

Enhanced capacity of agri-food sector  
through approximation with EU rules  
and standards and balanced territorial  
development of rural and coastal areas

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This edition of policy papers is developed to assist the civil society and citizens, in general, engage in an informed debate and have access to expert knowledge, views and opinions on topics of importance for EU integrations. Areas in which the Republic of North Macedonia will lead its EU accession negotiations are both complex and diverse, while reforms that need to be implemented will open many dilemmas that necessitate an expert debate. For more contents produced under the project “CSO Dialogue – Platform for Structural Participation in EU Integrations”, visit the website: **[www.dijalogkoneu.mk](http://www.dijalogkoneu.mk)**

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## INTRODUCTION

Accession in the European Union (EU) is one of main political goals in the Republic of North Macedonia (RNM). From the perspective of agriculture, it means that the Common Agricultural Policy (CAP) will serve as benchmark for setting agriculture policy goals. RNM will have to follow key principles of harmonization with CAP measures due to the pressure for start of accession negotiations and in order to benefit from EU pre-accession assistance.

On the day it joins the Union, RNM must be able to implement the administratively complex and financially demanding Common Agricultural Policy, which requires completion of institutional reforms, establishment of legal and administrative system and EU support system - all in the service of facilitating the agriculture sector's integration in the EU and the policy decision-making process. The agriculture policy selection mainly depends on the pressure from EU accession requirements and the pressure from various interest groups in the country and is impacted by limited institutional capacity for policy formulation.

Having in mind that EU negotiations and accession process is long, in terms of CAP it implies attainment of a moving target because this policy is subject to regular changes and reforms and oftentimes changes made thereto could be highly significant.

RNM does not need to fully harmonize its agriculture policy with CAP before becoming an EU member, but must demonstrate capacity for implementation of the relevant legislation or, in other words, EU member-states have to be convinced that RNM is ready to join the EU and has the ability to assume EU membership obligations. Given the fact that CAP does not always correspond to the optimal policy choice of the candidate country, it remains a choice of EU member-states. Accordingly, during the accession process it could be expected for RNM to deviate from CAP under domestic pressure.

EU accession can be achieved only with complete transposition of the entire *acquis communautaire*. Having in mind time and funds needed for the harmonization process, it could be expected that the main challenge in respect to legislation alignment would be adjustment of the administrative structures and the entire society to the necessary conditions for enforcement of the EU *acquis* and not alignment of legislative texts.

For RNM to harmonize its agriculture policy with the EU's Common Agricultural Policy, it must accept the key principles that underline priorities of the EU agriculture policy and CAP. These principles provide the framework for harmonization of national legislation with CAP, which RNM must adopt after its accession in the EU. This so-called conceptual method is based on six main principles that must be adopted as part of the process for harmonization with CAP:

01. strategic policy framework;
02. size and distribution of financial resources;
03. direct support to producers;
04. measures to increase competitiveness;
05. sustainability policy and provisions on public goods for farms;
06. quality of life and rural employment policy.

Also, the country will have to accept the scheme of agriculture policy measures as the single qualification that will allow quantification and comparison within the structure of these measures.

From its establishment, agriculture has a central place in the European Union and is considered common policy. Also, agriculture has primacy in political issues, which means that around three-quarters of the entire *acquis communautaire* is related to agriculture regulations (production, health and safety, food quality, veterinary and phytosanitary control, etc.). CAP has an overall goal and general objectives.

## IMPORTANCE OF AGRICULTURE AS ECONOMY BRANCH

Agriculture and food production are of great importance for RNM. Agriculture reforms and continuous work on increasing competitiveness of production are conditioned, inter alia, with EU accession and successful integration of Macedonian agriculture.

On the account of multidimensional importance as the third most important economic activity in the state that secures food for the population and sustainability of rural areas and has an important connection to environment and climate, agriculture will continue to be one of priority economic sectors in the state in the next strategy period. The COVID-19 pandemic has additionally underlined the importance of agriculture, i.e. the need for the population to be provided with healthy, safe, quality and diverse food of domestic production.

Objectives of the National Strategy for Agriculture and Rural Development 2021 - 2027 include: modernization to increase agriculture production that meets market demand with domestic supply; improved quality of Macedonian agriculture products with an added value; food safety and animal wellbeing, i.e. creation of conditions for sustainable agriculture which is competitive on domestic and foreign markets. Improved agriculture performance should contribute to greater sustainability of rural areas. At the same time, agriculture practices should be beneficial to environment protection and promotion, and biodiversity preservation.

