

SUPPORTING THE NEW GENERATION OF FARMERS THROUGH EUROPEAN FUNDS

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Abstract: *The Romanian agricultural sector has a high degree of aging. Farms administered by elderly farmers are poorly capitalized and therefore poorly market oriented. There is a high need to revive farmers generations in all sectors of Romanian agriculture to improve farm management and to increase productivity. The European Union, through the European Agricultural Fund for Rural Development, gives a special interest in supporting young farmers by granting installation aids. In the present paper the authors propose to analyze the measure of installation of young farmers both within the 2007-2013 and 2014-2020 National Rural Development Program. To this is added the direct payment for young farmers from the current programming period, of which financing is made by the European Agricultural Guarantee Fund. This approach is necessary and useful in identifying the problems faced by beneficiaries of the measure in accessing and implementing projects.*

Keywords: *European funds, Common Agricultural Policy, young farmers, installation aid*

INTRODUCTION

Taking into consideration the multiple problems which rural areas are facing with, European funds represent an obvious opportunity to stimulate economic growth in these areas. It is obvious that the financing needs of agriculture and rural development far exceed the public funds (national and European) allocated for this purpose [1]. The absorption of European funds for agriculture and rural development poses a great challenge for both farmers and local public administration, business and non-governmental institutions.

Through its resources, the Romanian countryside has an important development potential, but insufficiently exploited. However, up to this date, these advantages have had limited influence in determining significant development and to allow the increase of living standards in rural areas [3]. The Romanian rural economy, dominated by agriculture for the most part, is still poorly integrated into the market economy. Favourable geographical conditions, relief, climate, fertile soils, to which is added labour force, attachment of the rural population to land and animals, an appropriate institutional system, can make Romania's agriculture a profitable area of activity. Thus, investments and competitiveness in Romania are elements that need to be improved in order to accelerate economic growth and to ensure comparable revenues to EU countries [2].

The need to mitigate and adapt to climate change through the use of renewable resources, the decrease in carbon dioxide emissions and awareness of the negative effects of farm lands abandonment on the economic development of rural areas are issues that have a limited perspective among older farmers.

MATERIALS AND METHODS

The methods used were analysis, synthesis, comparison, deduction and induction. The data used were taken from the Ministry of Agriculture and Rural Development, and from various publications, on the basis of which we made our own calculations and interpretations.

RESEARCH RESULTS

A particular importance on young farmers support is represented by the financial support provided from the European Agricultural Fund for Rural Development through the National Rural Development Programme 2007-2013 and 2014-2020 [2]. The National Rural Development Programme is a project-based programme (except for green payments measures) by which the European Union has provided financial support to Romania of 8,097.2 million euros (according to version XVI of the NRDP) for the 2007-2013 Programming Period [4] and 8.128 million euros for the period 2014-2020. The programmes were designed in the form of multiannual programmes covering a period of seven years.

In Romania, most individual farms are characterized by a low economic power and are oriented, predominantly, towards self-consumption. Their openness to the market is relatively reduced, both in terms of outputs and the necessary inputs. These farms are characterized by a very diversified production structure, determined by household needs, as well as by a small and inadequate technical endowment, which prevents the increasing productivity and obtaining a surplus of products for sale (NRDP 2014-2020).

Romanian agriculture is characterized by a high degree of farmers ageing. Farms managed by older farmers are poorly capitalised and equipped and thus they are poorly market oriented. Most of the achieved production is moving towards self-consumption [15].

There is the need to rejuvenate generations of farmers in all sectors of Romanian agriculture in order to improve farm management and to increase productivity.

Furthermore, the permanent transfer of the entire holding to another farmer in return for annual payments would lead to the consolidation of agricultural holdings, given that half of the agricultural area of the country is managed by commercial, efficient and competitive farms, and the other half is represented by subsistence and semi-subsistence farms [10].

