# Saddling a Cow: The Acceding Countries and the Common Agricultural Policy

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## Introduction

On 13 December 2002, the EU enlargement negotiations relating to agriculture were concluded. In as much as this entailed a foisting onto the countries of the former Eastern Europe a set of measures inappropriate to their rural structures, Western European politicians had successfully "saddled a cow," an image which I have always believed comes from Stalin and his comments about introducing socialism to Poland – "it is like saddling a cow, it can be done, but why would you want to do it?" The term is used here both to suggest this inappropriateness and to raise the supplementary question of why anyone should want to do it? *Cui bono*? Who profits, and what are the implications of successfully "saddling a cow" for Eurasia's integration into the world economy?[1]

The first point, about the inappropriateness of the Common Agricultural Policy (CAP) and its implicit assumptions about how farming is conducted for former Eastern European agriculture, can (and will below) be demonstrated by an examination of the relevant figures. It will also be argued that exporting the CAP eastwards has also exported, or rather fostered, the solidification of the same sorts of political actors and interests that are associ-

1 Some of the materials used in this paper were gathered during the UK's ESRC-sponsored research project "Finding Farmers in Eastern Europe" (R 000 22 3684), the support of which is gratefully acknowledged. The paper would have been impossible without the generous time and resources made available to me as a beneficiary of the Foreign Visiting Fellowship Program (2003-04) of the Slavic Research Center at Hokkaido University.

ated with it in the West; and, further, that it is likely to transpose to the region the well-known irrationalities of the CAP, only more so, because Eastern European structures serve to highlight them more forcefully.

The issue of why anyone should want to impose a western European model onto farming structures in the East requires some consideration of European Union politics and the politics of CAP reform. The short answer is that western political actors chose simply to remain in ignorance of other traditions in farming and impose their “club rules” on the East; and, since the former Eastern European countries were supplicants, these were the rules they had to adopt. Yet these were rules that many in the West wanted to re-write, and many assumed would have to be re-written. The rather longer answer, therefore, is that the successful export of a scarcely reformed CAP to the East marked a victory for elements defending the status quo in European agricultural politics. This victory, when taken in conjunction with the EU’s much-trumpeted “fundamental reform” of the CAP six months later on 26 June, 2003, suggests that the stance of European negotiators in the build up to the conclusion of the World Trade Organization’s talks agreed at Doha in 2001 and scheduled for completion by January 2005 would not be conciliatory.[2] Indeed, Agricultural Commissioner Franz Fischler commenting on the June reform stated forthrightly, “At the Cancún Ministerial Meeting (Mexico, 10-14 September 2003) the EU will be ready to use its increased negotiating capital only if we get something in return. ... The ball is in the camp of the other countries” (European Commission [1]). Eastern enlargement on the basis of a scarcely reformed CAP was a stage in the emergence of a fudged political compromise which protected vested farming interests and yet allowed EU negotiators to feel that they had “right” (that is to say “decoupled” direct aid that fitted the WTO’s non trade-distorting

2 Basic information on the WTO and trade negotiations can be found at http://www.wto.org/english/thewto_e/thewto_e.htm. All URL links cited were active on 23-24 June 2003, with the exception of those relating to the June 2003 reform, which were accessed on 30 July 2003.

"green box" criteria) on their side so that they might approach WTO negotiations from a position of strength.

One note on terminology is required. This paper deals with countries which are currently viewed as being in either Central Europe or the Balkans, the dividing line between the two being something of a contested issue. Rather than use the mouthful "Central Europe and the Balkans," or currently fashionable sets of initials such as "CEECs," this paper will refer to "former Eastern European" countries. "Eastern Europe" is a term wholly political in origin referring to the former Soviet satellite countries, which most countries in the region emphatically reject and which will surely slowly disappear (Swain, G. & N., 2003, p. 6). But for the purposes of this paper, it does usefully identify one thing that they had in common and which structures their current room for maneuver, namely the legacy of a socialist system of agriculture.[3]

## 1. The CAP: A Special Kind of "Rural Development," and Immunity to Reform

The European Union, and its many earlier incarnations, is commonly seen as having been the creation of a compromise between German industry and French agriculture (Grant, 1997, p. 63), the main element in the deal for French agriculture being access to German markets, although both favored the overall objectives of the CAP (Grant, 1997, pp. 63-64). Over the four decades since its introduction, the CAP has developed into an incredibly complex set of instruments to regulate prices and ultimately incomes, but two fundamental and relatively simple principles have remained more or less intact throughout. First, the CAP is sectoral, a set of instruments for farmers; and, second, support is related to the scale of agricultural production, even when "decoupled" as it will become from a direct link with the volume of production. It does not consider income levels of farmers, either in terms of possible sources from outside agricul-

3 Despite abandoning collectivization, the pattern of agricultural holdings in Poland (and indeed Yugoslavia) was not so radically different from the collectivized countries (see Swain, 1994).

ture or in relation to the kind of assessment of agricultural incomes that was part of the "income deficiency" system that British agriculture used to operate before joining the then EEC.

Briefly, the general objectives of the CAP were set out in the Treaty of Rome (1957) and its principles were established at the Stresa Conference of July 1958, although the mechanisms only finally came into force in the six founding member states in 1962. The objectives of the CAP, as presented in Article 39 of the Treaty of Rome, are very much agriculture-centered (see Appendix One), the crucial one for present purposes being "to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture." The founding measures of the CAP also established three cardinal principles for the common organization of agricultural markets defined in 1962 (see Appendix Two), a central one of them being "a unified market: the free movement of agricultural products within the area of the Member States; the use of common means and mechanisms throughout the EU."