In RNM, agriculture is proportionately more important compared to EU member-states having in mind the size of agriculture land, GDP share and participation in overall employment. Small holdings are indicated as an important obstacle to agriculture development (followed by low technology level and small number of vital and market-oriented holdings that are able to sustain competitive pressures), and the loss of agriculture land to urbanization, large part of non-arable and abandoned land that must be put into function (announced as measure under the new law on agriculture land sales).

Agriculture is closely linked to other economic activities in the form of needed inputs, capital and labour, or in the form of supplying other sectors with inputs, whereby agriculture growth has significant impact on economic activities such as food and beverage production, transport, wholesale and retail activities, hospitality businesses (hotels and restaurants), and research and development. It is assessed that production of primary agriculture products of 100 monetary units leads to improved overall economy result of 165 monetary units. The food and food processing industry shows strong potential for creation of added value and new jobs, with positive impact on the entire economy. Agricultural subsidies (direct payments and rural development support) contribute to better economic output with multiplicative effect of 2.67 (at annual level, economic output increases by 1.55%, added value by 2.93% and employment by 1.49%).

Half of the territory of RNM (around 1.26 million hectares) is categorized as agriculture land, rural areas account for around 80% of the territory and 60% of the population.

An average agriculture holding in the EU has around 3.5 ha in Cyprus to 67 ha in the Czech Republic. This piece of information suggests that survival of agriculture holdings in the EU does not depend (or is not conditioned) by their size, but their competitiveness, adequate offer and organized market placement.

The average size of agriculture holdings in RNM is around 1.80 ha, while at the EU level it stands at 16.6 ha.

In 2020, RNM's agriculture sector accounted for around 10% of GDP, while in Croatia it accounted for 3.3% in the same year. In RNM, agriculture accounts for 14% of overall employment, while in Croatia it accounts for 6.2% of the labour force, which is higher than the EU average (1.7% of GDP and 4.5% of labour force). The biggest part of production, around 75%, concerns husbandry and gardening products, and 22.5% represents cattle breeding.

Foreign trade (import and export) in agriculture products accounts for around 10% of total trade exchanges.

In the period 2014 - 2017, on average, public spending for agriculture in Croatia accounted for 1.3% of GDP and is the same in RNM, which is double in amount compared to the EU average. At EU level, 76% of CAP's budget are earmarked for direct payments, while in RNM direct payments account for around 75% and in Croatia this share stands at 40%. 58% of these funds are earmarked for rural development measures, while in RNM 15% of funds are allocated for rural development and 2% are allocated for market organization measures. In RNM, around 10% of total agriculture budget are earmarked for other measures (third pillar).

At EU level, budget support for agriculture accounts for 20% of agriculture production value, while in RNM this share stands at 10%. This level of budgeting is insufficient for successful preparation of the agriculture sector and the administration for adoption of CAP measures and operation under conditions that are applicable on the single market. Also, distribution of funds for structural and rural development is generally incompatible with the EU rules.

Successful accession in the EU requires a system of new values in terms of greater role given to democratic and transparent decision-making, more intensive training and good public administration staff policy, fortification of knowledge.

## **NEW COMMON AGRICULTURAL POLICY FOR THE PERIOD 2021-2027**

In June 2018, the European Commission presented legal changes concerning the future of the Common Agriculture Policy (CAP) in the post-2020 period. Proposals were aimed at making this policy more responsive to current and future challenges, such as climate change, replacement and renewal of crop generations, and better competitiveness and sustainability of agriculture.

In spite of disagreements among EU leaders about what should be financed and how, financial allocations and shares, length of transitional arrangements and schemes to be put in place to bridge the gap between the current legal framework and the future CAP (period of one or two years), a consensus was reached on this policy's strategic directions.

After almost five days of intensive meetings, in July 2020, the EU leaders reached an agreement on the seven-year budget (i.e. multiannual financial framework) in the amount of 1.07 trillion euros, plus a separate COVID-19 relief package in the amount of 750 billion euros, intended for grants (390 billion euros) and loans (360 billion euros).

