

C.E.D.R.



**European Council for Agricultural Law
Comité Européen de Droit Rural (C.E.D.R.)
Europäisches Agrarrechtskomitee**

**XXIV. European Congress and Colloquium of Agricultural
Law – Caserta (Naples) – 26-29 September 2007**

**XXIVe Congrès et Colloque Européens de Droit Rural –
Caserta (Naples) – 26-29 septembre 2007**

**XXIV. Europäischer Agrarrechtskongress mit Kolloquium –
Caserta (Neapel) – 26.-29. September 2007**

Commission III

National Report – Rapport national – Landesbericht

Slovenia

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SINGLE PAYMENT IN SLOVENIA

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Abstract

Slovenia started to implement the single payment scheme in 2007. It introduced single payment scheme at regional level. The amount of payment entitlements depends on the regional amount and eventually supplementary payments (for milk, sugar, cattle sector, for special way of farming and quality production). Some direct payments remained coupled with the production: bovine animals, sheep and goats and hops gardens.

1. Introduction

Slovenia was one of the the ten Eastern and Central Europe Member States which joined the European Union on May 1st, 2004 after detailed and several yeras lasting accession negotiations had been successfully concluded.

One of the most controversial issue in the field of common agricultural policy (CAP) was the question about the level of direct payments granted to farmers in the candidate countries compared with the level provided for in the »old« Member States. The candidate countries tried to ensure their farmers payments on the same level, as granted, by the *acquis*, to farmers in the »old« Member States. On the other side, the Commission insisted that the situation between the Candidate countries and the »old« Member States regarding the level of direct payments in agriculture was not comparable. It could be said that the last standpoint prevailed.

Thus, the Act on Accession from 2003¹ provided that new Member States would introduce the direct payments under support schemes gradually, namely in the form of an increasing percentage of the then applicable level of such payments in the Community ,as constituted on 30 April 2004 (the »old« Member States). The level of payments would start with 25% in 2005 and would continuously increase, first to 30 % in 2005, thereafter to 35 % in 2006, to 40 % in 2007,

¹¹ Act concerning the conditions of accession of the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Republic of Hungary, the Republic of Malta, the Republic of Poland, the Republic of Slovenia and the Slovak Republic and the adjustments to the Treaties on which the European Union is founded, Official Journal L 236 of 23 September 2003.

to 50 % in 2008, to 60 % in 2009, to 70 % in 2010, to 80 % in 2011, to 90 % in 2012 until it would finally reach the level of 100 % in 2013.

The Accession Act from 2003 expressly allowed new Member States to complement, after obtaining the authorisation by the Commission, direct aid paid to farmers under any CAP scheme. Taking into account the factual level of support to farmers in some new Member States, the Accession Act from 2003 provided for two options how the direct aid to farmers could be complemented by new Member States. Thus, the Accession Act from 2003 especially authorized Slovenia to increase the national level of aid by 10 percentage points in 2004, 15 percentage points in 2005, 20 percentage points in 2006 and 25 percentage points from 2007.²

The Act on Accession from 2003 foresaw the possibility that the New Member states could provisionally introduce a simplified scheme of direct payments to their farmers, named as Single Area Payment scheme (SAPS). Under that scheme, the new Member States might decide not later than the date of accession to replace the payments under the support schemes with a single payment. The single payment would be calculated in two steps. The first step was to establish the annual financial envelope the national envelope as a sum of funds available for each new Member State taking into account the limitations of production (base areas, premium ceilings and maximum guaranteed quantities), the level of individual aid schemes in the EU-15 before accession and the relevant percentage laid down for the gradual introduction of direct payments in new Member States. In the second step, the amount of single payment could be established by dividing the national envelope by the agricultural area of each new Member State.³

The Accession Act from 2003 provided that there should be no obligation to produce or to employ the factors of production under the single area payment scheme: farmers may use the land for any agricultural purpose, but any land benefiting from payments under the single area payment scheme should be maintained in good agricultural condition compatible with the protection of the environment.⁴

The SAPS had also a built-in budgetary limitation. If in a given year the single area payments in a new Member State would exceed its annual financial envelope, the national amount per hectare applicable in that new Member State shall be reduced proportionately by application of a reduction coefficient.⁵

² Conf. Art. 1c of Regulation 1259/1999/EC, as inserted by the Annex II (2) (27) to the Act on Accession from 2003.

³ Conf. Art. 1b of Regulation 1259/1999/EC, as inserted by the Annex II (2) (27) to the Act on Accession from 2003.

⁴ Ibidem.

⁵ Ibidem.