In order to carry out an analysis on the support of young farmers in Romania, it is necessary to analyse in what follows the measures for the installation of young farmers both under the National Rural Development Programme 2007-2013 and the 2014-2020 one. In addition to this there is the payment for young farmers in the current programming period, the funding of which being made from the European Agricultural Guarantee Fund [8].

Measure 112 "Installation of young farmers" under the 2007-2013 NRDP

The installation of young farmers consists in the activity of setting up or taking over by transfer of ownership, lease or concession of an agricultural holding.

The general objectives of this measure aimed to improve and increase competitiveness of the agricultural sector by promoting the installation of young farmers and supporting the modernisation process and compliance with the requirements for environmental protection, hygiene and animal welfare, safety at work, as well as improving the management of agricultural holdings by renewing the generation of their heads, without increasing the active population employed in agriculture [1].

The support provided under the measure was aimed at improving the management of the agricultural holding, improving the overall performance of the agricultural holding, adapting production to market requirements, complying with Community rules, in particular cross-compliance requirements, labour protection, environmental protection and veterinary sector.

In the 2007-2013 financial year, the measure provided for obtaining support to own a holding between 6 and 40 EDU, which mainly produced plant and animal agricultural

products (raw material) for human consumption and animal nutrition, for the first time as head of the holding. Economic Dimension Unit (EDU) means the unit expressing the economic size of an agricultural holding determined on the basis of the standard gross margin of the holding (Commission Decision No 85/377/EEC). The value of a unit of economic size is 1,200 Euro.

The support granted was of 10,000 euros for an agricultural holding with a minimum size of 6 EDU, and above this size, the installation support increased by 2,000 euros for each additional EDU, but without exceeding 25,000 euros/holding. Subsequently, since 2012 the support has increased to 12,000 euros for an agricultural holding with a minimum size of 6 EDU, and above this size the support has increased by 4,000 euros for each additional EDU, but without exceeding 40,000 euros/holding.

The financial allocation of the measure for the period 2007-2013 was 303,913,965 euros public expenditure.

Seven project submission sessions were held for this measure, during which 22,494 projects were submitted at national level with a public value of 630 million euros. Of the 22,494 projects submitted, 13,450 were selected, of which 12,635 projects were contracted (Table 1). The NRDP of 2007-2013 target for measure 112 was of 13,631 projects, resulting thus an achievement degree of 92.7% of the proposed target.

Table 1.

Status of projects under M 112 (thousand euro)

Measure	Projects submitted		Selected projects		Contracts/ financing decisions concluded		Payments made
	No.	Public value	No.	Public value	No.	Public value	Public value
112	22.494	630.074	13.450	339.262	12.635	318.285	298.661

Source: Data provided by the Ministry of Agriculture and Rural Development and the Agency for Rural Investment Financing [5, 12]

The absorption level of measure 112 was 98.27% considering the amount allocated of 303.913 thousand euros according to the 16th version of the 2007-2013 NRDP. In the initial version of the NRDP, 337,200 thousand euros were allocated for measure 112, resulting thus in an absorption rate of 88.57%.

Through the transitional procedure 791 projects were transferred in order to be completed to the 2014-2020 NRDP respectively under the corresponding sub-measure 6.1 "Support for the installation of young farmers" with a remaining public value of 10,017.67 thousand euros.

Under this measure, 322 financing contracts were cancelled, of which 75 at the request of the beneficiary, 242 due to non-compliance with the contractual terms and 5 contracts cancelled for other reasons.

