriculture, forestry and fishing) in the economy² has largely been on a declining trend, both in the EU-N10 and in the EU-15. For the EU-N10, two important breaks can be observed: one between 2003 and 2004 (the year of accession) and another between

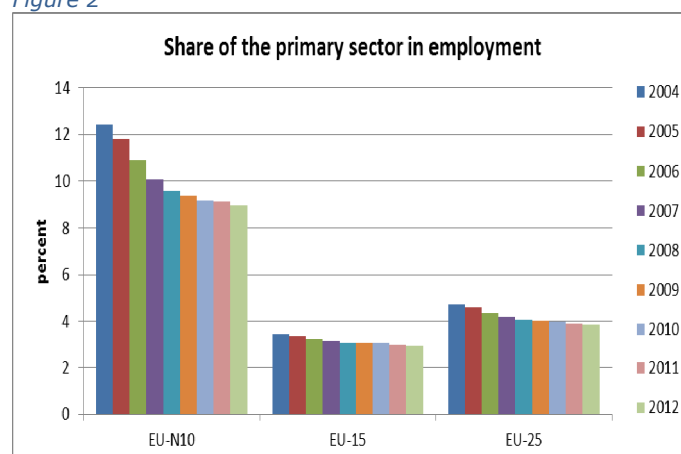
¹ The EU-N10 refers to the ten "new" countries that joined the EU in May 2004: Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia.

² The size of the economy as measured by Gross Value Added.

2009 and 2010, possibly as a delayed reaction to the economic crisis that started in 2008. Overall, the primary sector is still more than twice as important in the EU-N10 as in the EU-15.

A similar trend emerges for the share of the primary sector in employment, albeit without the breaks: primary sector employment has been on a continuous decline across the EU, but remains much more important in the EU-N10 at 9%, than in the EU-15 where it accounts for just 3% of jobs in 2012.

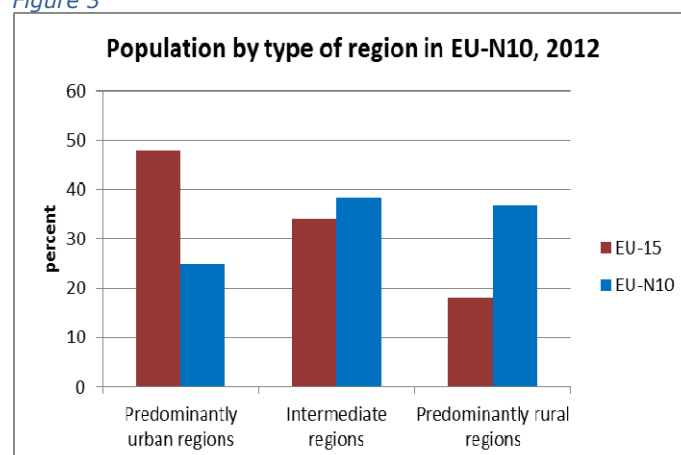
Figure 2



Over one-third of the population lives in rural areas

The countryside is home to nearly 37% of the population of the EU-N10, with just 25% living in predominantly urban regions.

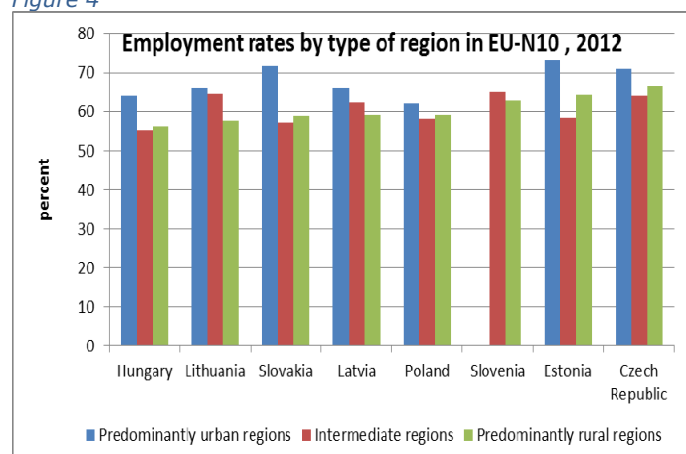
Figure 3



Lower employment in rural areas

The rate of employment in rural areas is below that of urban regions, especially in Slovakia and Estonia. Rural employment is lowest in Hungary (56%) and highest in the Czech Republic (66%).