CAP will be supported with 336 \*billion euros, of which 259 billion euros are allocated under the first pillar and are intended for direct payments (240 billion euros and 19 billion euros for common market organizations), while 78 billion euros are allocated under the second pillar and are intended for rural development.

Also, an agreement is reached for the share of possible transfers between the two pillars, set at 25% in both directions, including co-funding rates.

The current CAP is based on very detailed requirements developed at EU level and applicable all the way to the smallest and the lowest level of individual farms and farmers. It has been proved that, under the current conditions, neither the top-down nor the one-size-fits-all approach is adequate to deliver the desired results. Therefore, recent proposals lay down only general policy parameters, broad types of interventions and general requirements, while member-states have greater responsibility for implementation and attainment of relevant objectives and targets. This means greater subsidiarity that will allow for local conditions and needs to be better accounted for in attainment of goals. This shift in definition of eligibility criteria at national level will greatly **simplify implementation of** CAP, making it more responsive to specificities in individual states. Hence, it is proposed for all different elements of support to be channelled under a single and coherent framework (CAP strategic plan), thereby decreasing administrative barriers to CAP implementation.

The transition to a delivery model of performance and result driven policy requires establishment of strong monitoring framework, based on common indicators. The current Common Monitoring and Evaluation Framework (CMEF) will be replaced by Performance Monitoring and Evaluation Framework (PMEF).

The future CAP is based on nine (9) objectives that will continue to provide high quality good and strong support of the unique European agriculture model.

Below are the nine objectives of the future CAP, which RNM should uphold as well:

- ensure fair income for farmers;
- increase competitiveness;
- re-arrange roles in the food chain;
- climate change action;
- environmental care;
- preserve landscapes and biodiversity;
- vibrant rural areas;
- protect quality of food and health.

**Support for income (subsidies)** will become the main element of CAP (first pillar), but priority is given to small and medium agriculture holdings, with stimulations for young farmers to stay in the agriculture business. Some proposals in this respect concern:

- higher support per area for small and medium farms;
- capped direct payments per farm at 100,000 euros in order to ensure fair distribution of subsidies;
- at least 2% of subsidies awarded to each state to be earmarked for young farmers, combined with additional support under rural development programs and measures for facilitated access to land;
- ensuring that actual farmers benefit from assistance.

It is believed that farmers have a key role in addressing climate change, environment protection and biodiversity, and are therefore subject to certain mandatory requirements that include:

- preservation of fertile soil by protecting areas with moist and peat properties;
- application of binding nutritive tools when managing improvement of water quality and reducing ammonia and sodium oxide levels;
- grain rotation instead of diversification.

In case farmers contribute more and exceed these recommendations, they will be entitled to special rewards, including for development of eco-schemes for environment protection and dealing with climate change.

In respect to **rural development** (second pillar), CAP proposes strengthened development of rural areas with the following measures:

- helping new generations of farmers enter agro-business through mentorship from more experienced farmers, improving transfer of know-how from one to another generation;
- encouraging member-states to facilitate access to land by means of national policies and more flexible practices;
- setting stricter rules for food safety and quality with financial support for compliance with the rules on reduced use of pesticides, antibiotics, etc.

At EU level, it becomes increasingly evident that the agriculture's "health" depends on employment opportunities in non-agriculture sectors, with measures for reducing differences among the regions, support to areas facing difficult conditions for doing business, depopulated areas, irrigation, afforestation, etc.

All these proposals shift the focus towards attainment of greater production and results.

The new CAP will also require member-states:

- to submit a single strategic plan/program that will include both direct payments and rural development and sector strategies;
- to facilitate nature protection by adopting national standards and targets depending on the actual situation, in addition to measures adopted at EU level;
- to streamline support for young farmers by adopting strategic plans that will allow easier renewal of generations through rural development measures, subsidies, facilitated access to land and facilitated criteria for entering the agriculture sector.

**CAP's third pillar** anticipates support for research, development, advisory services, food safety, and quality control. Most certainly, knowledge and innovation have central importance for sustainable, flexible and competitive agriculture. Therefore, the new CAP will stimulate greater investment in research and innovation, mainly benefiting farmers and rural areas. For that purpose, it envisages establishment of stronger AKIS system (Agricultural Knowledge and Innovation System) aimed at encouraging initiative and development of innovative projects, sharing results of such projects and ensuring their broad application. Existence of such system across the entire EU will reduce costs, avoid overlapping efforts, increase the effect of financing and accelerate innovation.