Over the course of the years, as food scarcity was replaced by over supply, manifest in the well-known phenomena of "wine lakes" and "butter mountains," there was pressure for change. The first reform attempt came some ten years after its creation, in 1968, with the Mansholt Plan, but fundamental reforms only took place in 1992 when the European Council reached political agreement on measures proposed by the Agriculture Commissioner Ray MacSharry. Its principal elements were cutting back agricultural prices, and compensating farmers for this loss of income by what became known as "direct payments," together with measures to protect the environment, the "accompanying measures" (European Commission [2]). Further reform came with Agenda 2000, which emerged after the Madrid European Council in 1995 which had stressed that enlargement should not jeopardize the *acquis communautaire* and begun the development of pre-accession strategies for the candidate countries (European Commission [3]). By July 1997 Commission proposals were in place, and final agreement was reached at the Berlin European Council in March 1999. Key measures in this reform are presented in

Appendix Three, a central one of them being the promotion of "rural development" to the status of the "second pillar of the CAP." The changed priorities of the Agenda 2000 package were reflected in the proposals for further reform presented as part of the Mid-Term Review in July 2002 and they underpinned the "radical" reforms introduced in June 2003 (see below) (*CAP Reform*, January 2003; European Commission [1]).

Successive CAP reforms have, then, increasingly reduced levels of production support and increased the profile of rural development. But it is important to note that, despite very persuasive arguments that rural development rather than agricultural support is what the European countryside needs,[4] "rural development" has quite a restricted sense in the context of the CAP, primarily because of the way in which it is funded. The CAP is financed by the European Agricultural Guidance and Guarantee Fund (EAGGF), which was set up in 1962, and separated into two sections in 1964, the Guidance Section, and the Guarantee Section. The former, one of the EU's "structural funds," aims at reducing disparities between areas in Europe, and contributes to structural reforms in agriculture and the development of rural areas. The latter, the more significant, funds expenditure relating to the common organization of the (agricultural) markets, and has the status of a compulsory expenditure within the Community budget (Grant, 1997, pp. 63-64). Since Agenda 2000, rural development, which, unlike the market support measures, is co-financed by Member States, has been financed in the following ways. Four measures, the MacSharry "accompanying measures" (agri-environmental measures, early retirement, forestation, and compensatory payments for less favored areas and areas subject to environmental constraints), are financed throughout the Union from the Guarantee Section. LEADER+ projects are financed, also throughout the Union, by the Guidance section. In regions with "Objective One" status, the least developed regions, other rural development measures are funded by the Guidance section (because it is a structural fund), the total amount available de-

4 See, for example, van den Bor et al. (1997).

pending on the balance of allocation between the various structural funds. In all other regions, rural development is funded under the Guarantee section, but is capped at €4.3 billion, including the four "accompanying measures."

The sorts of rural development schemes financed by the Guarantee section are summarized in Appendix Four. It is clear from this list that only the "article 33 measures" include activities not directly linked to farming, and of these, only three subheadings could be interpreted has having no necessary link with agriculture. LEADER+, on the other hand, is concerned with rural development in a more general sense (see Appendix Five), but it has a budget of only €2.02 billion for the 2000-2006 period, compared with €30.37 billion for rural development within the Guarantee section, and €297.74 billon for the CAP as a whole.[5] The point is clear: in Brussels-speak, "rural development" means support for farmers and, at most, farm diversification, not the development of rural areas. But this is not surprising because the bulk of the money comes from the Guarantee section EAGGF, which the Treaty of Rome effectively says is there to support farmers' incomes.

This very specific meaning of "rural development" for the CAP was strengthened by the "radical reform" of the CAP introduced in June 2003. Although a central feature of the reform was said to be to strengthen rural development policy, as the headings listed in Appendix Six suggest, this again exclusively related to measures for farmers, and was worth approximately only 2% of the money for the new "single payments." It was, indeed, little more that a way of funding the "cross compliance" measures in terms of environmental and animal welfare standards on which receipt of the single payments would become conditional. This new form of aid, "decoupled" from quantities actually produced, and "modulated" by eventually five percent to reduce the aid to the bigger farmers (those who received over €5,000), nevertheless remained related to the scale of agricultural production. The sin-

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5 European Commission [4]. European Commission [5] makes it clear the LEADER+ figure is for 2000-2006.

gle payment took the form of a payment entitlement per hectare based on production in the reference period of 2000-2002.[6]

Other general short-comings of the CAP are well known: the policy is extremely costly and, because support remains, even after June 2003, related to the scale of production and smaller producers (who are likely to be the most needy) produce less, it is poorly targeted in relation to its task of "increasing the individual earnings of persons engaged in agriculture." The CAP continues to account for over 40% of the EU budget (42% at the time of the Berlin European Council in 1999) (European Commission [5], p. 24), although the new mechanism for financial discipline promises to keep expenditure within predictable bounds; and the bulk of subsidies go to a relatively small group of farmers. In the financial year 2000, some 37.2% of farms received less that €1250 in direct payments, and 70.8% received direct payments of €5000 or less; while 1.6% of farmers received direct payments of over €50,000; and 0.05% received payments of over €300,000. But the first two categories accounted for only 17.1% of the total amount paid out in direct payments, and the second two for 23.8%; the 0.05% of farmers in the biggest category, however, received a disproportionate 4% of direct payments, and some 45.3% of the payments went to the 15% of farmers in the €10-50,000 category, with an average payment of just under €20,000 (European Commission [6], p. 64).