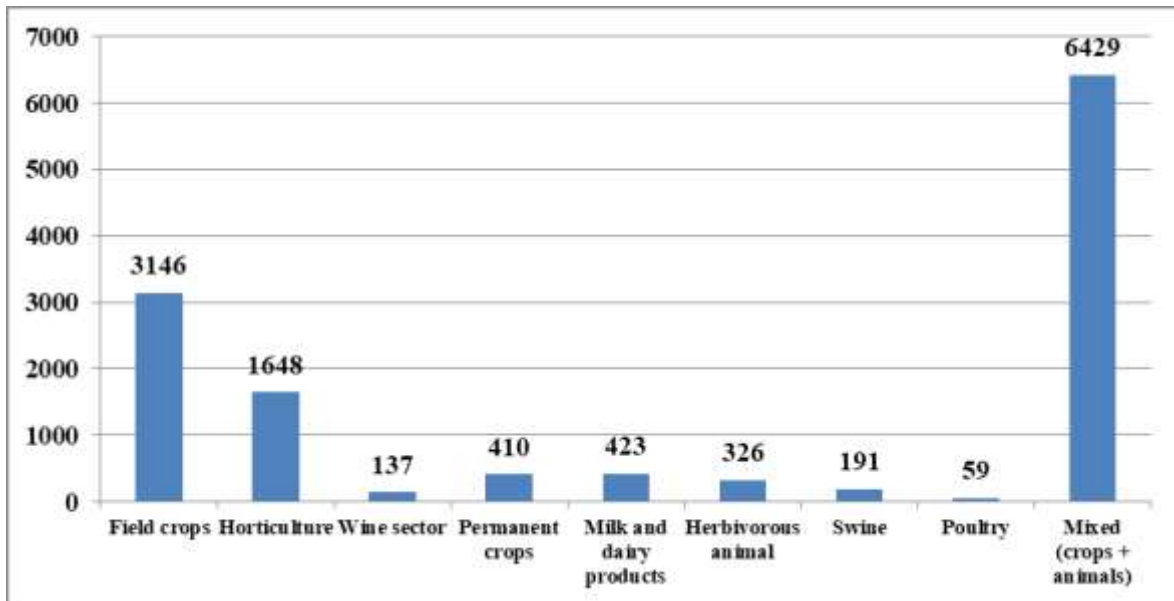


Figure 1. Number of projects approved by types of agricultural branches for measure 112 "Installation of young farmers"

Source: *MARD, Annual Progress Report on the implementation of NRDP in Romania, 2015* [12]

In the above figure we have presented the situation of the projects approved on measure 112, on each type of agricultural branch. It is noted that most funded projects concerned mixed-profile farms (50.88%), followed by field crops (24.89%) and of horticultural profile with 13.04%. Mixed farms scored higher and therefore account for such a large share of total funded projects.

Of the total number of young farmers (12,635) who received installation support for the first time as managers of a holding, 7,367 were men and 5,403 were women.