Successful implementation of such strategy necessitates the following actions:

- strengthen exchange of knowledge and enhance connection between research (theory) and practice;
- strengthen all advisory services and ensure their connectivity under AKIS system;
- stimulate cross-border and thematic interactivity;
- support digital transformation and transition in agriculture.

These recommendations should be taken into account because, with the start of EU accession negotiations, our country will have to align its policies with CAP, while the IPA III Regulation provides opportunity for use of IPA III funds in the pre-accession process for actions anticipated under the European Agriculture and Rural Development Fund.



## COMPLIANCE WITH EU STANDARDS AND RULES

Compliance with CAP needs to be one of RNM's main economic and political projects, leading to broader effect in terms of overall economic development, and especially in the agriculture sector. For that purpose, there must be a development approach in place for data collection and analysis of potential effects from adoption of new policies in the field of agriculture and rural development. That will lead to much better understanding of effectiveness and efficiency of accepted policies and will provide scientific support for decisions which, in turn, will lead to better utilization of IPARD funds (IPARD III) and definition of better targets for national support.

Policies in the agriculture sector will be in compliance with general obligations and directions of the state for harmonization with the EU Common Agricultural Policy, without undermining domestic and global market needs. The harmonization process should equip the sector for more successful operation under conditions of greater competition on the single market.

As regards treatment of identified sector needs, interventions under the national agriculture policy in the next strategy period 2021-2027 should achieve the following **strategic goals**:

- improve competitiveness of the agriculture and food sector, economic sustainability and income of agriculture holdings;
- apply ecological practices for agriculture production that lead to reduced impact of climate change and climate change adjustment;
- ensure sustainable development of rural areas.

These goals will be complemented with a cross-cutting (horizontal) goal for modernizing the sector by stimulating and sharing knowledge, innovation and digitalization of agriculture and rural areas, and encouraging their acceptance by farmers and other agriculture participants.

The new CAP reiterates climate and ecology actions for environment protection with direct payments that are closely tied to these activities. Knowledge, advisory infrastructure and innovation are high on the list of priorities.

EC's 2021 Progress Report for RNM notes that the country is moderately prepared in the area of agriculture and rural development. The legal framework is greatly aligned with the EU acquis, but further harmonization is needed, including decoupling of direct payments and implementation of cross-compliance standards, transfer of the farm register and the land parcel identification system to the payment agency.

The rural development component reflects the current EU policy, although the ratio of budget allocations for structural and rural development measures need to be increased by 30% in order to achieve a more sustainable effect on rural economy (create greater employment opportunities, support for young farmers and women). Rural development measures are supported by the IPARD programme, but its implementation mainly contributes to development of administrative infrastructure, personnel skills and capacity, which is an important precondition for fulfilment of EU accession requirements.

In the future, greater emphasis should be put on structural changes in agriculture, increased productivity, greater horizontal and vertical integration, greater transfer of knowledge, stimulating innovation, and better cooperation among farmers that will give them greater market powers, simplification of complex procedures that are accompanied by frequent changes to support measures, and establishment of sustainable monitoring and evaluation system.

Compliance with the EU's CAP will be primarily pursued through harmonization with the so-called horizontal issues (financial and administrative structures): general provisions under CAP, direct payment schemes, integrated administrative and control system (IACS), CAP funding, control of agricultural expenditure, farm accountancy data network (FADN), state aid, agro-monetary issues, trading mechanisms, common market organizations (for milk and dairy, meat, eggs, poultry, honey, grain, oil, rice, sugar, wine, etc.), organic production, quality policy, rural development measures, and other issues.

## MEASURES TO IMPROVE COMPETITIVENESS

Competitiveness of the Macedonian agriculture is crucial for successful integration in the EU agriculture sector because agriculture and food production are very important for RNM. As mentioned earlier, if agriculture is measured against its contribution to economy development, its importance is much greater compared to other EU countries. It should be noted that RNM's accession in the EU will make an additional competitive pressure on the Macedonian agriculture.

