

SHAPING THE COMMON ORGANISATION OF AGRICULTURAL MARKETS IN THE NEW PROGRAMMING PERIOD (2014 – 2020)

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Abstract: The elaboration compares the regulation from 2013, including the current regulation of the common organisation of agricultural markets, and the previous regulation from 2007. The provisions from 2007 significantly changed the whole legal and organisational structure of existing sectoral agricultural markets. Independent structures of single sectoral markets were replaced with the single common organisation of the agricultural market. The new EP and Council Regulation from 2013 constitutes the continuation of directions of changes implemented in 2007. Moreover, the horizontal approach to market regulation has been maintained that leads to further moving away from the sectoral approach. The regulation integrates previously delegated provisions in one act which allowed for taking the comprehensive look at the way of conducting market policy. The agricultural market has been extended to include three new sectors, that is, the markets of apiculture products, silkworm rearing as well as ethyl alcohol of agricultural origin. A comprehensive look at agricultural markets in the European scale is not always reflected in all member states. The lack of regulations in the EU legislation results in the fact that the decisions take the form of self-execution, not always consistent with European decisions.

Key words: agricultural markets, programming, financing, regulations.

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Introduction

The EU regulations concerning sectoral agricultural markets have been evolutionarily shaped within the framework of the common agricultural policy. The initially applied sectoral (industrial) approach was subject to numerous interventions supporting both the producers and agri-food processors. Such an agricultural market organisation system allowed for the real EU intervention in the area of supporting the agricultural market participants. The regulations involved activities aimed at determining prices, subventions and compensations as well as rules of storage and distribution and mechanisms of export and import stabilization. The established common price policy was based on common criteria and uniform methods of calculation. The fundamental element of an agricultural markets organisation was the guarantee-price system, regulating both the prices on the internal EU market and in trading with third countries.

The common European agricultural market functioned on the basis of the principle of uniformity of the internal market associated with free circulation of goods and capital within the Union. At the same time it functioned, after elimination of internal duties and other trade barriers, in the form of quotas. In fact, this

market functions under the principle of equal treatment of goods coming from the EU member states. Another principle was related to the common foreign policy in respect of the trade in agricultural products with the preference, at the same time, given to home goods. In other words, agricultural products from the Union were given priority over the products imported from third countries. It was highly important to apply uniform mechanisms of agricultural intervention in relation to agricultural crops and products by adjusting the level of national prices to the level of agricultural revenues and through strict control of importing goods outside the Union. As a result, European authorities gained the competency to make decisions in the scope of setting agricultural prices and implementation of other intervention instruments.

Within the framework of market policy, several groups of commodity markets of sectoral (industrial) character had been identified that were subject to various agricultural interventions. The selected commodity sectors included markets of plant production (crops, cereals, feed, rice, etc.), animal production (beef, veal, pork, mutton, etc.), fruit and vegetable products as well as other agricultural products not subject to

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strict market regulations (Mickiewicz, Mickiewicz 2014).

The subject, aim and methods of the research

A common organisation of agricultural markets provides a uniform legal framework governing domestic and foreign trade and quality control at the European level as well as it carries out transactions, exchange and supply of basic food products for people. The European Agricultural Guarantee Fund (first pillar of the Common Agricultural Policy) includes direct payments, market intervention and veterinary measures. EAGF financing for the common organisation of agricultural markets, unlike direct payments, is not allocated in advance for the 2014 – 2020 period. The annual financial needs are specified in the draft budget for a given financial year. The mechanism of price support involves the needs of each agricultural sector as well as their interdependencies. Measures take the form of public interventions on the markets of agricultural products. Market policy has been introduced to ensure market stability and appropriate standard of life for agricultural society through the mechanism of price support.

The aim of the elaboration is to present the changes, in the scope of the common organisation of agricultural markets from 2007, in relation to the new legal regulations introduced on agricultural markets in the regulation of the EP and the Council from 2013 embracing the 2014 – 2020 programming period. New regulations aimed at harmonizing and simplifying the rules, and particularly those, which covered more than one agricultural sector. A new normative document introduces innovations leading to upgrading the tasks of private entities in order to support supply in the agricultural and food sector. It also introduces regulations in the scope of agricultural products sale agreements that apply to the processing industry and distribution. In the paper there were used methods of induction in order to draw general

conclusions from individual observations and synthesis with deduction for achievement of output of the known and already proven general theorems.

The elaboration is mainly based on the European legislation, regulating the common organisation of agricultural markets, from 2007 and 2013 as well as the report of the Commission for the EP and the Council.