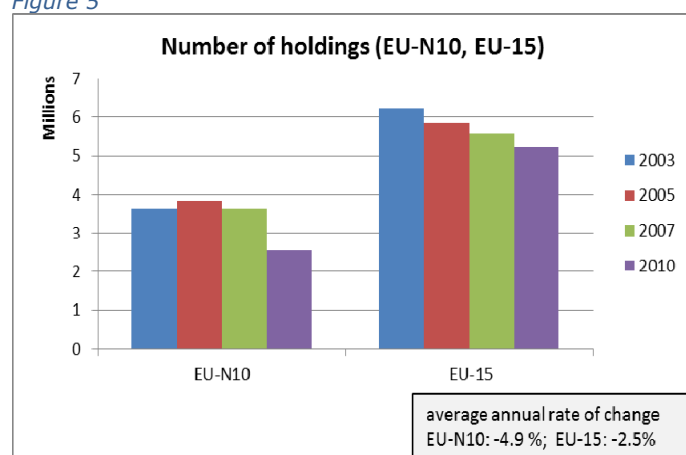
Figure 4



Fewer farms

After a small increase post-accession, the number of farms decreased significantly in the EU-N10³, at about twice the average annual rate as in the EU-15. This may be partly explained by the rapidly changing pattern of land ownership, but economic development is the main driver.

Figure 5

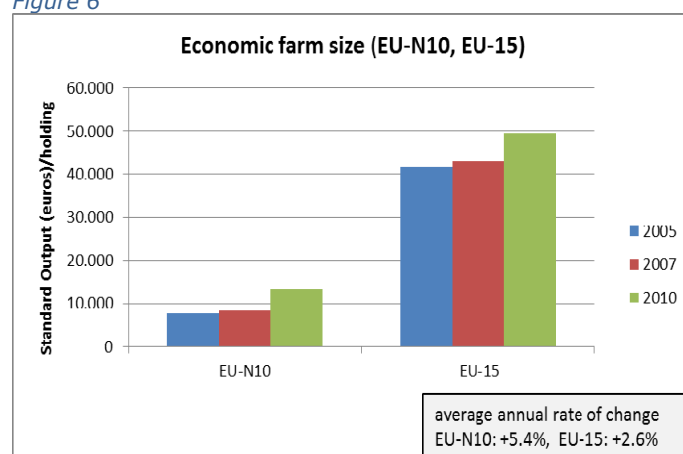


³ The sharp reduction in the number of farms between 2007 and 2010 is at least partly due to methodological changes in the Farm Structure Survey.

Bigger farms

Those farms that remain have become bigger, both in terms of area and economic size⁴. Although farms have grown at a higher rate in the EU-N10 than in the EU-15, those in the new Member States are still considerably smaller on average than in the EU-15.

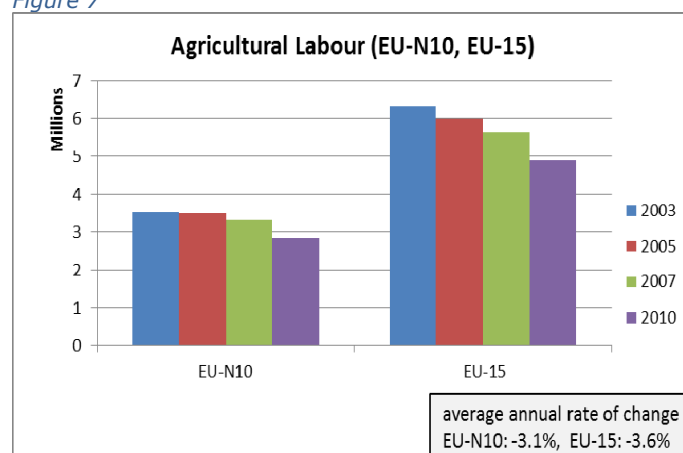
Figure 6



However there has been a significant shift towards medium-sized farms, especially between 2007 and 2010, pointing to the development of a more viable, market-oriented farm structure.

Outflow of agricultural labour

Figure 7



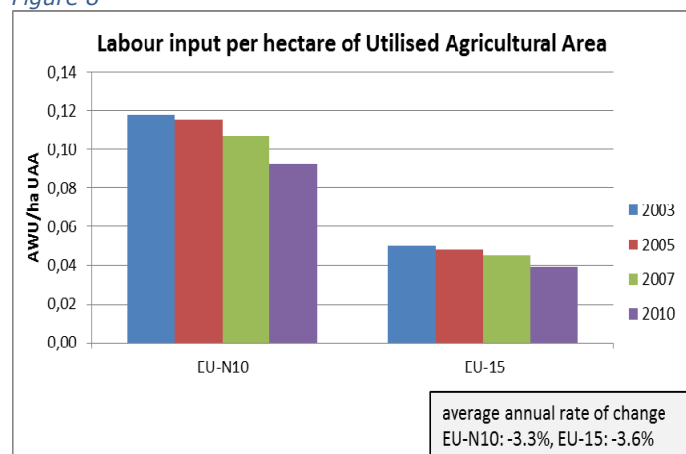
⁴ Economic size is measured by the value of Standard Output.