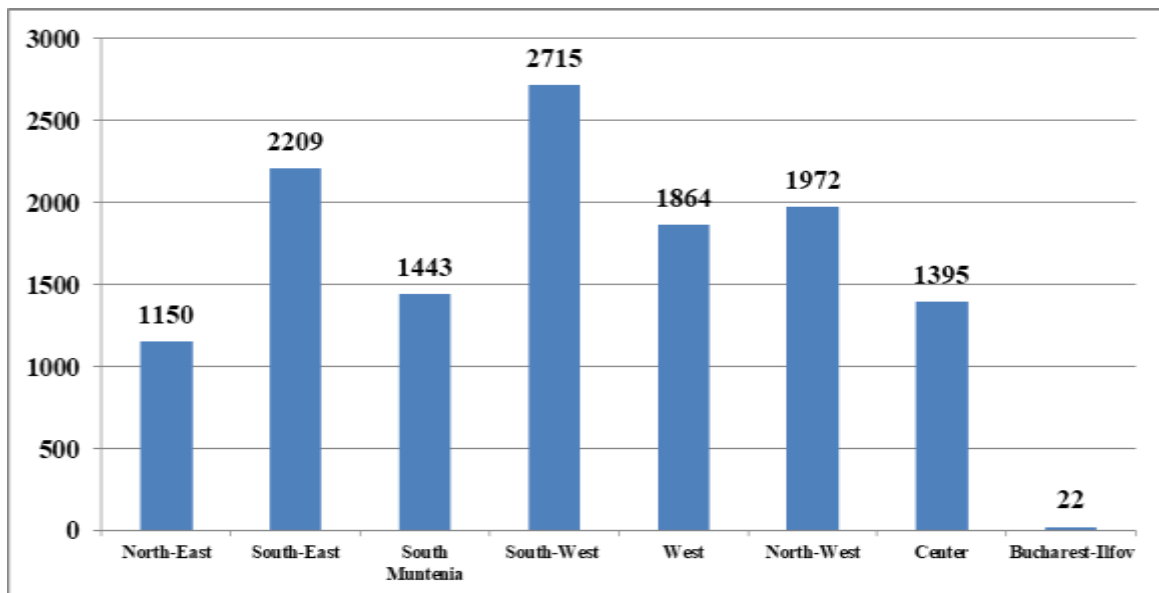


Figure 2. Number of projects approved by development regions

Source: *MARD, Annual Progress Report on the implementation of NRDP in Romania, 2015* [12]

In terms of regional distribution, the South-West Oltenia Region holds the largest share, i.e. 21.26% of the total approved projects, followed by the South-East Region with a

share of about 17.30%. The lowest share, i.e. 0.17% of the total approved projects, is held by Region 8 Bucharest Ilfov.

Sub measure 6.1. "Support for the installation of young farmers in the National Rural Development Programme 2014-2020"

The great success of Measure 112 of the 2007-2013 NRDP has led the State authorities to provide support to young farmers as well from the 2014-2020 NRDP through Sub measure 6.1 "Support for the installation of young farmers". This sub-measure falls within the measure 06 "Development of holdings and enterprises" under the National Rural Development Program 2014-2020, according to Regulation (EC) no1305/2013 [7].

This measure presents the following objectives: the installation for the first time of young farmers as managers of an agricultural holding; improvement of management, increasing competitiveness of the agricultural sector, as well as compliance with environmental protection requirements, hygiene, animal welfare and safety at work; encouraging young people and rural families to settle in rural areas, which will create a positive effect on the national economy in general [15].

In the 2014-2020 financial year, the sub-measure 6.1. provides for a support of 50,000 euros for holdings between 30,000 and 50,000 SO¹ and 40,000 euros for holdings between 12,000 and 30,000 SO [14]. The support shall be granted in two tranches on the basis of objectives achievement of the business plan (three years or five years for the fruit growing area): 75% on receipt of the financing decision and 25% after the correct implementation of the business plan, the second tranche being also conditional on the marketed production which must be at least 20% of the first tranche value.

The financial allocation for sub-measure 6.1 for the period 2014-2020 is 476.754.112 euros public expenditure of which 10,000,000 euros is intended for farmers for the Implementation of the Integrated Strategy for Sustainable Development of the Danube Delta.

Table 2.
Status of projects for sub measure 6.1 on 10.09.2020 (thousand euro)

	Projects submitted		Selected projects		Contracts/ financing decisions concluded		Completed projects		Payment s made
	No.	Public value	No.	Public value	No.	Public value	No.	Public value	Public value
National	14.259	586.490	10.106	414.870	10.027	411.550	9.112	374.330	401.798
ITI Danube Delta	232	9.470	204	8.300	201	8.180	158	6.400	7.723
Total	14.491	595.960	10.310	423.170	10.228	419.730	9.270	380.730	409.521

Source: Data provided by the Ministry of Agriculture and Rural Development and the Agency for Rural Investment Financing [5, 16]

Three project submission sessions were held for this sub-measure, during which 14,259 projects were submitted at national level with a public value of 586 million euros. Of the 10,259 submitted projects, 10,106 projects were selected, of which 10,027 projects

¹ Value of standard production (SO) represents the monetary value of gross agricultural production at the price of the farm gate (Reg. 1242/2008). This value is the sum of main product value (main products) and that of the secondary product(s). The values shall be calculated by multiplying the production per unit by the price at the holding gate. VAT, product taxes and direct payments are not included.

were contracted. 9,112 projects were completed, and the total payments amount to 401 million euros.