The common organisation of agricultural markets in the light of the TFEU

The Treaty on the Functioning of the European Union (TFEU) from 2009 demonstrates fundamental structural changes in the process of European integration and in the part related to the Common Agricultural Policy, it indicates the need to unify agricultural markets. In general, in title III the Treaty regulates the issues related to agriculture and fisheries and the Union provides that it shall implement a common agriculture and fisheries policy. In turn, the internal market was extended to agriculture, fisheries and trade in agricultural products. Article 38 defines agricultural products as products of the soil, of stockfarming and of fisheries and products of first-stage processing directly related to these products. Food products are regarded as second-stage processing products and, therefore, they do not belong to agricultural products. Importantly, products subject to provisions in 'agriculture' part are not directly referred to in the Treaty, but they are listed in appendix I to the TFEU. The aim of the common agricultural market in relation to agricultural markets is to stabilise markets, guarantee transport safety and ensure that supplies reach consumers at reasonable prices. The operation and development of the internal market for agricultural products must be accompanied by the establishment of a common agricultural policy.

Art. 40 of the TFEU provides that in order to attain the objectives of the common agricultural policy, a common organisation of agricultural

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markets shall be established, which shall take one of the following forms, depending on the product concerned: 1. common rules of competition; 2. compulsory coordination of the various national market organisations and 3. a European market organisation. The common organisation's objective was to exclude any discrimination between producers or consumers within the Union. In general, common competitive rules consisted in the elimination of national elements of markets organisation that distort competition. A European market organisation constituted the most developed and the most expanded form of a common market organisation (TFEU, 2009). Any common price policy shall be based on common criteria and uniform methods of calculation. At the same time, the regulations discussed authorise the Commission to work out and implement the common organisation of agricultural markets. The Treaty does not provide a definition of a common organisation of agricultural markets, however, it results from its provisions that it is based on the existing national markets. Agricultural markets should possess the means necessary to achieve particular objectives and, specifically, should aim at regulating prices and subsidies for production and placing different products on the market. Another aim was to organise storage and transport systems as well as common mechanisms stabilising import and export. A common price policy should be based on common criteria and uniform methods of calculation.

The aim of a common organisation of agricultural markets was to enhance the impact on agricultural markets by increasing the range of forms and methods of market intervention. Different legal bases, mechanisms of action as well as legal and economic instruments were established for the organisation of individual markets. The legal and economic instruments of influencing agricultural markets included, above all, agricultural prices, limiting the volume of

agricultural production, production quotas, premiums, supplementary payments or intervention buying-in of agricultural products. The most important instruments of internal market protection in trading with third countries included compensation, export subsidies, duties and quotas. Agricultural prices belonged to the most significant financial instruments applied in the EU. These prices were established at a relatively high level (higher than global prices) and were supposed to ensure an appropriate income for producers. Among other financial instruments, intervention buying-in was used to prevent agricultural prices from decreasing below a certain threshold. Other instruments included also limiting agricultural production, which was realised by the system of quotas (quotas system), the system of products withdrawal from the market and excluding agricultural land from farming, etc.

It was indicated that the agricultural market is rather specific. It is not a single market in its nature, but it consists of numerous markets having different characteristics, specific for individual industries. Most agricultural products can be at the same time raw materials, semi-finished or finished products. The market also specifies the character of supply and demand to a large extent and creates the possibility of mutual compensation of needs and shortages in different sectors. Within the framework of agricultural policy, the groups of commodity markets of sectoral character were identified that were subject to various agricultural interventions. On the basis of the intervention criterion, external protection with obligatory intervention, i.e. protection against competition from third countries, can be distinguished with a full price and sale guarantee by way of compulsory purchase at a fixed intervention price. Apart from that, there is also external protection with optional intervention, i.e. price and sale guarantee limited in time and quantity, to a particular volume of purchase (TFEU, 2009).

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In general, agricultural market, as part of the common European market, was based on the following rules. First of all, a single internal market is associated with free circulation of goods without internal duties and charges. Secondly, preference shall be given to goods produced within the Union in order to increase the cost-effectiveness of purchase. Thirdly, intervention mechanisms shall be harmonized to eliminate any differences in the level and structure of national prices and, fourthly, member states shall jointly contribute to finance the common agricultural policy (TFEU, 2009).