Since 2003 there has been a steady reduction in the number of full-time agricultural workers⁵ in EU-N10 agriculture, but at a slightly lower rate than in the EU-15, where in absolute terms a much greater number of agricultural jobs have been lost.

Rising productivity

The labour input per hectare has declined steadily, indicating higher labour productivity across the EU. The new Member States are catching up with the old. Although the rate of change is similar for both groups, the former have witnessed a bigger reduction in labour input per ha in absolute terms.

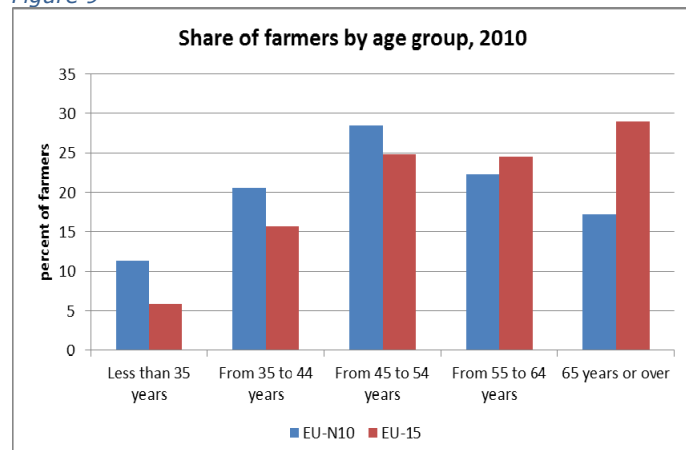
Figure 8



Younger age structure

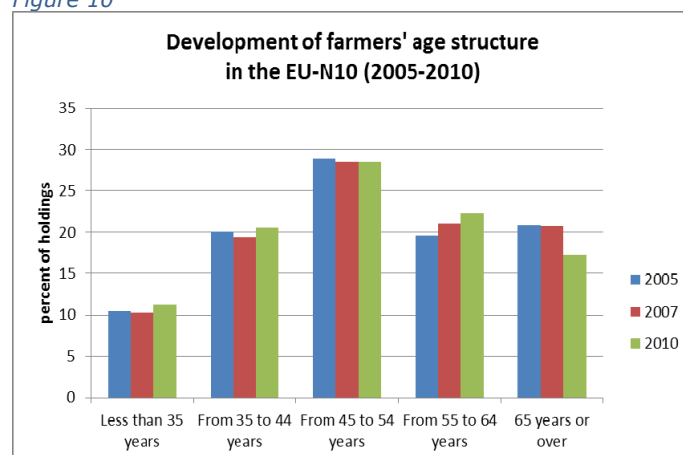
In general, farm managers in the EU-N10 tend to be younger than in the EU-15.

Figure 9



Between 2005 and 2010, the share of young farmers has grown while the share of farmers in the oldest age group has fallen.

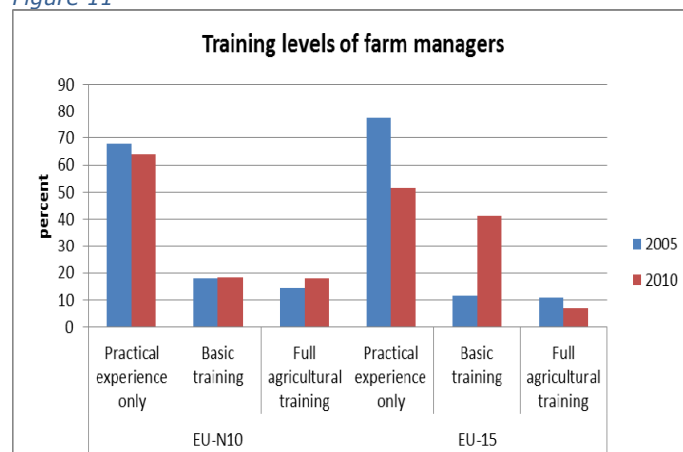
Figure 10



Training of farm managers

A greater percentage of farmers in the EU-N10 have full agricultural training than in the EU-15, where the share of farmers with basic agricultural training has increased significantly between 2005 and 2010.

Figure 11



Across the EU-25, a lower percentage of farmers rely on practical experience only, showing a move towards greater professionalism in agriculture associated with the increase in average farm size.

⁵ Labour as measured in agricultural work units

2. Income

Within the EU-N10 agricultural incomes⁶ have grown much faster than wages and salaries for the economy as a whole and also faster than agricultural income in the old Member States.