The agriculture sector requires new stimulus, restructuring and better competitiveness. EU offers a broad spectrum of measures for that purpose. While RNM will be free to choose measures according to the state-of-affairs in its agriculture, it will still have to take into account the need for adopting the current set of measures (investment in production factors, support for young farmers, quality schemes, producer organizations, strengthened value chain in the agro-sector, including support for logistics, post-harvest technologies, organizations of foods producers and processors, advisory services, etc.):

- increase productivity;
- increase average size of agriculture holdings (land and cattle units) through land consolidation;
- invest in human capital to improve farm management practices;
- invest in primary agriculture processing capacities (mills, milk and dairy and export-oriented facilities, such as fruit and vegetable processing capacities, wine production, honey, production of medical and industrial plants, etc.);
- improve use of production factors, introduce new products, technologies and processes, strengthen chain of cooperation and procurement among food processors and primary producers, improve food quality and safety, achieve harmonization with EU standards;
- stimulate introduction of energy efficiency measures in the food processing industry;
- invest in physical public infrastructure in rural areas and quality of basic services for the purpose of keeping young people and better education for the population, invest in new start-ups and micro and small enterprises, tourism, transport;
- improve access to quality credit funds whose low offer is consequence of the lack of interest on the part of the banking sector for agriculture credit placement due to, inter alia, lower profitability rates, higher risks and lack of quality guarantees that should be secured by farmers;
- improve access to remote and mountainous land parcels;

- support sustainable income of agriculture holdings;
- strengthen market orientation with special focus on research, introduction of new technologies and digitalization;
- post-harvest activities and marketing;
- agriculture holding and group financing, access to funding, advisory services, environment-friendly irrigation systems, support to local communities through the LEADER system.

The need for further reform of the Macedonian agriculture and continuous work on increasing competitiveness is imposed independently from the country's accession in the EU.

For RNM, it is crucial to improve the structure of agriculture holdings which requires, in particular, change of land policy measures that must be geared towards creation of sustainable and competitive farms. Having in mind that there are large areas of unused land parcels, due consideration should be made of levying taxes for unused land.

Also, it is important for RNM to significantly promote its statistics in the area of agriculture. Namely, reliable statistical data are the key to successful accession negotiations, in addition to being strong tool for taking decisions on relevant agriculture measures.

## **BALANCED TERRITORIAL DEVELOPMENT**

Promotion of equitable territorial development in rural areas will be achieved by implementing activities aimed at increasing employment opportunities and creating alternative income sources for the population in rural areas. In addition, attractiveness of rural areas is impossible before improving living condition (rural infrastructure), security of life and private ownership. Also, efforts are needed to strengthen ability of rural populations to join alternative businesses and make rural areas more attractive for living, for which investment in human capacity is of highest importance.

Entrepreneurship in rural areas is hindered by high risks mainly due to work on small markets, lack of capital and insufficient access to advice and services for business development. Business companies in rural areas are facing additional territorial shortcomings related to lower purchase power of local populations and stagnating local rural economies.

Support for investment in new start-ups and development of established micro and small enterprises is an important instrument for improving competitiveness and for creating rural economy jobs. That would be beneficial to rural areas in terms of creating more and quality jobs and will help in diversification of rural economy that is still heavily dependent on agriculture. To address the need for reducing rural population's dependence on agriculture income, creating alternative jobs and increasing income levels in rural areas, activities should be implemented to diversify agriculture holdings and develop businesses. Having in mind that rural population's heavy dependence on agriculture, but also comparative advantages of rural areas, priority should be given to development of micro and small enterprises and services, promotion of rural tourism, development of crafts, all of which promote national rural identity and culture, and use of local available resources and nature potential.

Competitiveness of rural areas is limited due to inadequate quality of and access to basic infrastructure and services for the economy and the rural population. Activities for construction and reconstruction of road infrastructure, water supply and sewage systems in rural areas will facilitate greater investment in the future. Other activities that could be beneficial include investment in heating energy plants,

improving electricity supply in rural areas, and providing access infrastructure to agriculture and forestry areas.

Rural communities and residents have expressed the need for revival of abandoned cultural and historic buildings, children and youth centres, libraries, creation of green areas in rural areas, local market infrastructure, pavements, village streets, etc., with a view to make rural areas better for those already living there and to attract new-comers to develop their business in rural areas. Needs for development of transport infrastructure (highways, regional roads and railway), health services, educational buildings and renewal and revival of cultural heritage can be supported under IPA regional development priority area (transport sector).