Since the SAPS entailed a simplification of rules and providing at the same time for ecological and budgetary balances, it is not unusual that a similar solution was chosen to be one of the most important measures for the reform of the Common Agricultural Policy as agreed on by the then Member States in the mid of 2003. The new measures were introduced by the Regulation 1782/2003/EC. The Regulation provided for a single payment calculated on the basis of average (historical) amounts of direct aids granted to an agricultural holding in the so called reference period.

The Regulation provided for several options. Beside the the historical model based on average amounts granted to individual agricultural holdings in reference period, the Regulation 1783/2003/EC allowed Member States to apply the single payment scheme at regional level (Art. 58-63).

The Regulation allowed Member States also to implement the single payment scheme partially, retaining some direct payments wholly or at least partially coupled with a certain production.

As a new Member State, Slovenia did not opt for a single payment area scheme and implemented instead the direct support schemes. It also chose the longest transitional period allowable for implementing the single payment scheme – until 31 December 2006.⁶ Since the single payment scheme could not be based on historical average amounts of direct aids granted to individual agricultural holdings in the reference period, several studies were carried out in order to find the most suitable option which could guarantee the smoothest transition possible from the old to the new system.⁷ The second reason for a longer transition period were not negligible inputs in administrative structures in the years before accession.

2. Basic options used for the implementation of the single payment scheme in Slovenia

Slovenia started to implement the single payment scheme after transition period which expired on December 31st, 2006. The legal basis is a governmental Decree on implementation of direct payments in agriculture.⁸

⁶ Conf. Art. 71 and 71a of Regulation 1782/2003/EC.

⁷ M. Rednak, T. Volk, E. Erjavec, S. Kav_i_: Analiti_na podpora pri uveljavljanju reforme SKP na podro_ju neposrednih pla_il v Sloveniji. Kon_no poro_ilo _tudije (Analytical support for the implementation of the CAP reform regarding the direct payments in Slovenia. Final study report), Ljubljana 2005, available on the web site (30 April 2007):

http://www.mkgp.gov.si/fileadmin/mkgp.gov.si/pageuploads/Reforma_SPS_KIS_051205.pdf

⁸ Uredba o izvedbi neposrednih pla_il v kmetijstvu (Uradni list RS, _t. 99/06 in 5/07).

According to the Regulation 1782/2003/EC, Slovenia applied the single payment scheme at regional level, the entire country being considered as one region (Art. 71e). The regional payment is established at a different level for grassland and for other eligible land.

The Decree consists of quite complicated definitions and descriptive formulas regulating the establishment of various payment entitlements. These provisions are based on the principle in the Regulation 1783/2003/EC according to which the new Member States may, during the first year of application of the single payment scheme, »use the national reserve for the purpose of allocating payment entitlements, according to objective criteria and in such a way as to ensure equal treatment between farmers and to avoid market and competition distortions, to farmers in specific sectors, finding themselves in a special situation as a result of the transition to the single payment scheme« (Art. 71d(3)).

According to Art. 6 of the Decree, the payment entitlement consists of regional payment and eventually additional (supplementary) payments originating from the national reserve, namely the supplementary payment for milk, supplementary payment for cattle sector, supplementary payment for sugar and payments for farmers in special circumstances or in special areas.

The payment entitlement may be accompanied with the permission for growing of fruit, vegetables and potatoes, if some requirements are met. A farmer can obtain these category of entitlements if a certain number of hectares on the agricultural holding were used for production of fruit, vegetables or potatoes in reference years (2003, 2006 or 2007) and the application was submitted on time. The total number of payment entitlements with permission is limited by the decision of Commission. The payment entitlements with permission are granted according to priority criteria, laid down in the third and fourth paragraph of Art. 71.g of Regulation 1782/2003/EC. For each agricultural holding an individual upper limit is set by the competent authority (Agency for agricultural markets and rural development), taking into account the data from the individual applications where the number of hectares is shown where fruits, vegetables and potatoes were grown in years 2003, 2006 and 2007.

The payments entitlements are granted on the basis of actual use of agricultural land and forests, as shown by the digital snap-shots from 2006. The payment entitlements are granted to an agricultural holding for which a farmer submitted a single application provided that the applicant carries out the farming activity on the land concerned.

The starting point for calculation of payment entitlements is the national envelope as the total amount of available funds, established on the basis of reference quantities and quotas granted to Slovenia by the Act on Accession from 2003 and, on the other side, of direct payments. The national envelope encompasses the regional payment, the supplementary payments (for milk, for the cattle breeding sector, for sugar, for specific types of farming and quality production, for sugar), for the management of the national reserve, and for some production coupled payments

(special premium for bulls and steers, premium and additional premium for sheep and goats, direct payment for area under hops). The national envelope does not encompass, the payments for nuts, protein crops and energy crops.