With these well-known shortcomings, the naïve observer from Mars might wonder why it has proved so difficult to reform the CAP. The short answer, as Wyn Grant so persuasively argues, is politics. The key player in the agricultural politics of the European Union is not France, for France has throughout unambiguously defended the status quo and its farmers, but Germany. In many respects it is in the interests of a highly industrialized country like Germany to vote against France, but the deciding factor to date, at least, has been local German politics and the disproportionate importance of small parties holding the balance of power,

6 *CAP Reform Summary*, 26 June 2003; and Wyn Grant's CAP page, http://members.tripod.com/~WynGrant/WynGrantCAPpage.html.

especially in relation to the Bavarian peasant vote, both when a right-wing coalition was in power (the CDU being reliant on the CSU in Bavaria), and when the FDP held the balance of power (its right-wing demanding a pro-agriculture policy) (Grant, 1997, p. 163). This constellation of political forces has meant that Germany tends to vote with France, and the consequence of this is that the CAP is only ever reformed if there is overwhelming external pressure of some kind, such as the Gatt negotiations under the Uruguay Round; and, even then, the ensuing compromise ensures that reforms are thoroughly watered down in favor of the status quo (Grant, 1997, pp. 151-153, 214).

## 2. The Accession Negotiations: Preserving an Unreformed CAP

The course of the agricultural accession negotiations for the acceding countries well reflects contradictions between ideal and real in European policy. Two things have to be borne in mind. The first is that here, as elsewhere, there was an attempt to groom the accession countries to become model European states, more in conformity with the European ideal than any existing member. This desire for super conformity to the European ideal on the part of the acceding countries is an idea that is gradually emerging in academic discourse,[7] and is reflected in the fact, for example, that they were obliged to actually amend their structures of local government to conform with EU expectations, whilst existing member states, such as the UK, grafted EU bodies onto an unreformed system of local government. In the agricultural negotiations, this super Europeanism was reflected in the higher profile given to "rural development," partly because it was perceived that there was a need for rural development-type support, but also because this was the "second pillar" of the reformed CAP. The second

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7 Brian Slocock in an as yet unpublished paper presented at a Workshop on EU Accession, Regional Policy and Social and Economic Development in East Central Europe, University of Paisley, 15-16 May 2003. It is also implicit in Mayhew (2000, p. 10), where he discusses the greater verification element in this round of accession negotiations.

factor fundamental to the agricultural negotiations, however, was costs, costs both in the minor sense of the need to have some sort of mechanism for monitoring them, and costs in the much more fundamental sense of the costs to the EU budget of extending the CAP eastwards. In the end, the reality of cost concerns won out over the ideal.

Costs in the minor sense can be illustrated in relation to the fate of the SAPARD (Special Accession Program for Agriculture and Rural Development) program. SAPARD was conceived at the 1999 Berlin meeting and given a budget of €520 million per year over 2000-2006. It served two purposes, one publicized more openly than the other. The first was to offer rural development-type support to aid structural reform in the candidate countries prior to accession. The categories covered, similar to those identified under rural development headings for the CAP, are presented in Appendix Seven. Four elements were additional to the western package (the veterinary measures, producer groups, land registers, and technical assistance), but, with the partial exception of the last measure, these too were agriculture-related. The special accession country "rural development" program thus preserved from the start the agricultural bias of the policies in the member states.

The second, less publicized goal of SAPARD was to give the accession countries experience managing EU funds, and it was here that a concern with costs came into play. The Commission was worried about the risks involved in non-member state governments handling EU funds. There was no precedent for non-EU countries apportioning funds and selecting between projects without the prior approval of the Commission, yet that was what SAPARD had to do if it was to give civil servants in the candidate countries the sorts of experience that was needed. The consequence of this was that all involved in the Brussels side of SAPARD were incredibly cautious. For one thing, SAPARD's agricultural bias was strengthened further: despite its being a "rural development package," countries were advised to fund clear, agriculture-related investment projects rather than policies like the renovation of rural heritage, because the success or failure of the

former could be easily measured, whilst the latter were too woolly and no unambiguous success criteria could be established.[8] More importantly, there were horrendous delays in accrediting payments to agencies in the candidate countries that were acceptable to Brussels and thus in getting SAPARD fully operational. They were only finally established in the course of 2002 (European Commission [7], 22/4/02 and 3/12/02), such that as late as November 2002, almost two years after it was supposed to begin, the European Court of Auditors reported that only 9.2% of available SAPARD appropriations had been made, and only 0.1% of disbursements to final beneficiaries had been made, and in only two countries (European Commission [7], 11/11/02).

The more substantial costs dimension of accession concerned the overall cost of EU enlargement itself. In the early to mid-1990s, most commentators took it for granted that extending the CAP to an enlarged Union would place it under a financial strain that could not be sustained: reform of the CAP would have to precede enlargement. Richard Baldwin, for example, in an article published in 1995, after citing figures estimating that a Visegrad enlargement would "raise the cost of the MacSharry-reformed CAP by $47 billion annually," stated bluntly that "any substantial Eastern enlargement is likely to bankrupt the CAP."[9] Similarly Jim Rollo noted, also in 1995 and using similar data, that applying the then-current CAP to the Visegrad Four, Romania, Bulgaria and the Baltics, "would increase EU agricultural budget costs by an unacceptable 70%" (Rollo, 1995, p. 468).