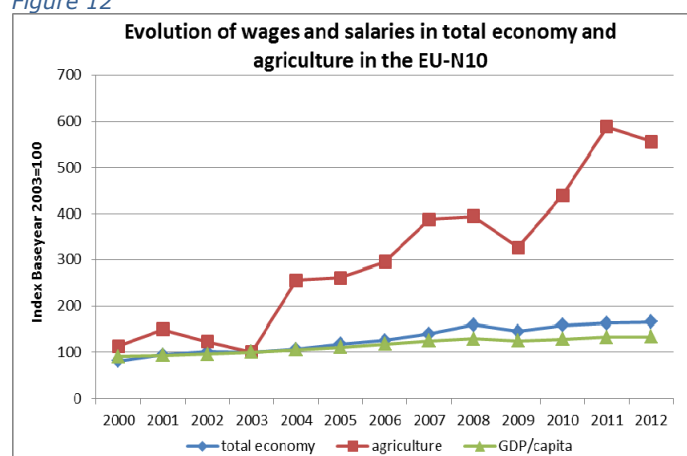


Patrick Leclercq (CNECT)

Agricultural incomes rising fast

From 2003 to 2012 EU-N10 agricultural incomes have grown more than fivefold (+21% on average per year). This dwarfs the increase of 65% seen in overall wages in the whole economy (5.7% per year) and the 35% growth in GDP per capita (3% annually).

Figure 12



⁶ Agricultural income is measured by entrepreneurial income per full-time non-salaried "Agricultural Work Unit", using an index with base year 2003=100.

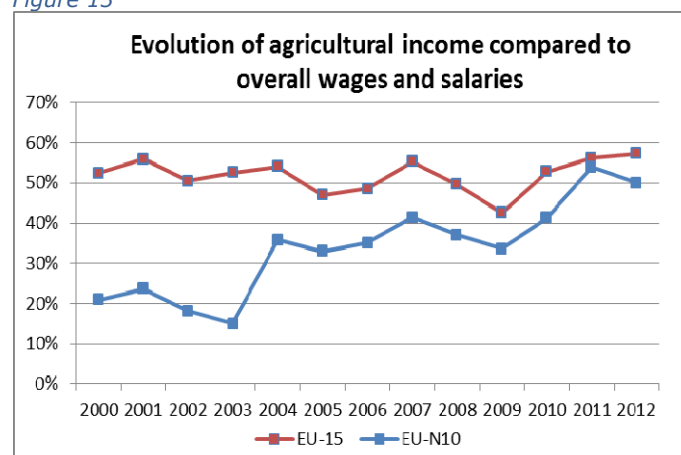
It is also far ahead of the EU-15, where agricultural income grew by 32% (3.1% annually), with overall wages up by 21.4% (2.2% per year) and GDP per capita growth of 4% (0.4% per year) over this period.

Though still below average wages

The level of agricultural income is lower than average wages in the whole economy in the EU-N10 as well as in the EU-15. However in the EU-N10, agricultural earnings are catching up much faster with the rest of the economy, albeit from a lower base, than in the old Member States.

Agricultural income in the EU-N10 was below one fifth of average wages in the whole economy in 2003 but had reached half of this level by 2012. By comparison, in the EU-15 agricultural earnings fluctuated between 42% and 57% of average earnings. Despite the difference in farm structure before accession in 2004, by 2011 the gap between the EU-N10 and EU-15 had almost closed.

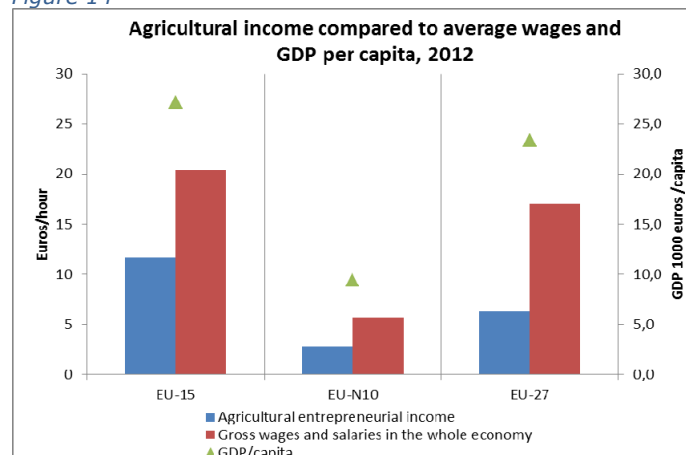
Figure 13



Of course this growth comes from a lower base in terms of the absolute level of earnings. Compared to the EU-15, earnings in agriculture in the EU-N10 (equivalent to €2.90/hour) in 2012 were just one quarter of the level in the EU-15 (€11.70).

The average hourly wage rate for the whole economy of the EU-N10 was higher at 28% of the EU-15 level (€5.60 compared to €20.40). But this should be viewed in the context of relative GDP/capita; with the new Member States at around one third of the EU-15.