The common organisation of agricultural markets in accordance with the Council Regulations (EC) from 2007

In the explanatory memorandum to the Council Regulation (EC) from 2007, it was stated that in agricultural trading there are a lot of products and entities, which require coordination to achieve organisational order. The regulation was horizontal in nature, which means that it was directed to all participants of the agricultural market, irrespective of the place of their business activity, and to economic sector in order to solve a particular problem. A horizontal approach was relatively new in sectoral provisions concerning agricultural markets. The main objective of the legislation was to simplify a legal framework through the overall coverage of the regulated area related to the organisation of agricultural markets. Circulation in the scope of production, trade and consumption required the application of legal regulations and implementation of market intervention instruments, which were supposed to produce particular market effect. Different countries, depending on the character of agricultural production and the range of goods, applied a diversified market policy to meet different consumption needs of the population. Among numerous factors influencing agricultural markets, the fundamental instruments of support include prices of agricultural products. Prices are of stabilizing character, they are supposed to

counter their seasonal fluctuations and ensure an appropriate income for agricultural producers. The character of the agricultural market results from the specific nature of production process in agriculture, seasonality of demand and supply, agricultural trade, high level of risk, short-term market volatility and limited mobility of production factors (Lipinska, 2008).

The Council Regulation (EC) No 1234 from 2007 established a common organisation of agricultural markets and introduced provisions concerning some agricultural products. In this part, the objective of the Common Agricultural Policy reform was, among others, simplifying the legislation, which regulated all aspects of agricultural trade in too much detail. According to the Council, simplification should not lead to calling into question the decisions concerning the regulations of the Common Agricultural Policy, which had been taken in the past. In order to ensure market stabilisation as well as the appropriate level of life for rural community, a diversified system of price support was developed for individual sectors. Therefore, the Council (EC) indicates that the existing instruments should neither be repealed nor altered. Since the implementation of the Common Agricultural Policy, the Council has introduced 21 common market organisations, directed at the individual product or the group of products, which were regulated by separate basic Council regulations. Most basic regulations had the same structure and numerous provisions in common. It related in particular to the provisions regarding trade with third countries as well as general rules regulating the internal market. Therefore, there was the need to combine the provisions included in different regulations into a single legal framework. This decision constituted the most significant measure within the Common Agricultural Market reform, which allowed for the repeal of almost 50 EU regulations and the reduction of the number of implementing regulations from 650 to 200. Regulations provide

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for different instruments of support for agricultural producers, including public intervention and private storage, special intervention measures, systems of production limitation, aid schemes, ways of marketing and production as well as trade with third countries. Moreover, previously separate committees were replaced with one Management Committee, which is going to work within individual sectors. Creation of a single common market organisation does not mean changing the policy in individual sectors. It is a change of a technical character

aiming at simplifying legislation, reduction in the number of provisions, obtaining better transparency and facilitating the decision-making processes (Council Regulation, 2007).

The common organisation of agricultural markets was financed by the European Agricultural Guarantee Fund (EAGF). In the years 2007 – 2013, intervention measures on the agricultural market amounted to approximately 26.6 billion euro, that is, 5.8 % of the total spending of the EAGF. The data indicates a clear decrease in export refunds.

Table 1

Breakdown of EAGF expenditure on interventions on the agricultural market (million euro)

Specification	2007	2008	2009	2010	2011	2012	2013
Storage	-106.7	147.9	173.4	93.6	-194.6	17.4	25.1
Export refunds	1 444.70	925.4	649.5	385.1	179.4	146.7	62.4
Other market means	3 427.10	3 046.40	3 083.50	3 454.80	3 428.30	3 344.50	3 217.20
Financial means in total	4 765.10	4 119.70	3 906.40	3 933.50	3 413.10	3 508.60	3 304.70

Source: The Directorate General for Agriculture and Rural Development of the EC

Data analysis by year indicates the reduction of interventions on agricultural markets from 4.7 billion euro in 2007 to 3.3 billion euro in 2013.

New EP and Council (EU) Regulations of the common organisation of agricultural markets from 2013

At present, the system of agricultural markets at the European level is regulated by the EP and Council Regulation (EU) No 1308 from 2013. In the regulation, a horizontal approach was maintained, which applies to all countries and types of agricultural markets. It refers to further consolidation of other regulations in one legal act allowing for a comprehensive look at a significant economic segment of the EU. By means of the regulation, the European Union generates rules concerning the management of agricultural markets, norms of placing agricultural products on the market as well as rules related to export and import from the EU.

The development of the common organisation of agricultural markets has been subject to a constant improvement and adjustment to a

changing economic situation for many years. In fact, the organisation includes 28 national markets, which provide specific products for different regions. The main objective is to support producers as well as distribution and agri-food processing. By means of the organisational system of agricultural markets, the policy of intervention in the EU is being developed to support producers and the related industry (Regulation, 2013).