Activities from “Implementation of Local Development Strategies – LEADER Approach” should be geared towards promotion of local initiatives and partnerships, with involvement of local communities, and representatives from businesses and local governments. There is an evident need to mobilize and build capacity of local populations for joint actions aimed at developing and implementing integrated local development strategies by combining resources, knowledge and skills of representatives from the public, economic and social sectors, which form the basis of local action groups. Support received from “Implementation of Local Development Strategies – LEADER Approach” should be focused on three main activities: capacity building for selected local action groups, guidance for selected LAGs and small projects, implementation of local projects that are part of local development strategies, cooperation under territorial or transnational projects, acquisition of skills and animation of territories. Financing under “Implementation of Local Development Strategies – LEADER Approach” could be expanded to include additional funds for implementation of big projects from local development strategies with other funding sources (national or IPA), but only after multiple experiences and lessons learned are collected.

## RECOMMENDATIONS

Most laws in RNM include conditions and key measures from the EU's secondary legislation. Agriculture policy adjustment should improve competitiveness while preserving domestic natural resources.

Efforts are made to compensate market limitations and pricing policies with alternative stimulations for adjustment of agriculture structures, rural area development and nature preservation, in particular due to visible negative ecological impact from stimulating intensive agriculture.

It is increasingly evident that agriculture's "health" depends on employment opportunities in non-agriculture sectors, which starts the process of desired structural changes (irrigation, afforestation, regional programs for stimulating agriculture in underdeveloped and depopulated areas characterized by poor doing-business conditions in order to reduce differences among regions), and therefore it is believed that CAP will be grow into common rural policy.

In principle, there are two types of agriculture: the South European model (small farms with elderly population) and the North European model (mainly medium and large farms managed by young farmers).

Greater emphasis should be put on education programs for young farmers, building broader image of villages, constructing and reinforcing infrastructure. The most important thing is for farmers to think like entrepreneurs and assume responsibility, combine different income from activities of their agriculture holdings and, for example, farmers engaged in rural tourism, turn towards marketing of quality products, and of course, reduce costs.

CAP's second pillar, **rural development**, is gaining importance in the recent years, especially in new member-states. Main goals under the rural development policy concern increased competitiveness of agricultural production, better quality of life in rural areas with environment protection. Under this pillar, member-states have a relatively higher level of autonomy for setting priority measures that will be co-funded, unlike measures under the first pillar.

Primary goal of agriculture should be provision of food for the population from domestic competitive production to the greatest extent possible, as well as protection and development of domestic rural areas.

Main limitations for attainment of greater competitiveness of the Macedonian agriculture include monopoly position of suppliers, poor access to commercial credits, insufficiently developed market and institutional infrastructure, lack of economy of scope, small average size of agriculture holdings, low income and low technology.

The procedure that precedes EU accession covers legislation alignment, institution building, harmonization of agriculture policies (with better definition of policy objectives, because attainment of such policies can be assessed only when there are clearly defined objectives), accession negotiations, restructure and promotion of agriculture sector and food processing industry to match EU internal market requirements (which are necessary even without the prospect for EU membership). During the negotiating process, positions must express readiness for full adoption of the EU legal order (acquis) with request for smaller permanent or temporary exemptions, as well as transitional periods, which should be as short as possible, and equal status to those of member-states in respect to budget allocations, especially for direct payments.

Models of direct payment that differ from those in the EU, i.e. the single payment system (SPS), should not be considered. The harmonization process will continue after EU accession, in order to facilitate integration in the single market, with proper administrative application that is extremely important for CAP.

In general, negotiations are led around conditions and time periods for adoption and enforcement of the EU acquis. All rules, without any exceptions, must be applied in the country and they are not subject to negotiations.

Having in mind that agriculture is one of more sensitive areas, both in the EU and RNM, domestic regulations should be aligned with CAP regulations with a view to achieve the ultimate goal, i.e. increase competitiveness of agriculture producers and enterprises. For that reason, the state, the government and the competent ministry are faced with the issue of how to create conditions that are conducive to competitiveness. Different research studies show that could be done by implementing the following measures:

- reduce production costs;
- quality products at adequate prices, continuity and flexibility of supply;
- cooperation with agriculture producers;
- integration in production and consumption chains;
- additional income under the multidimensional model of agriculture;
- stimulation for contracts and respect for contractual obligations;
- transparent decision-making for agriculture policies and adequate enforcement of such decisions, streamlined system of direct payments to stimulate farmer income and ensure free influence on market prices and conditions, as well as more profitable use of production resources;
- agriculture land market regulation that would address the problem of guarantees for credit approvals;
- promoted economic ability of agriculture holdings with further investment in developmental and advisory services and stimulation of research and agriculture education system.

