

Voluntary - Public

Date: 7/22/2009

GAIN Report Number: HR9012

Croatia

Post: Zagreb

New Act on Agricultural Subsidies and Rural Development

Report Categories:

Agricultural Situation

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Report Highlights:

On July 15, 2009 the Croatian Governmental Gazette NN83/2009 published a new Act on Agricultural Subsidies and Rural Development. This report talks about main changes that this new law brought to the system of subsidies that until now was applied in Croatia.

General Information:

On July 15, 2009 the Croatian Governmental Gazette NN83/2009 published a new Act on Agricultural Subsidies and Rural Development. This law has brought many changes to the system of subsidies that until now was applied in Croatia. According to the past system, there were four types of subsidies: production subsidies, capital investment subsidies, income support subsidies, and rural development subsidies.

To be eligible for one of the production subsidies, agricultural households in the past were to be officially registered as farms, have a minimum volume of production (calculated using a “crop-specific factor” published by the government) and be able to meet the crop-specific minimum acreage requirement. In addition subsidies were only production specific.

This new act has brought a change in how production subsidies now called direct payments will be paid per farm's acreage (basic payment) and per production (specific payment). Similar changes have occurred for cattle production subsidies.

However, direct payments kept the system of limiting minimal acreage for certain production, minimal number of animals, milk, as well as honey. One of the changes that this new law brings is that above a certain amount of direct payment farmers will have to pay a tax on subsidies, the so called modulation. It is expected that modulation will mostly impact farmers that have 300 ha and more. Through this system Croatia will focus on giving the most of state support to the so-called medium farms (50 to 300 ha). Money from the taxation on high subsidies will be used for subsidizing rural development activities.

Thus, rural development and direct payments ultimately create two subsidy pillars of this new law. Rural development support is mostly aimed at the re-population of de-populated areas of the country and it is not necessarily connected to agricultural activities. Another big objective for the new legislation is to create an institutional and administrative framework for subsidy payments. This basically means, the founding of a Paying Agency and the creation of administrative procedures that the agency will use in its daily operations. This administrative framework should be in full compliance with the EU administrative system for dissemination of subsidies. The Croatian new Act on Agricultural Subsidies and Rural Development is planned to be used until Croatia accedes to the EU and will then adhere to the EU system of subsidy payments.