Organic farming in selected CEEC after accession to the EU – different market scenarios and their impacts on the economic performance of organic farms

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The adaptation of the European agricultural policy is associated with significant changes in support at farm level beginning in 2004 in most of the new member states (NMS). This may affect organic farms even more than conventional farms as agri-environmental policy is gaining weight compared to pre-accession. Some of the new member states even published organic farming action plans to foster the development of organic farming in their countries (Hrabalova et al. 2005). Although the action plans usually contain several tasks aiming at increasing the demand for organic products, area payments stimulating supply are the most important mean to support organic farms. Policy changes in combination with easier trade regimes in the enlarged European Union are supposed to change the situation on organic markets tremendously.

The aim of this contribution is to analyse the economic consequences of EU accession for typical organic farms in selected new member states under different scenarios for future organic markets.

National data bases for organic farms like FADN data is still scarce in most of the new member states. This is why the typical farm approach has been chosen for the analysis of the economic performance of organic farms in these countries (Häring 2003, IFCN 2005). The selected typical farm models represent most frequent farm types within their countries, so that it will become possible to draw a picture of the economic situation of organic farms in the selected countries before and after accession. Data base for the identification of typical farms were statistical data and expert knowledge. Depending on the structure of organic farming in the countries two to six typical organic farm models were set up in the Czech Republic, Estonia, Hungary, Poland and Slovenia. Data collection took place on real farms. The scientists always were accompanied by local experts on organic farming (e.g. advisors), so that farm specific data could be levelled out in such a way, that they represent the numbers of a group of farms. The different farm models mostly show a diversified production structure in all of the selected countries, although with a clear emphasis on crop, or on milk or on beef production.

To cover possible future developments of organic farms in the enlarged European Union two very different market scenarios were defined. The first one is a quite optimistic one, which assumes a positive economic development at all levels of society. Domestic demand for organic products will increase, and only surpluses will be exported to the Western European countries. The second one is a scenario, where the economy in general shows a restrained development. Organic farming in the NMS evolves a supplier of raw products for Western European processors and consumers. The expansion of organic production - driven mainly by subsidies - in combination with low wages and production costs in organic production lead to a decline in prices for organic products. Based on the farm data collected for the year 2003 the farm level economic impacts of taking over common agricultural policy and of different market scenarios were calculated and discussed during workshops held in each of the study countries. Time horizon for the analysis is the year 2013 when the adoption of the CAP will be completed. Together with farmers and local experts likely adjustment strategies at farm level were elaborated. Modelling of these adjustment strategies is under way and in a final stage.

Different types of support payments, and among these organic farming payments have been, depending on the country, of high importance for organic farms already before accession. Due to EU accession agricultural payment schemes changed completely. Farmers are offered payments from the 1st pillar of the CAP - although at a much lower level than in the former EU member states – and 2nd pillar payments, including all the agri-environmental measures. As a consequence agricultural payments in general and payments for organic farming increased significantly after the EU accession in all of the Central and Eastern European study countries. According to the participants of the workshops realized in all of the study countries higher subsidies are accompanied by an increase in bureaucracy, by additional needs for investments to comply with higher hygienic, agri-environmental and animal welfare standards and increased prices for inputs. Land markets were difficult before accession already, but the availability of land decreased and prices went up after accession. Payment schemes are perceived to be intransparent and lack of confidence in payments was stated hampering investment activities on the farms. But - in most of the study countries mentioned as a positive aspect - demand for organic products as well as knowledge concerning agri-environmental issues among farmers is growing. Farmers and advisors in all of the study countries see the development of domestic markets and particularly the setting up of processing and marketing facilities as the central issue for further development of organic farming in their country (see also Zakowska-Biemans 2005).

Final results of modelling farmers adjustment strategies to changed policy and market conditions are almost completed and are expected for the month of February. The results will render information on the impacts of EU accession on the economic performance of organic farms, laying emphasis on adjustment reactions to different political and economic surroundings organic farmers might face in the near future.

Literature

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