Figure 14

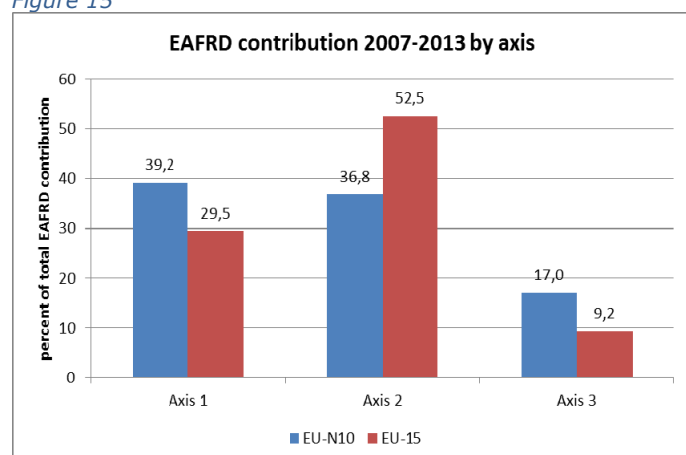


3. CAP Expenditure

Investing in competitiveness

The rapid structural changes observed in EU-N10 agriculture can be linked to efforts made to modernise agriculture, as shown by the distribution of Rural Development spending over the programming period 2007-2013.

Figure 15



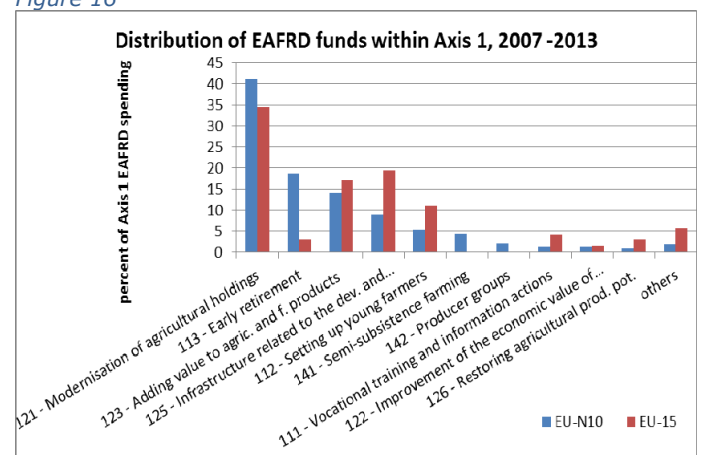
While old Member States spent over half of their Rural Development funds on Axis 2 measures ("improving the environment and the countryside"), EU-N10 countries focused on Axis 1 ("improving the competitiveness of the agricultural and forestry sector") and Axis 3 measures relating to "quality of life in rural areas and diversification of the rural economy".



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It is not surprising that the largest share of funds under Axis 1 went to investment aid for modernisation of agricultural holdings in the EU-N10.

Figure 16

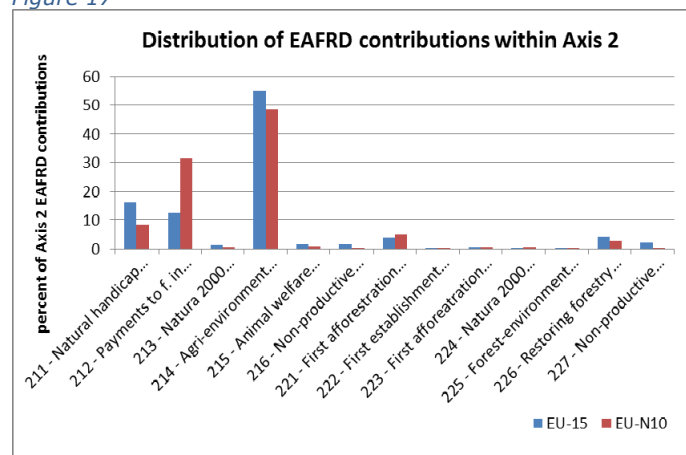


Combined with significant investment in early retirement, this facilitated the transformation of EU-N10 agriculture (described earlier) from one that was characterised by large numbers of small holdings run by elderly farmers into more market-oriented modern structures with bigger farms run by younger, better trained farmers.