Separate amounts have been allocated to this sub measure for the ITI Danube Delta area. 232 projects were submitted here with a total value of 9.4 million euros, of which there were contracted 201 projects worth 8.1 million euros.

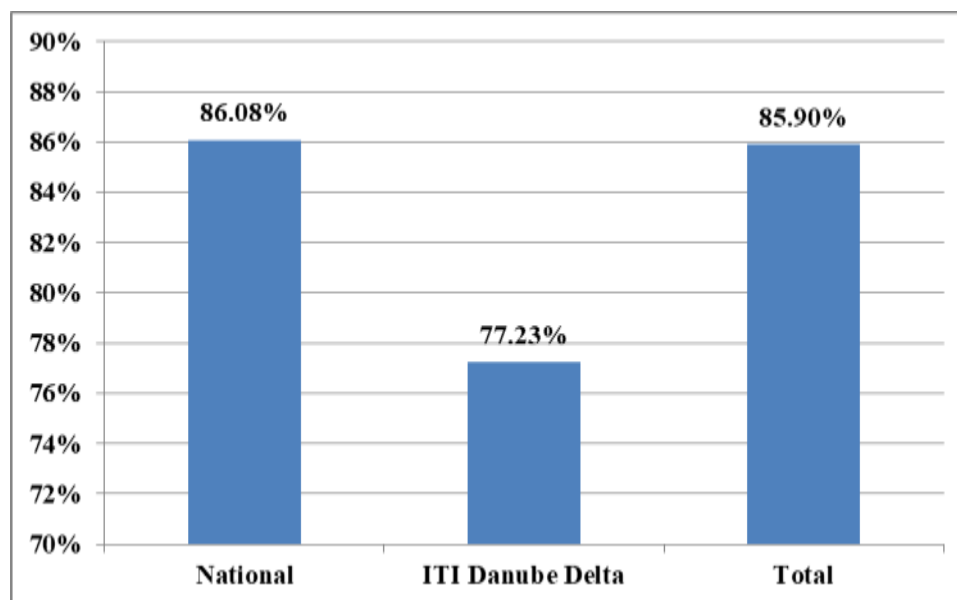


Figure 3. Absorption rate of sub measure 6.1. "Support for the installation of young farmers"

Source: Own calculation from data provided by the Ministry of Agriculture and Rural Development and the Agency for Rural Investment Financing [5, 16]

Sub measure 6.1. is the second most accessed measure under the 2014-2020 NRDP, following sub measure 6.3. "Support for the development of small farms".

The absorption rate of this sub-measure for projects submitted at national level is 86,08% and at ITI Danube Delta level is of 77,23% and the overall absorption rate of this sub-measure is of 85,90%.

For this sub-measure, the funds under version IX of the 2014-2020 NRDP have been exhausted, leaving only the second tranche to be paid for the ongoing projects. Taking into account the high attractiveness of this sub-measure and the need to rejuvenate farmers, the Ministry of Agriculture and Rural Development published the 10th version of the 2014-2020 NRDP where there were reallocated to sub measure 6.1 about 40 million euros from the sub-measures to which unspent money remained. The project submission session for this fund will take place in autumn 2020.

Supporting young farmers from the European Agricultural Guarantee Fund

Starting with 2015 year, according to Regulation (EU) 1307/2013 [9], the Government Ordinance no. 3/2015 [11], MARD Order no. 619/2015 [17] and MARD Order no. 620/2016 [18] laying down rules on direct payments, Romanian farmers have at their disposal the following payment schemes that they can access through the Agency for Payments and Intervention in Agriculture: single area payment scheme (SAPS); payment for agricultural practices beneficial to the climate and the environment; redistributive payment; payment for young farmers; transitional national aids and simplified scheme for small farmers.

The payment for young farmers shall consider awarding an annual payment to all farmers who are eligible for SAPS. In order to be classified as a 'young farmer', natural

persons must hold for the first time a position of manager - head of a holding - or they are already established in one year out of the total of five years since the first submission of SAPS application. In the year in which they submit this application, they must be not more than 40 years old and must provide proof that they have completed at least one agricultural training course.