The Regulation reregulates the issues covered by the previous regulation from 2007 and divides them into six parts including, among others, the internal market and interventions on the market, rules concerning placing products on the market and organisation of producers, trade with third countries like import and export certification, import duties, management of tariff quotas, export refunds as well as competition principles. The introduced rules cover also general provisions related to emergency measures like, in particular, preventing market disturbances attributed to price fluctuations or other events

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(failures). In addition, support measures were granted for such situations as animal diseases or a loss in consumer confidence due to public or plant health risks as well as other measures, related to common interventions in the period of serious market imbalances, and new reserve for crises in the agricultural sector (Regulation, 2013).

The reserve constitutes a new instrument aiming at supporting the sector in the case of a production or distribution crisis. It is created annually by reducing direct payments within the mechanism of financial discipline. Financial discipline applies only to direct payments exceeding 2 thousand euro. Every year, unused resources from the reserve are returned to farmers. For the years 2014 – 2020, the reserve has been divided into seven equal annual tranches 400 million euro each (2.8 billion euro). This crisis reserve can be used to finance emergency measures preventing market disturbances.

Moreover, the system of public intervention as well as the private storage aid have been subject to review in order to improve their functionality and effectiveness. Detailed rules have been introduced concerning interventions on individual markets. The provisions related to 'Fruit and vegetables at school' or the programme 'Milk at school' remained in force. New programmes include support for apiculture co-financed in 50 % by the EU. Furthermore, the regulations concerning producer organisations, associations of producer organisations and inter-branch organisations have been extended to cover all sectors in order to improve the negotiation powers of farmers. They are financed from the funds for the development of rural areas. Apart from that, sectoral producer organisations can, under certain conditions, participate in collective negotiations on behalf of their members. In some cases, the Commission can authorise the recognised producer organisations, their associations or the recognised inter-branch

organisations to take certain provisional measures (e.g. withdrawal from the market or storage by private operators) to stabilize markets. In addition, a range of less important and unused programmes have been abolished (aid for the use of skimmed milk and skimmed-milk powder in animal feed and casein, support related to silkworm production) (Regulation, 2013).

The new regulation maintains export refunds to third countries but only for specific products and only in the case when the conditions on the internal market conform to the conditions required to apply emergency measures. Subsidised exports are to be limited.

The issues related to financing the common organisation of agricultural markets are covered by the first pillar of the Common Agricultural Policy but, unlike direct payments and amounts allocated for the development of rural areas, the amounts earmarked for markets support are not allocated in advance for the period 2014 – 2020. Annual financial needs are covered by the draft budget for a given financial year. In 2014, expenses on markets support amounted to 2.48 billion euro, most of which was earmarked for the fruit and vegetables and wine sector as well as for the aid for the outermost regions (the so called POSEI). In the budget for 2015, the European Commission assigned the revenue, initially estimated at the amount of 1 768.6 million euro, to fruit and vegetables – 469.3 million euro, milk and dairy products – 54.3 million euro as well as to the decoupled direct aid – 1 245 million euro (Report, 2016).

The common organisation of agricultural markets embraces such sectors and fields as market in cereals, rice, dried fodder, seeds, hops, olive oil and table olives, flax and hemp, fruit and vegetables, processed fruit and vegetable products, bananas, wine, live plants and floriculture products, tobacco, beef and veal, milk and dairy products, pork, sheep meat and goat meat, eggs, poultry meat, ethyl alcohol of

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agricultural origin, apiculture products and other (Regulation, 2013).

Selected regulatory mechanisms related to the organisation of agricultural markets

In the Regulation from 2013, different mechanisms and financial instruments were indicated that have the influence on the organisation of agricultural markets. An important factor for the functioning of sectoral agricultural markets is public intervention. The mechanism of public intervention is used only in relation to selected agricultural products in accordance with the established conditions and all additional requirements. Moreover, public intervention has been determined for a limited time, depending on the product character. Procedures of access to public intervention were also specified, including the entity, which can manage such an intervention. Public intervention takes place at the intervention price that determines the purchase price of products within this procedure. The mechanism of intervention buying-in shall be maintained in relation to butter and skimmed-milk powder together with the extended buying-in period. Within the framework of the reform, the mechanism of intervention buying-in has been maintained for common wheat, durum wheat, barley, maize and rice. A similar mechanism relates to beef and veal with the change of the way of its implementation.