A more sustainable agriculture sector

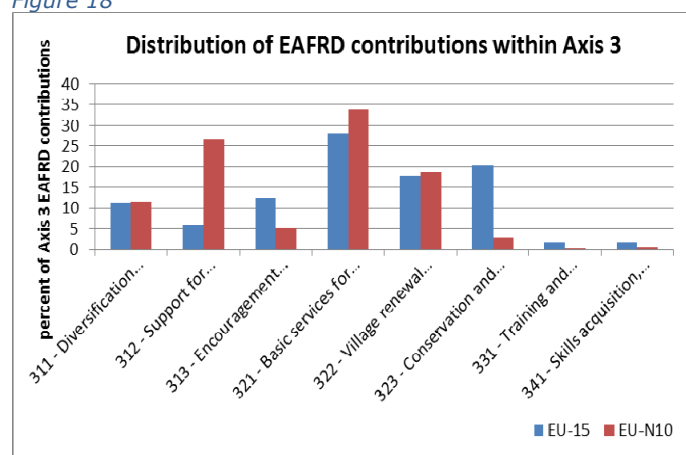
Within Axis 2 almost half was spent on agri-environment measures and a further 40% on areas with natural handicaps.

Figure 17



Quality of life and diversification of rural Areas

Figure 18



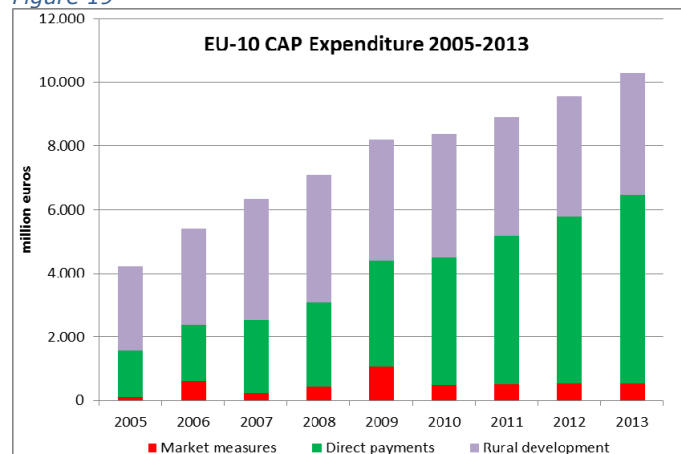
The focus in EU-N10 within Axis 3 measures is on provision of basic services in rural areas which accounts for over one-third of spending and support for business creation and development (27% of expenditure).

Supporting farm incomes

Over the period 2005-2013, total CAP spending in the EU-N10 was over €68 billion. In addition to Rural Development funding worth over €32 billion, the EU-N10 received

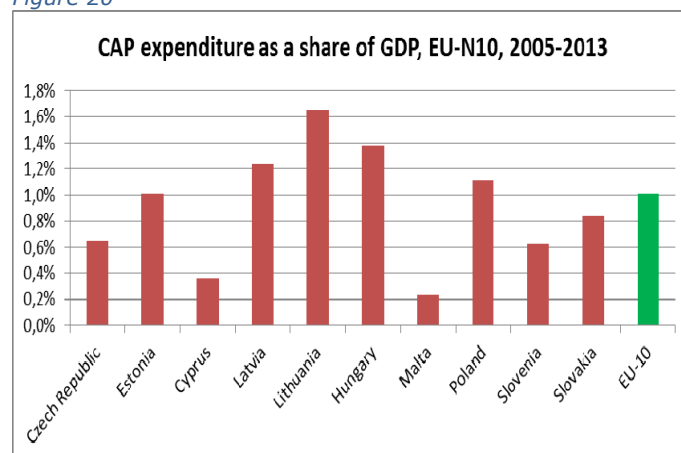
€31 billion in direct payments and €4.5 billion in market support.

Figure 19



CAP expenditure was equivalent to around 1% of GDP within the EU-N10 over the period 2005-2013, compared to less than 0.5 % of GDP for the EU-28. The higher share of CAP spending reflects the greater importance of agriculture in the economy of the new Member States.

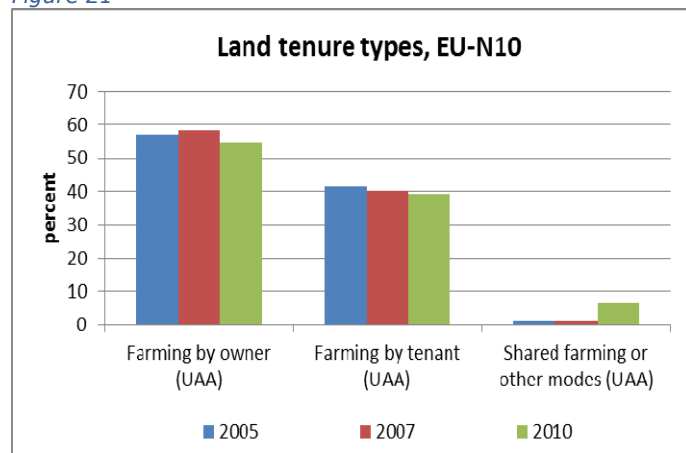
Figure 20



4. Land Tenure

Some 55% of land in the EU-N10 is farmed by owner-occupiers, with a further 40% farmed by tenant farmers (similar to that of the old Member States). The most recent Farm Structures Survey shows that both of these have lost ground to shared farming or other business models (5%).

