

CONSIDERATIONS REGARDING THE DIRECT PAYMENTS GRANTED TO FARMERS IN THE PERIOD 2014-2020

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Abstract: *The allocation of financial resources to finance agriculture and rural development programs represents one of the main components of the Common Agricultural Policy. The financial mechanisms and allocation criteria of public funds earmarked for direct payments in agriculture are subject to difficult discussions sometimes contradictory between Member States due to different national priorities from one state to another. Decoupling production payments and waiver of historic landmarks for allocating financial resources calls the decision makers of European Union for a balanced and fair approach regarding the proper level for each Member State.*

Key words: *direct payment, Common Agricultural Policy (CAP), national ceilings, transitional national aids, single area payment scheme (SAPS), payments for young farmers*

INTRODUCTION

For the rich countries of the world, food security it was and still it is a national priority which has stimulated various methods of supporting agriculture and protecting farmers. In the European Economic Community, shortly after signing the Treaties of Rome in 1957 occurred the Conference from Stresa (1958) where, by analyzing the state of agriculture within the EEC countries, it was established a joint strategy to develop agriculture, which was recorded few years later within the Common Agricultural Policy (CAP) available today, obviously, in a form adapted to current conditions in the European Union.

The effects of the first 8-10 years of implementation of the CAP have been remarkable, causing the increase of agricultural production by about 30% and thus ensuring the self-supply of main agricultural products, while increasing farmers incomes and farms consolidation. There followed several distinct periods in the evolution of CAP, with significant changes in priorities and funding mechanisms, insisting progressively for a greater orientation of agricultural policy towards free market, reduction of guaranteed prices, decoupling subsidies from production levels, conditioning single farm payments of environment protection and reducing pressure on EU budget.

All these changes occurred simultaneously with European Union enlargement, with the accession of new states from Central and Eastern Europe, these having an agriculture that was in different stages of development compared to the old Member States of European Union, with other priorities and many shortcomings.

Romanian agriculture by the time of accession to the European Union was in a stage of development comparable to western European agriculture of '50s, with a poor rural population, a thinly capitalized farms, with a high degree of fragmentation, many peasant households of subsistence. Despite all progresses recorded in recent years, the country's food safety has been and is still threatened even if we have a vast untapped production potential. Or just harnessing this productive potential should be the mainstay of an agricultural policy national and common.

In the context of the above mentioned, we considered necessary and useful the analysis of the implications of financial resources given to agriculture in Romania compared to other EU countries.

MATERIALS AND METHODS

The methods used were analysis, synthesis, comparison method, deduction and induction. The data used were taken from European Commission statistics (Eurostat) and national statistics, as well from various national and international publications, on which we made calculations and personal interpretations.

RESULTS AND DISCUSSIONS

In the explanatory memorandum to the elaboration of the multiannual financial framework (MFF) intended for agriculture and rural space, the main objectives agreed with interested parties are listed below, as follows:

- 1) – viable food production;
- 2) – sustainable management of natural resources and climatic policies;
- 3) – fair spatial development.

To achieve these objectives the current structure of the CAP is maintained, based on two pillars: Pillar I, which covers direct payments and market measures, and Pillar II, which covers rural development.

Through the new financial package there are allocated mainly the following financial resources to support the CAP for the budget cycle 2014-2020:

- 1) € 296.0 billion to Pillar I (Regulation (EU) no. 1307 and 1310 of 17 December 2013 on direct payments);
- 2) € 95.7 billion to Pillar II (Regulation (EU) no. 1306 of 17 December 2013 on rural development support).

Rights as regards direct payments per Member States in the form of net national ceilings are presented in Table 1.

From the data presented, it results that in 2019 Romania reached the maximum ceiling allocated annually. It also notes the reduction of annual ceilings for a group of countries (generally old Member States of European Union) and the increase of annual ceilings for the group of new member countries of European Union.

Although the changes which occurred, there is noticed a big difference in terms of support per hectare due to each Member State which is still generating major imbalances, unfair competition or discrimination, with obvious negative effects, unbearable by the poorer countries of the European Union, as such as Romania. These variances result from two causes:

1. The use of historical references (yields per hectare during the period 2000-2002) even though within the records of European bodies, declaratory it states that it had been given up on them.

2. Failure to recognize the actual eligible area of Romania (9.7 million ha in 2013 against 8.7 million ha eligible specified in the 7th File Agriculture negotiated with the European Union). This difference is increasing each year as a result of lands consolidation process. The difference between utilized agricultural area of Romania (13 753 hectares) and recognized eligible area (8,722 hectares) is of 5,031 hectares.