The national envelope is used first for production coupled direct aids (special premiums for bulls and steers, premiums for sheep and goats, direct aid for hop gardens and supplementary payment for special way of rearing and quality production).

After these funds are taken from the national reserve, the remaining funds are multiplied by the factor 0,28; the product is used for supplementary payments for milk, sugar and cattle sector as well as for the management of the national reserve.

The regional payment is payment on the hectare of eligible land and is established at different level, depending on the intensification of production. It amounts to 332 euro for a hectare of tilled ground, garden, greenhouse, hop garden, olive grove, and orchard, while the regional payment amounts to 132 euros for a hectare of permanent grassland, swampy grassland and extensive orchard.

The set-aside payment entitlements must be applied for by those farmers, who want to obtain payment entitlements for parcels of arable land, including hop parcels, the surface of which is 24,23 hectares or more. The rate of compulsory set-aside is 7,2%.

Farmers who produce agricultural products according to the rules and principles of ecological production (Regulation 2091/91/EC), are not bound to apply for set-aside payment entitlements. In the case that they do submit an application for set-aside payment entitlements, they can use the set-aside surface for the production of crops if they are for own consumption.

The payment entitlements, which were not used, revert compulsorily to the national reserve, except in cases of force majeure.

The supplementary payment for milk is payment to the entitled agricultural holding and the amount of which based on the total individual reference quantity from March 31st, 2007. The supplementary payment for milk is calculated in such a way that the amount representing 80% of the sum of milk premium and additional payment is divided by the number of granted payment entitlements, payment entitlements with permission and set aside payment entitlements.

The supplementary payment for sugar is a payment to an entitled agricultural holding, the amount of which is based on the established number of hectares, for which the growers signed the contract for the sale of sugar beet in 2006. The total amount for supplementary payment for sugar is calculated by diminishing the national envelope for the part transferred to national reserve, and by dividing the amount thus diminished by the total number of hectares of sugar beet, for which contracts were signed in 2006. The supplementary payment for sugar for individual holding is calculated by multiplying the amount per hectare by the number of hectares,

and subsequently by dividing the amount belonging to an individual holding by the number of granted payment entitlements, entitlements with permission and set-aside payment entitlements.

The supplementary payment for the cattle sector is a payment granted to an agricultural holding the amount of which depends on the the premiums granted for cattle in 2006. The farmers can be entitled to these payments also if they do not have any eligible hectares in 2007. The amount of supplementary payment is calculated by multiplying the premiums granted in 2006 with corresponding amounts of each premium and the factor 0,3. The product is subsequently divided by the number of payment entitlements, payment entitlements with permission and set-aside payment entitlements.

The number of payment entitlements, payment entitlements with permission and payment entitlements for set-aside belonging to a farmer is equal to the the number of eligible hectares.

3. The national reserve

The funds of national reserve which remain after the funds for supplementary amount for milk, supplementary amount for sugar and supplementary amount for cattle, is earmarked for solving of complaints stemming from the first allocation of payment entitlements, for granting of payment entitlements to farmers in specific sectors, finding themselves in a special situation as a result of the transition to the single payment scheme (Art. 71d(3) or/and in areas subject to restructuring and/or development programmes relating to one or the other form of public intervention in order to avoid abandoning of land and/or in order to compensate specific disadvantages for farmers in those areas (Art. 71d(7) Reg. 1782/2003/EC).

4. The production coupled payments

The Decree provided for the following retention of production coupled payments:

- 65 % of special premium for bulls and steers,
- supplementary payment for extensive rearing of female bovine animals (up to the 10 % of national envelope corresponding to cattle sector, provided that at least 50 % of permanent grassland, swampy grassland and orchards on the agricultural holding are earmarked for extensive production and some other requirements are met, including, inter alias, the maximum density of animals regarding the total area),
- 50 % of premium and of additional premium for sheep and goats (with the minimum rate of 90 % for using those rights which can be transfered or leased throughout the country, regardless of the region),

- 25 % of the component of national ceiling corresponding to the hops area payments and the temporary resting aid.

5. Implementation

According to the Decree, farmers should submit an application for granting the payment entitlements in 2007. From 2008 onwards, the payment entitlements could be granted only from national reserve.

The unused payment entitlement should revert, except in cases of force majeure or in exceptional circumstances, to the national reserve.

At the time when the paper was prepared, the implementation of the new system has only begun and the payment entitlements have not been allocated yet. That is why there is no individual administrative decisions (issued by the Agency for the agricultural markets and rural development in the first instance, and Ministry for agriculture, forestry and food in the second instance) neither judgements (from the Administrative Court neither from the Supreme Court).