The logic of this position was that extending an unreformed CAP to the new member states would be prohibitively expensive, and, because the principles of a unified market precluded any special treatment for the accession countries, the whole thing would have to be reformed. But such reasoning did not take into account political realities. Gradually, perhaps as early as the Madrid European Council of 1995 and its concerns with the *acquis communautaire* (Mayhew, 2000), the position emerged that "di-

8 Informal discussions with those from both East and West involved in SAPARD.

9 Baldwin (1995, p. 478). His reference is to Anderson & Tyers (1993).

rect payments" should not be extended in full to the farmers of the accession countries. A cardinal principle of the CAP (a unified market) would have to be broken,[10] yet scarcely a voice objected because it was something that reformers and anti-reformers alike could agree on. Reformers thought introduction of direct-payments a nonsense in any case, and wanted them abolished altogether in the context of radical CAP reform, with any extra money for the accession countries being spent on further structural reforms. The anti-reformers saw in the only partial introduction of the direct payments a way of continuing the status quo in the West while achieving enlargement without breaking the bank. Even those with no strong views either way appreciated that introducing full direct payments to Eastern European farmers on day one would render them disproportionately wealthy in terms of domestic income distribution.

By the time of the Agenda 2000 proposals of 1997 and the 1999 Berlin European Council, the non-payment in full or immediately on accession of direct payments had become a plank of the Commission's policy, although it was not reported in web-based publications at the time.[11] The idea of additional re-structuring aid as a quid-pro-quo for this loss[12] lived on in the special preparatory aid for the accession countries in the form of SAPARD, ISPA (the Structural Pre-Accession Instrument, accounting for the remainder of the total €21 billion allocated for these two funds for 2000-2006) and a revamped PHARE program (with a total of €1.5 billion per year over 2000-2006) (European Commission [5], p. 27); but Berlin's main outcome was its tight budgetary package, which implied that enlargement could be more or less costless.

10 Grant argues that in practice this principle had already been eroded by the operation of the agrimonetary system, see Grant (1997, p. 68).

11 See Mayhew (2000, p. 30). Alain Pouliquen in his web article (*Agenda 2000 et politique agricole commune* - http://www.inra.fr/cgi-bin/ Internet/ Departements/ ESR/reloc_inter.cgi?var1=http://www.inra.fr/ Internet/ Departements/ESR/comprendre/js/peco.htm&var2=undefined) also refers to it as a well-known fact, although no official commentary mentions it. Enlargement Commissioner Günter Verheugenen later said "No detailed figures were worked out" (European Commission [7], 18/3/02).

12 The Pouliquen website mentioned in note 11 pushed this line strongly.

The Berlin Council also agreed, while again not publicizing it extensively, that the comparator date for determining quotas would be 1995-99 (Mayhew, 2000, p. 30). The problem with 1995-99 was that all the countries of Eastern Europe had undergone a severe agricultural recession since 1990 and would have preferred a date at the end of the socialist era when their agriculture had performed more successfully.

Of course, the option of not introducing full direct payments yet nevertheless reforming the CAP remained a logical possibility, but external pressure for reform proved insufficiently strong. The agricultural side of the enlargement negotiations had been left until last because all parties acknowledged that they would be difficult, and agreement was finally reached over the course of 2002.[13] At the end of January the Commission presented its stance (*Enlargement and Agriculture*, 2002). In line with the Berlin budget, these included 1995-99 as a comparator date for quotas, rather generous rural development aid in that up to 80% could be funded from the EU, and the phased introduction of direct payments at 25% in 2004, 30% in 2005, rising to the full amount by 2013. It also proposed a simplified approach to making direct payments, and an option of national direct payments to supplement the EU scheme, a *de facto* "nationalization" of the CAP that France had strongly opposed in the negotiations running up to Berlin.[14] The accession countries, needless to say, did not find these terms acceptable, calling at a meeting in Warsaw on 22 May for a "full extension" to them of agricultural, structural and cohesion policies, while some existing member states considered the inclusion of any direct payments to be a step too far. Opposition to the direct payments provision prevented agreement at the foreign ministers' meeting in Luxembourg in June, and necessitated a compromise form of words at the Seville summit later that month (European Commission [7], 25/06/02).

Agricultural aspects of enlargement were discussed again at the European Council in Brussels on 24-25 October. Immediately

13 For a full chronology see European Commission [7].

14 I am grateful to Iván Illés of the Centre for Regional Studies of the Hungarian Academy of Sciences for this point.

prior to this meeting, Germany changed sides, despite the fact that the German elections in 2002 had not radically changed the composition of the government, and the Minister of Agriculture was the same Green Party member who Grant had hoped might swing Germany definitively into the reform camp.[15] When it came down to it, it was money rather than policy preferences that counted. The essence of the deal was a commitment that the total figure for market-related expenditure and direct payments would not be allowed to rise by more than 1% per year beyond 2006 levels right across the seven years to 2013, even with ten more member states. These Brussels proposals reduced the amount of money available under the structural funds from €25.5 billion to €23 billion, but provided some additional money for budgetary compensation, increased some agricultural quotas and made some provision for national top-ups for direct payments such that the overall offer was both within the Berlin budget and below the level offered in January. The Danish presidency then sweetened the agricultural offer further by proposing that 20% of European rural development funds could be used by the new members to top up direct payments, in addition to the national funds top-ups already permitted. Although Poland held out until late into the evening of 13 December 2002 for further budgetary concessions, this was the package that was finally accepted at the Copenhagen summit. Enlargement Commissioner Verheugenen subsequently confirmed that the cost of enlargement overall was €1.7 billion less than the figure fixed in Berlin in 1999 (European Commission [7], 28/1/03). The final package agreed at Copenhagen is presented in Appendix Eight.