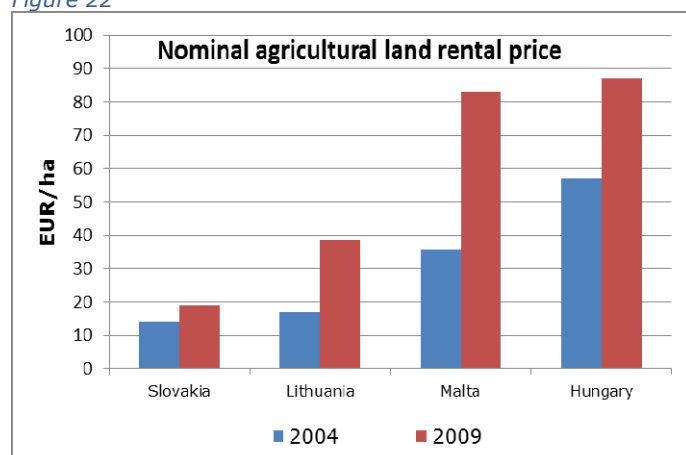
Figure 21



Evolution of land prices

Data on land sale and rental prices is only available for some EU Member States. For those that are available, there is great variation in the evolution of land prices.

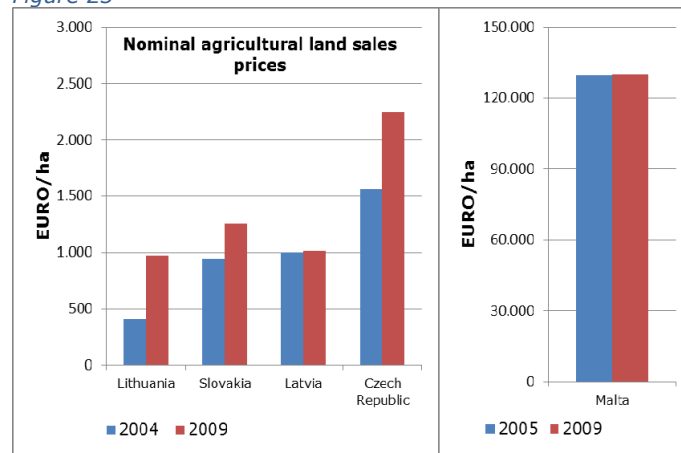
Figure 22



Rental prices in Lithuania grew by 183% from 2003 to 2009. Hungary and Slovakia saw increases of 64% and 38% respectively over the same period. In Malta, rents jumped by 131% shortly after accession in the year from 2005 to 2006.

Land sale prices also show a significant increase since accession in some countries. In Lithuania, prices have grown by almost 150% from 2003 to 2009. The Czech Republic and Slovakia saw land prices rise by 48% and 38% respectively.

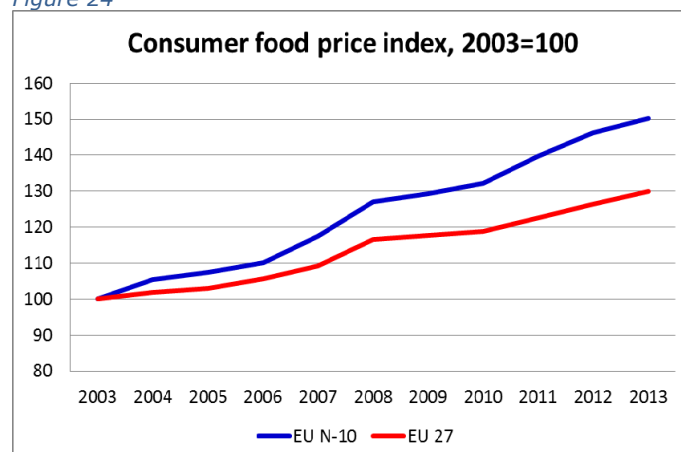
Figure 23



5. Agricultural and food prices and the share of food in household expenditure

Agricultural commodity prices in nominal terms increased by more than the EU average in some of the EU-N10⁷ (especially Cyprus, Latvia and Lithuania). Consumer food prices in the new Member States increased at a higher rate (+50%) than in the EU 27 (+30%) over the period 2003-2013 period, with very strong increases recorded in the Baltic countries and Hungary.