An important element of building the internal market is the instrument of aid for private storage of agricultural products. Private storage of products by farmers is more economical than building special warehouses by the state. Similarly as in the previous cases, private storage aid can be earmarked exclusively for the selected products. It is required that products bought in under public intervention or subject to aid for private storage, are suitable for long-term storage and have fair marketable quality. The Commission is empowered to adopt delegated acts specifying requirements and conditions that

must be met by these products. The programmes 'Fruit and vegetables at school' as well as 'Milk at school' have been indicated among the programmes providing access to food. These programmes aim to promote healthy eating habits among children and ensure that children from the particular target group make use of the aid. Moreover, the programmes are supposed to improve the distribution of agricultural products.

The new regulation acknowledges the importance that the EU attaches to particular structures of agricultural producer organisations and inter-branch organisations. Producer organisations are supposed to enhance their position in the food chain and to improve their functioning. The distinction of these organisations between producer and inter-branch ones depends on the given market and its specificity. Organisations have to act for concentration of supply, optimisation of production costs, placing on the market, integration and improvement of effectiveness. For instance, producer organisations are directed mainly at the fruit and vegetables sector, whereas inter-branch organisations at the tobacco sector (Russo, 2014).

A very significant element of agricultural market reform is the development of crisis management measures. The available instruments will include measures for all sectors and, in particular, mechanisms preventing market disturbances as well as mechanisms related to the effects of animal diseases eradication or the loss in consumer confidence. The previous provisions in this scope had been scattered and related only to the selected sectors.

Another instrument of the reform is the mechanism of export refunds and specification of the aid's level. Refunds shall be implemented as the crisis management measure, preventing market disturbances or excessive increase in agricultural production.

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Information and promotion activities

In accordance with the Regulation of the European Parliament and the Council from 2014, the objective of information and promotion activities is to strengthen the competitiveness of the agricultural sector in the Union as well as to improve the competitive balance both on the internal market and in third countries. In particular, information and promotion activities aim at raising consumers' awareness about the advantages of the Union agricultural products and production methods. Moreover, the goal of information measures is to increase the knowledge about the EU quality schemes and their better recognisability. In fact, these actions should enhance competitiveness, consumption and visibility of the EU agricultural products both in the Union and outside it. In the case of serious disturbances on the market, a loss in consumer confidence or other specific problems, these measures should help restore normal market conditions. Information and promotion activities should be constantly implemented to achieve the objectives. Information measures should highlight the authenticity of agricultural products, emphasizing their advantages as original products in comparison with counterfeit products. In addition, the objective of the promotion is to increase the knowledge about symbols, indications and abbreviations identifying participation in the European quality schemes laid down in the EP and Council Regulation from 2014 (Regulation, 2014).

It is indicated in the regulation that information and promotion activities shall not be directed at the specific trademark. The possibility of providing information about the trademark and the product's origin should be allowed to improve the quality and effectiveness of presentation, consumption as well as information and promotion materials. Moreover, the activities should be consistent with the general principles of EU law and should not restrict free movement

of agricultural and food products within the EU (Regulation, 2014).

Conclusions

The Council Regulation (EU) from 2007 on the common organisation of agricultural markets initiated the process of agricultural markets consolidation, which laid the foundations not only for producers support but also for the whole agri-food processing industry. New rules had been adopted that related particularly to interventions on markets, systems of quotas and aid, standards for placing on the market and production as well as trade with third countries. The common organisation of agricultural markets set out a legal framework at the European level in relation to all agricultural sectors. In this way, the European Union aimed at establishing common rules concerning agricultural markets management as well as norms for agricultural products placed on the market and related to import and export from the European Union. The introduced legal instruments in the scope of market policy implementation concerned three groups of problems. The first group aimed at supporting pricing policy and, in certain cases, at limiting the production of specific crops. The second one related to financial instruments, such as minimum prices, intervention prices, intervention buying-in, quotas and compensation payments in the events of reduced price support. The third group was associated with the increase in the cost-effectiveness of export from the Union on account of the possible higher prices on the internal market compared to global markets. It was necessary, therefore, to implement export refunds, which reduced the influx of competitive products from outside the member states.

The new EP and Council Regulation from 2013 constitutes the continuation of directions of changes adopted in 2007. At the same time, it is part of the Common Agricultural Policy reforms to be implemented until 2020 that address the challenges of the future related to food, development of production potential and

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maintaining competitiveness of the Union's agricultural sector in the light of increasing globalisation. Moreover, the horizontal approach to market regulation was maintained that leads to further moving away from the sectoral approach. The regulation integrates previously delegated provisions in one act which allowed for taking the comprehensive look at the way of conducting market policy. The agricultural market has been extended to include three new sectors,

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