Although the “rural development” element of the final agreement was high-lighted in official statements, these retained the agricultural bias already present in SAPARD (see above), and, as noted, the final “tweaked” concessions suggested by the Danish Presidency involved robbing the rural development budget to compensate the agricultural activities of farmers. What the East was offered was what the West enjoyed, with all its flaws, only

15 Wyn Grant’s CAP page, see note 6.

less of it; and at the cost of breaking the cardinal principle of a unified market.

There was one true innovation in the total package, however, and one flagged as indicating recognition of the special characteristics of agriculture in the former Eastern European countries, namely special aid for semi-subsistence farms (also included under rural development headings). This was indeed a nod in the direction of the specificity of the agricultural conditions of the former Eastern European countries, in that it recognized that semi-subsistence farming was central to their agricultural structures. But it made little sense, and it too reflected an agricultural bias. The aid was set at a flat rate of €1000 per year,[16] too low to be really attractive, and it was conditional on submitting a business plan demonstrating the future economic viability of the enterprise, too onerous a condition for most semi-subsistence farmers, and for the most part logically impossible to keep because such plots simply are not viable as farms under modern conditions. The measure correctly identified a specificity of the agriculture of the former Eastern Europe, but it would have made more sense to give such plots an exit from farming altogether rather than a sop to encourage them to make the unviable viable. But that would have required the commitment to a more general strategy of rural development than is possible within the farming-dominated CAP.

## 3. The Nature of the Saddled Cow

As the special measure for semi-subsistence farmers indicates, the EU was not totally blind to the special characteristics of the former Eastern European countryside. Indeed it had received numerous reports pointing this out.[17] Nevertheless, official statements continue to be over-optimistic about the extent to which farming structures are changing, and continue to talk of

16 €750 had been proposed in January (*Enlargement and Agriculture*, 2002, p. 14).

17 See for example Pouliquen (2001). See also Swain (1999, pp. 1199-1219); Sarris et al. (1999, pp. 305-329).

Eastern European "farmers." Yet the term "farmer" in the Eastern European context is at best problematic.[18] Farming structures in former Eastern Europe are different, and, with partial interludes between 1919 and 1945 and between 1945 and 1948, have been different since the fifteenth century.[19] This different structure, in essence a dualism with a few very large farms at one end of the spectrum, a multitude of tiny, semi-subsistence plots at the other, and very little in the middle, has persisted until the start of the third millennium, although, over time, big farms have become somewhat smaller (down to 300 hectares in some countries), and the minority of small farms that actually engage in farming have become somewhat bigger; nevertheless, the disparity remains substantial. The large farms are larger by a factor of 50-100 or even more, and with the exception of Poland,[20] are corporate entities, whether co-operatives or limited liability companies.

This dual structure has been much discussed in the literature, not least in the publications of the Slavic Research Center at Hokkaido University.[21] It is most recently and very clearly documented in the EU's own reports on agriculture in the accession countries in 2002. In the Czech Republic, for example, by 2002 individual farmers accounted for 94.6% of farms, and corporate farms for 3.8%, the average size of an individual farm being 18 hectares, that of corporate farms 886 hectares (European Commission [8], p. 8). In Hungary, by 2000, some 60% of the land was farmed by almost a million private holdings with an average size of 4 hectares, yet 70% of them were under one hec-

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18 See reports from ESRC sponsored research on *Finding Farmers in Eastern Europe*, http://www.liv.ac.uk/history/centres/cecurrre.htm.

19 See, for example, Anderson (1974, pp. 252-264); Slicher van Bath (1977, pp. 113-114); Hann (1995, pp. 11-15); McGowan (1981); Warriner (1964); Berend (1985); Roszkowski (1995).

20 Certainly some former state farms operated as "worker companies" in the 1990s although statistics suggest that they may now be under sole proprietorship. The maximum size category of the 2002 statistics is 15 plus hectares. Farms fifty times the average farm size of roughly seven hectares are certainly not uncommon.

21 The issue of the duality of agrarian structures figures both implicitly and explicitly in the contributions to two edited collections by Ieda (2001) & (2002a). See also the references given in note 17 above.

tare in size and a further 24% were under 10 hectares. Some 8000 corporate farms on the other hand farmed the remaining 40% of land on farms of an average of 311.9 hectares.[22] In Poland, by 2000, the 15 hectares plus group of relatively large farmers made up 10% of farms and accounted for 40% of the land, while the 56.4% of farms of five hectares and under accounted for 19.5% of land (European Commission [10], p. 7). In Slovakia, by 2001, 5292 individual farms constituted some 79% of all farms and accounted for 8% of agricultural land. Corporate farms of one sort or another made up 26.5% of farms and accounted for 76% of agricultural land. Within this, 695 co-operatives accounted for 46.2% of the land with an average size of 1620 hectares, whereas 707 private companies farmed 30% of the land on average farms of 1030 hectares (European Commission [11], p. 8).