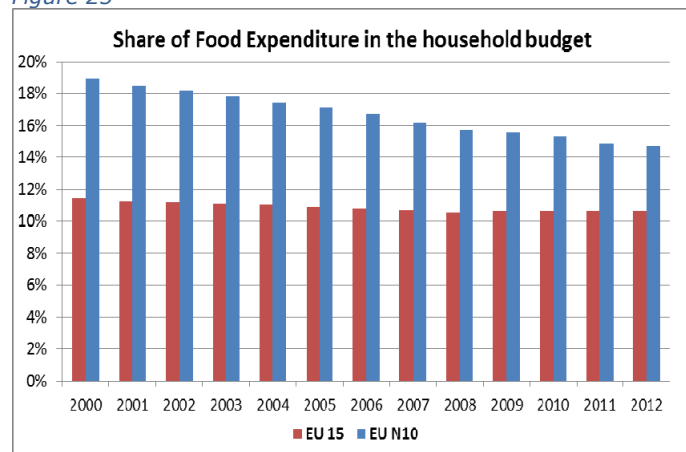
Figure 24



⁷ More details on prices are available in the individual country fiches, based on indices.

Food accounts for a declining share of household expenditures

Figure 25



Linked to rising incomes, food accounts for a declining share of household expenditure in the EU-N10 though it has not yet reached the level of the EU-15. This trend already started before accession.

6. Trade in Agricultural Products

Access to the EU Single Market has directly increased demand for EU-N10 products. This has driven the growth in competitiveness, with economies of scale making EU-N10 exports to the rest of the world more competitive.

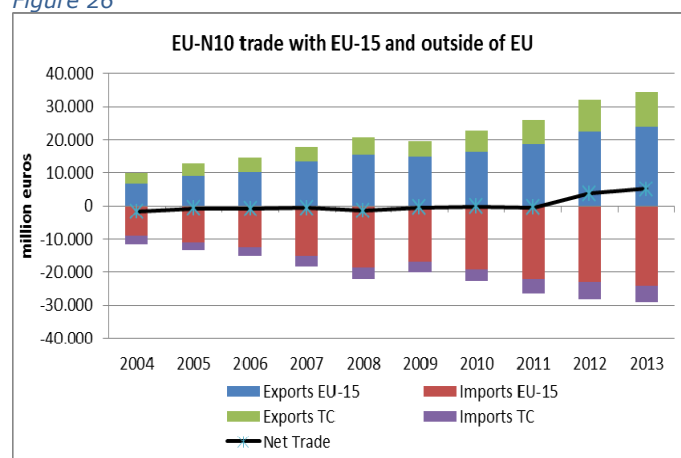
Exports rising fast, transforming the EU-N10 from a net importer to a net exporter

The position of EU-N10 agriculture within Europe and globally has improved, with a very significant increase in exports of agricultural products. Over the ten years from 2004 to 2013 the combined value of EU-N10 agricultural exports to the EU-15 and outside of the EU has risen more than threefold (+246%). Agricultural exports to third countries have grown even faster than to the EU-15.

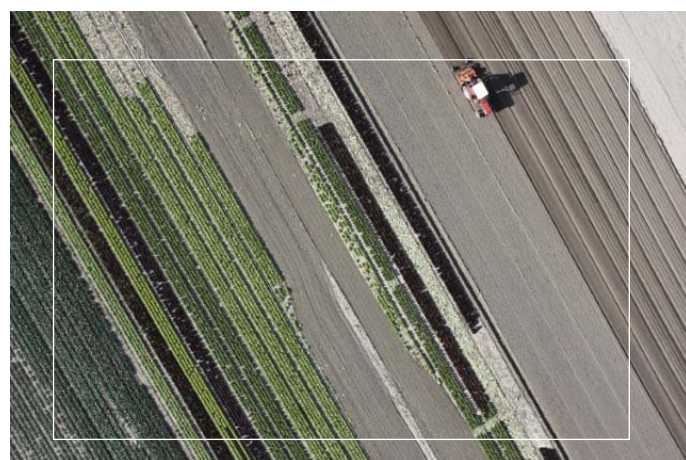
As the value of imports grew more slowly than exports (+150%), the EU-N10 has switched from being a net importer to a net exporter of agricultural products; the trade

balance changing from - €1.7 billion in 2004 to +€5.1 billion in 2013. In addition the EU-N10's agricultural trade deficit with the EU-15 is shrinking, declining from €2 billion in 2004 to just €500 million by 2013. The growth in trade in agricultural goods surpassed that of overall trade, with the share rising from 5% to 8% between 2005 and 2013.

Figure 26



The profile of trade in the EU-N10 is similar to that of the EU-15. Two-thirds of trade was higher value final goods for direct consumption indicating that the food industry has already caught up with its EU-15 counterparts.



Davy Vanham (JRC)

Data sources: Farm Structural Survey, Comext, European Network for Rural Development, European Commission.