The payment for young farmers shall be granted to a legal person only for as long as at least one of the natural persons who exercised control over the legal person in the first year in which he applied for payment under the scheme still maintains control.

Each farmer who falls under this measure receives payment for young farmers during a period of five years. In order to finance the payment for young farmers, a maximum of 2% of the national provided ceiling shall be used.

The Commission adopts annually implementing acts setting the ceilings for young farmers payment based on the percentage notified by the Member States of the European Union. If the total amount of payments for young farmers requested in any Member State in a given year exceeds the ceiling set under the preceding paragraph and if that ceiling amounts to 2% of the allocated annual national ceiling, Member States shall apply a linear reduction to the amounts to be paid to young farmers in order to comply with that ceiling.

The amount of the payment per hectare shall be 25 % of the amount per hectare of the single area payment and shall be granted for a maximum of 60 eligible hectares declared by the farmer.

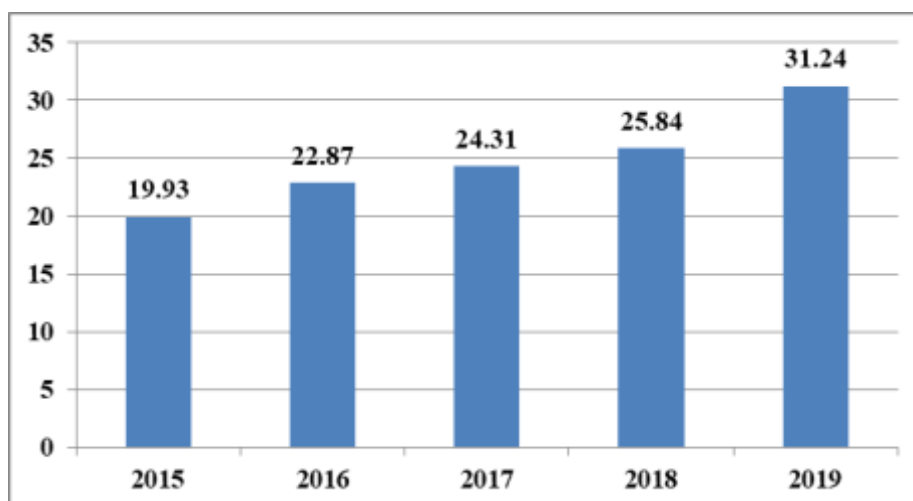


Figure 4. Value of payments per hectare for young farmers payment scheme (euro/ha)

Source: Data provided by the Agency for Payments and Intervention in Agriculture [6]

With the increase of the annual ceilings allocated to Romania in the EAGF, financial support per hectare for young farmers has also increased from 19.93 euro/ha in 2015 to 31.24 euro/ha in 2019.

CONCLUSIONS

It is of the utmost importance to find solutions to attract young farmers into the field of agricultural production. Romania needs more young farmers to take over the management of farms, including the existing ones, to improve farms productivity and to increase their market access. The significant increase in the share of young managers of agricultural holdings with an adequate level of knowledge will lead to improve technical capacity and innovation potential, will generate sustainable management by improving the overall performance of holdings and their better integration into the market. Young farmers

will also be able to invest in other tangible assets such as agricultural land, construction, equipment, machinery, post-harvest facilities and means of production.

Supporting young people through European funds is primarily aiming at providing relatively small non-refundable amounts to encourage young farmers to start an agricultural business. With this support young farmers can see if they can manage with this area and if they want to continue in agriculture, or if they need to refocus on another area.

By accessing measures to install young farmers, beneficiaries can purchase agricultural land, high-performance machinery and equipment as well as means of production.

The support for young farmers installation should cover those agricultural sub-sectors facing supply shortages in relation to national and Community market demand.

Supporting young people must also be continued in the future financial year, with even higher installation premiums than has been granted so far, as well as more consistent subsidies per hectare for young people to capitalise on farms and introduce new environmentally friendly technologies.

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