A different approach to the dualism of Polish agriculture is to classify farms in terms of the nature of their activities and the value of their output. This reveals that 70% of farms engage in effectively subsistence farming and produce 4.7% of commercial output; a further 22.4% of farms are low-output, yet commercial farms which produce 21.8% of commercial output; while a mere 8.6% of farms are high-output commercial farms, farming 40% of the land and producing 73.5% of commercial output.[23] A yet further perspective on farming structures is to consider the results of the application of Farm Structure Survey (FSS) and Farm Accountancy Data Network (FADN) methodology of the EU to the region. Data are readily available for Hungary. These data reveal that 56.1% of the standard gross margin of Hungarian agriculture is produced in farms that are either too small or too big to fit easily into standard EU categories (90% of farms producing 23% of the gross margin being in the smallest "less than" category, and 806 farms producing 33.1% of the gross margin being in the

22 European Commission [9], pp. 7-8. I am aware that there are significant regional variations within these Hungarian figures. For fuller accounts, see Ieda (2002b, pp. 193-245); Kovács (2002, pp. 247-270).

23 See Cartwright & Swain (2002, p. 22). Data provided by Monika Kwiecińska-Zdrenka.

"greater than" category) (Cartwright & Swain, 2002; Cartwright & Swain, 2003).

This lack of fit between the farming structures of the former Eastern European countries and the western norm for which the CAP was designed has implications for the efficacy of the policy itself, both in relation to its key rural development (environmental protection) measures, and its main agriculture-related support mechanisms. The CAP's European model of agriculture posits two categories of farmer. The focus on "a modern and competitive farming sector, capable of occupying a leading position on the world market, while safeguarding domestic producers' living standards and income" (European Commission [12]) suggests some highly competitive large-scale farms, presumably in areas favorable for such production. The "second pillar" of the CAP, on the other hand, sets great store on the role of the farmer as the "custodian of the landscape," "whose role is not only to produce food but also to guarantee the survival of the countryside as a place to live and work, and as an environment in itself" (European Commission [12]). Implicit in this concept is the image of a family farmer, with a sizeable holding which provides the bulk at least of the family income, who needs compensation for farming in an economically sub-optimal way in order to preserve both the sustainability and the beauty of the environment. But, as we have seen, at the lower end of the farming spectrum in the former Eastern Europe, medium-sized family farms are conspicuous by their (relative) absence, whilst Eastern European subsistence, or semi-subsistence "farmers" are too numerous, too small-scale, and too much on the fringes of the measurable economy to be either competitive in the production of premium products (organic farming, local speciality products) or to form the basis of a "custodian of the countryside" class of farmer.

In terms of agricultural support, the commercial farms of the former Eastern Europe are likely to reinforce the mistargeting of the CAP. The impact of the large-scale, former socialist farms of Germany's "New Bundesländer" (the former GDR) can already be felt in the statistics. The Commission's recent report on agriculture in the twenty-first century reveals that a full 75% (1260 of

1650) of the small number of farms which received more than €300,000 of direct support, the highest category in the table, were located in Germany (European Commission [6], p. 64). The report does not distinguish between areas within Germany, but it is more than probable that the bulk of them are located in the territories of the former GDR, for Germany has its own highly dualist agricultural structure. The average size of farm in the "Old Länder" in 1999 was 66.0 hectares, while that in the "New Länder" was six times larger at 395.9 hectares.[24] Since direct payments are related to the scale of farming, the bulk of the beneficiaries of this highest category of aid must be the successor farms to former Eastern European structures.[25]

Of course, unlike the large-scale farms of the former GDR, the large farms of the acceding countries will not be getting such levels of subsidy from year one because of the decision to phase in direct payments. Reformers hope that high levels of support will have disappeared by the time that farmers in the former Eastern European countries gain equal status with their western European counterparts. Yet it is far from certain that the CAP will be reformed radically in the interim, not least because Germany appears now to have a large-scale farming lobby to placate in addition to its small-scale Bavarian farmers. If radical reforms do not take place, then the post-socialist large-scale farmers of the acceding countries are likely to join those of the former GDR as the biggest beneficiaries of CAP largesse. The distortions and poor targeting endemic in the CAP will not simply continue: they will be exacerbated, the different farming structures of the East merely highlighting its shortcomings.

It is not just the question of farming structures that makes the CAP an inappropriate model for the former Eastern European countries. The agriculture bias of the CAP is predicated on the assumption that "rural equals agriculture." This has never been the case in reality even in the west, which explains the pressure for CAP reform and a switch to more genuinely rural development policies;[26] but in

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24 Reinsberg & Abele (2001, p. 78).

25 See also Cartwright & Swain.

26 See, for example, van den Bor et al. (1997).

Eastern Europe in particular it makes no sense. Nor, indeed, does the corollary that rural equals uneducated, or, more accurately, relatively uneducated and low-skilled. Socialism believed in the industrialization of the countryside, and it believed in education. Rural populations had experience of industrial employment and, although they were, as in almost all countries, less well educated than urban ones, they were relatively, and the word "relatively" has to be stressed, less poorly educated than their rural counterparts in the West. Data on rural employment in the 1980s and in 1994/96 reveal that: even in the 1980s less that 30% of the rural population was engaged in agriculture and this fell to less than 20% in the 1990s; at least a third (and in many countries more) of those employed outside agriculture were employed in positions which gave them "transferable skills"; and the share of rural dwellers with completed secondary education, at an average 54%, was considerably higher than Western Europe's average 32% (Swain, 2003, pp. 557-569). More than a decade after the collapse of socialism, this is increasingly a message of lost opportunities, since the qualified generation is ageing and there is little evidence of the younger generation matching their educational levels, or learning their non-agricultural skills. But it is not yet a generation that has died out, and its skills can be put to use in development projects that are more ambitious than farm diversification.