Accelerated competitiveness of agriculture products is key precondition for their successful integration in the EU common market.

Actions for improving sustainability and competitiveness of all types of agriculture work and primary food processing, in parallel to progressive alignment with the EU standards, are aimed at improving modernization, technology and innovation in primary food processing and forestry sectors, in order to ensure that agriculture holdings adjust their practices to EU requirements on animal wellbeing and environmental protection and that food processors are gradually compliant with EU standards on food safety. These activities will indirectly address problems with aging structure of farmers and negative agriculture structure.

Improving technology, modernization and infrastructure at the level of individual agriculture holdings are needed to reduce labour intensity and achieve greater productivity and efficiency of these holdings. The future of primary agriculture that is currently labour-intensive and lacks application of

contemporary practices and technologies, is seen in use of contemporary machines, technologies and crop adaptation and goes hand-in-hand with variable market demand. Investments to increase biofuel production, with use of biomass and renewable energy sources, should be encouraged due to the need for climate change adjustment and reduction of input costs. As regards reduction of emissions from ammonia, investments are planned for agriculture holdings to fulfil environment protection requirements. Investments in physical assets complement other measures for ecological and organic agriculture. Due to available support for alternative agriculture activities and primary food processing, some semi-sustainable farmers are expected to improve agriculture income sources through diversification and increased value of their products.

In addition to measures that promote modernization of farms, efforts are needed to encourage cooperation among farmers thorough support for formation and operation of producer groups and, indirectly, through promotion of cooperation projects between farmers on one side, and food processors and registered traders, on the other side. These activities should be complemented with national support for establishment of agriculture cooperatives and should include a set of bigger direct support for members of cooperatives and greater intensity of support for investment projects. Moreover, national support should ensure participation of farmers in support of quality food, which will result in better quality and diversity of agriculture products, and added value.

As regards food processing, plans are in place to give priority to modernization of food processing plants on the account of low modernization among these capacities. In order to promote innovation, support will be given for implementation of innovative practices or new products. Priority will be given to investment for implementation of food safety standards.

In continuation, support is needed to strengthen market placement of agriculture products both in the country and abroad.

Capacity building for research and innovation should be secured with national support for implementation of research projects and cooperation between research institutions, including transfer of knowledge. Matching knowledge and industry needs should be restructured and strengthened, for the benefit of activities in this priority area.

As regards climate change, support for modernization of agriculture holdings (investment in efficient irrigation systems, promoting use of biofuel, production and use of alternative and renewable energy sources, change of practices for treatment of manure, etc.) and measures for investment in rural infrastructure for waste management and sewage systems will have an effect on objectives for climate change adjustment and reduction of its effects.

None of above-elaborated objectives can be achieved without significant investment in human capital. Therefore, activities anticipated in respect to “transfer of knowledge and innovation in the field of agriculture, forestry and rural areas, and capacity building for public administration to implement rural development programs” are aimed to strengthen human capital in rural areas and contribute to address issues such as narrow coverage and insufficient trainings, lack of information. While farmers and rural residents have good access to general consultations in the field of traditional methods for agriculture production, economy and accounting, and legal advice, there is lack of specialized consultations and trainings on improving production technology, productivity, ecological agriculture and enforcement of environmental protection and other requirements, community development and partnerships in the field of marketing and diversification of economic activities. Therefore, it is important for future efforts to secure this type of consultations for the rural population.

Furthermore, there is a strong need for enhanced expert trainings, in order to improve qualifications of persons engaged in agriculture work and to ensure continuous basis and opportunity for renewal and acquisition of new knowledge, which is a precondition for ensuring their ability for adjustment to the continuously changing economic and social environment. Implementation of measures under this priority area is expected to increase entrepreneurship skills of people engaged in agriculture, forestry and rural development, and increase competitiveness of agri-food and forestry sectors, which will result in creation of alternative income sources in rural areas.

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