A final perverse consequence of the export of the CAP eastwards has been the parallel export of a pro-farming, especially large-farming, bias. In the earlier years of the transition a large-farming bias was already present, reflected in the continued strength of lobbies defending the interests of big farmers (even in Poland where the rhetoric has favored peasant farmers), while those for small-scale farmers were weak, and the lobby for rural development weakest of all.[27] More recently the bias has seeped

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27 For information on farm lobbies in Central Europe in the 1990s, see: End of Award Report of ESRC research project *Agricultural Protection and Agricultural Interests in Hungary, Poland and Slovakia* (R000221863); Námerová (1997); Kovács (1997); Nalewajko (1998). For the position of rural development lobbies, see Bernátová (2003).

into the corridors of power and is reflected more in the mindsets of officials and agricultural advisors,[28] and in the downplaying of rural development aspects within SAPARD already noted, the consequence in part perhaps of the EU's twinning policy. This policy encompassing the temporary transfer of hundreds of officials from the EU-15 countries has been criticized by the European Court of Auditors as being too optimistic and spending too much time on administrative tasks (European Commission [7], 27/5/03), but it did place into the ministries of agriculture of the former Eastern European countries "experts," administrators who knew next to nothing about the countries to which they were posted, but who were well versed in the arcane practices of the existing, unreformed CAP. A cursory perusal of the web pages of the ministries of agriculture of the acceding countries suggests that rural development is a very minor "second pillar." Only Poland and Hungary have "rural development" in the ministry title, and everywhere it has a low profile in the organizational structure. Furthermore, in Hungary, initial analysis of the Agricultural and Rural Development Operational Program suggests that truly rural development measures, discounting the agricultural measures that the CAP classifies as "rural development," will account for no more than 7-8% of total spending;[29] while in Poland, comments on the accession negotiations and implications for future CAP reform suggest official concern at the costs of rural development (because of the co-financing requirement) and a low priority for the measures altogether.[30] Unsurprisingly, a June 2003 interim report by international experts was very critical of the rural de-

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28 I am grateful to Katalin Kovács of the Centre for Regional Studies of the Hungarian Academy of Sciences for this insight.

29 Data courtesy of Katalin Kovács (see note 28).

30 Guba & Piskorz (2002); APAU Team (2002). Nevertheless the World Bank has stepped in 2000 to provide a $120 million loan for a program totalling over $300 million for rural development in Poland. Without this external funding, Poland's rural development situation would probably be little different from that of Slovakia or Hungary [http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20017373~menuPK:34466~pagePK:34370~piPK:34424~theSitePK:4607,00.html].

velopment institutional structures and absorption capacities in Hungary, Poland and the Czech Republic.[31]

One of the ironies thrown up by rural farming structures in the former Eastern Europe is that, on the basis of their tiny household plots, most of the rural population of the region could claim to be "farmers" by EU criteria and thus eligible for "rural development" aid, irrespective of the CAP's pro-farming bias. The successful grooming of a pro-farming and pro-big farming lobby within the government structures of the region will doubtless ensure, however, that this "everyone is a 'farmer' in the countryside of the former Eastern Europe and therefore eligible for CAP support" line of reasoning does not enter the mainstream. It is unlikely to become a loophole to be exploited by rural development activists who wish to push to their limit imprecise wordings in the rural development regulations such as "improvement of rural infrastructure *linked* to agricultural development."

## Conclusion

The salutary lesson of this study is that, a decade and more after the beginnings of the rural transition in the countries of the former Eastern Europe, the central issue that faced all of the countries then, and faces them still, that of rural poverty, will not be addressed, but in fact may be exacerbated, by the exporting eastwards of the CAP. Six years ago, Grant concluded his book on the CAP rather ruefully with the comment, "It is not a good use of resources to spend over half of its [the EU's] budget on a policy that does not really help to sustain rural life; allows large-scale fraud; increases food prices for consumers; and is environmentally damaging" (Grant, 2007, p. 228). But this policy has fought off the challenge of enlargement, has exported itself to agrarian structures which only highlight its own shortcomings, and will continue to starve the rural poor of cash and exclude them from the policy agenda.

31 IDARA (2003), p. 186.

The political structures of the European Union have failed since 1962 to find a way of overcoming the agricultural vested interest created by the CAP's commitment to "increasing the individual earnings of persons engaged in agriculture," a commitment enjoyed by no other segment of the labor force. This failure has coincided, somewhat ironically, with farmers representing a continually declining share of the Union's population. But it has also coincided with the increasing suburbanization of the countryside, and, whilst this new rural population has no necessary identity of interests with farmers, it is seemingly sufficiently convinced of the validity of the equation "rural equals agriculture" to vote accordingly. The rural vote is a mighty force in European politics; and confirmation of this fact over the course of the accession negotiations has strengthened European resolve to take a strong stand defending its "European model of agriculture" in WTO negotiations.

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## Appendices

**Appendix One**

Objectives of the CAP in Article 39 of the Treaty of Rome

- to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilization of the factors of production, in particular labor;
- to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture;
- to stabilize markets;
- to assure the availability of supplies;
- to ensure that supplies reach consumers at reasonable prices.

(Source: European Commission [2])

**Appendix Two**

Cardinal principles of the CAP established in 1962.

- a unified market: the free movement of agricultural products within the area of the Member States; the use of common means and mechanisms throughout the EU;
- community preference: EU agricultural products enjoy preference and a price advantage over imported products and from fluctuations in the world market;
- financial solidarity: all expenses and spending related to the CAP are borne by the Community (not national) budget.

(Source: European Commission [2])

**Appendix Three**

The priorities of Agenda 2000

- reinforcing the competitiveness of agricultural commodities in domestic and world markets;

- promoting a fair and decent standard of living for the farming community;
- creating substitute jobs and other sources of income for farmers;
- forming a new policy for rural development, the "second pillar" of the CAP;
- integrating more environmental and structural considerations into the CAP;
- improving food quality and safety;
- simplifying agricultural legislation and the decentralization of its application, in order to make rules and regulations clearer, more transparent and easier to access.

(Source: European Commission [2])

**Appendix Four**

Rural development measures under Agenda 2000

- investment in farm businesses;
- supporting young farmers (under 40);
- training for those engaged in agricultural activities; sylviculture;
- processing and marketing of agricultural products; and
- "article 33 measures," adaptation and development of rural areas. The latter include:
- land consolidation;
- introduction of agricultural management services;
- marketing of quality agricultural products;
- basic services for rural economies and populations;
- renovation and development of villages, preservation of rural heritage;
- diversification of agricultural activities and connected activities, aimed at creating multiple activities or alternative incomes;
- management of agricultural water resources;
- improvement of rural infrastructure linked to agricultural development;
- promotion of tourism and crafts;
- environmental protection linked to agriculture, forestry and nature management, and improving animal health;
- restoring the potential of agricultural production following damage by natural disasters and introducing appropriate preventative measures;
- financial engineering.

(Source: European Commission [4])

**Appendix Five**

LEADER+ is the Community initiative for:

- developing the skills of local people in rural communities;
- supporting innovative pilot projects led by local action groups,
- encouraging the exchange of experience and transnational co-operation

(Source: European Commission [4])

**Appendix Six**

Rural development schemes highlighted in the June 2003 reform of the CAP:

- Food quality measures:
    - o incentive payments will be available for farmers who participate in recognized schemes designed to improve the quality of agricultural products and the production processes used, and give assurances to consumers on these issues; and,
    - o support for producer groups for activities intended to inform consumers about and promote the products produced under quality schemes will be eligible for public funds;
- Meeting standards:
    - o Member States may offer temporary and degressive support to help their farmers to adapt to the introduction of demanding standards based on EU legislation concerning the environment, public, animal and plant health, animal welfare and occupational safety.
    - o aid will not be payable where an individual farmer is not respecting standards already included in national legislation;
- Farm Advisory Service:
    - o support will be available for farmers to help them with the costs of using farm advisory services;
- Animal welfare:
    - o there is now provision to support farmers who enter into commitments for at least five years to improve the welfare of their farm animals and which go beyond usual good animal husbandry practice.
    - o Support will be payable annually on the basis of the additional costs and income foregone arising from such commitments.
- support for young farmers will also be reinforced.

(Source: European Commission [1])

**Appendix Seven**

Schemes funded under SAPARD

- investment in agricultural holdings;

- improving the processing and marketing of agricultural and fishery products;
- improving structures for quality, veterinary and plant-health controls in the interests of food quality and consumer protection;
- agricultural production methods designed to protect the environment and maintain the countryside;
- development and diversification of economic activities;
- setting up relief and management services for farmers;
- setting up producer groups;
- renovation and development of villages and the protection and conservation of the rural heritage;
- land improvement and re-parcelling;
- establishment and updating of land registers ;
- improvement of vocational training;
- development and improvement of rural infrastructure;
- water resources management;
- forestry, including afforestation, investments in forest holdings owned by private forest owners and processing and marketing of forestry products;
- technical assistance for the measures covered by this Regulation, including studies to assist with the preparation and monitoring of the program, information and publicity campaigns.

(Source: European Commission [13])

**Appendix Eight**

Elements in the Accession Package agreed in Copenhagen in December 2002.

- a rural development package of € 5.1 billion for 2004-2006, specifically adapted to the requirements of the ten acceding countries, and more favorable than for the current EU member states; from accession, the EU will co-finance at up to 80% a wide range of rural development measures, such as early retirement of farmers, support for less favored areas or areas with environmental restrictions, agri-environmental programs, afforestation of agricultural land, and setting up of producer groups.
- direct aids for farmers phased in over ten years, starting with 25% of the full EU rate in 2004, 30% in 2005 and 35% in 2006. These could be supplemented by “topping up payments” of up to 55% in 2004, 60% in 2005 and 65% in 2006, with rural development funds providing up to 40% in co-financing. From 2007, top-ups at 30% above the applicable phasing-in level in the relevant year will still be allowed, but financed entirely by national funds. A simplified system allows new member states to grant direct payments in the form of a de-coupled area payment ap-

plied to the whole agricultural area for the first three years of membership.

- full and immediate access to Common Agricultural Policy market measures, such as export refunds, and cereal, skimmed milk powder or butter intervention, which will contribute to stabilizing farmers' prices and incomes in the new member states.

(Source: European Commission [14])