Table 1

Member State	Annual national ceiling (€ million)					
	2014	2015	2016	2017	2018	2019-2020
Austria	693.7	693.1	692.4	691.8	691.7	691.7
Belgium	544.0	536.1	528.1	520.2	512.7	505.3
Denmark	926.0	916.6	907.1	897.6	889.0	880.4
Finland	523.2	523.3	533.4	523.5	524.1	524.6
France	7586.3	7553.7	7521.1	7488.4	7462.8	7437.2
Germany	5178.1	5144.3	5110.4	5076.5	5047.5	5018.4
Greece	2047.1	2039.1	2015.1	1991.1	1969.1	1947.2
Ireland	1216.5	1215.0	1213.5	1211.9	1211.5	1211.1
Italy	3953.3	3902.0	3850.8	3799.5	3751.9	3704.3
Luxembourg	33.6	33.6	33.5	33.5	33.5	33.4
Netherlands	793.3	780.8	768.3	755.9	744.1	732.4
Portugal	557.6	566.0	574.1	582.2	590.9	599.5
United Kingdom	3548.5	3555.9	3563.3	3570.5	3581.1	3591.7
Spain	4833.6	4842.7	4851.7	4866.7	4880.0	4893.4
Sweden	696.4	696.9	697.3	697.7	698.7	699.8
Total EU-15	33131.2	32999.1	32860.1	32707.0	32588.6	32719.2
Bulgary	642.1	721.2	792.4	793.2	794.8	796.3
Czech	875.3	874.5	873.7	872.8	872.8	872.8
Cyprus	51.3	50.8	50.2	49.7	49.2	48.6
Croatia	113.9	130.6	149.2	186.5	223.8	261.1
Estonia	110.0	121.9	133.7	145.5	157.4	169.4
Latvia	168.8	195.6	222.4	249.0	275.9	302.8
Lithuania	393.2	417.9	442.5	467.1	492.0	517.0
Malta	5.2	5.0	4.9	4.9	4.8	4.7
Poland	2970.0	2987.3	3004.5	3021.6	3041.6	3061.5
Romania	1428.5	1629.9	1813.8	1842.4	1872.8	1903.2
Slovakia	377.4	380.7	383.9	387.2	390.8	394.4
Slovenia	138.9	138.0	137.0	136.0	135.1	134.3
Hungary	1272.7	1271.6	1270.4	1269.2	1269.2	1269.2
Total EU-13	8547.3	8925.0	9278.6	9425.1	9580.2	9737.9
Total EU-28	41678.5	41924.1	42138.7	42132.1	42168.8	42457.1

Source: Regulation (EU) no. 1307 Annex III and 1310 Annex II of December 17 2013 on direct payments

Comparing the national ceilings to utilized agricultural area of each Member State, the amplitude of differences (inequalities) is evident (Table 2).

Table 2

Country	UAA (thsd ha)	2014		2019-2020	
		Nat. ceiling (mill. €)	€/ ha UAA	Nat. ceiling (mill. €)	€/ ha UAA
		Austria	3189	694	218
Belgium	1374	544	396	505	368
Bulgaria	3051	642	210	796	261
Czech	3518	875	249	873	248
Croatia	1316	114	87	261	198
Denmark	2663	926	348	880	330
Germany	16932	5178	306	5018	296

Estonia	907	110	121	169	186
Finland	2292	523	228	525	229
Ireland	4139	1216	294	1211	293
Greece	4046	2047	506	1947	481
Spain	24893	4834	194	4893	197
France	27477	7586	276	7437	271
Italy	12744	3593	282	3704	291
Cyprus	146	51	349	49	336
Lithuania	2649	393	148	517	195
Latvia	1774	169	95	303	170
Luxembourg	131	34	260	33	252
Hungary	4229	1273	301	1269	300
Malta	10	5	520	5	470
Netherlands	1914	793	414	732	382
Poland	15477	2970	192	3062	198
Portugal	3473	558	161	600	177
Romania	13753	1429	104	1903	138
United Kingdom	16130	3549	220	3592	223
Slovenia	489	139	284	134	274
Slovakia	1937	377	195	394	203
Sweden	3118	696	223	700	225
TOTAL EU	173771	41678	240	42457	244

Source: Own calculations following Annex II of Regulation Proposal of European Parliament and Council of establishing rules for direct payments granted to farmers under support schemes within the Common Agricultural Policy and Eurostat for UAA.

The graphic expression of data submitted in the previous tables is relevant to be able to make judgments on the support for direct payments related to UAA for each Member State in 2014 (Fig.1) and 2019 (Fig. 2).

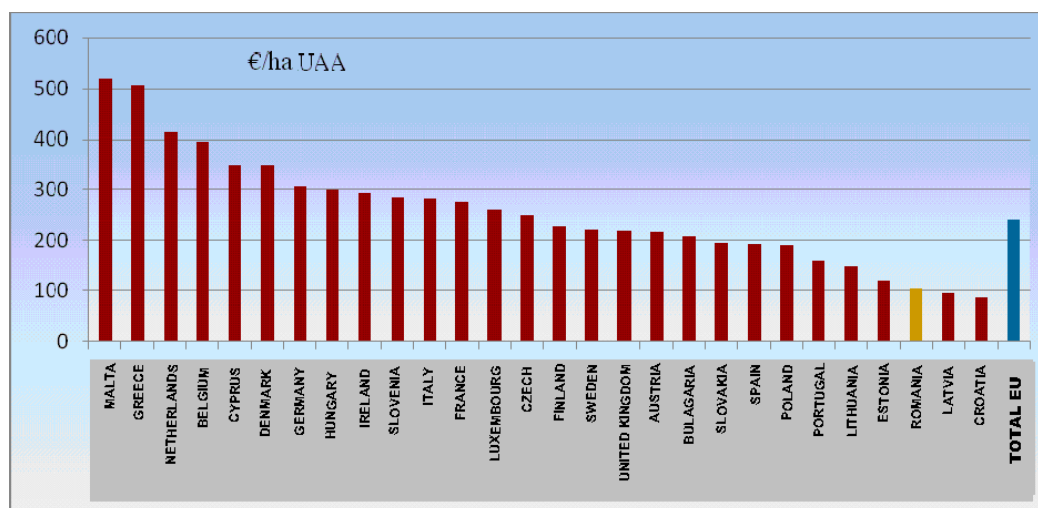


Figure 1. The support regarding direct payments related to UAA in the year 2014

Based on presented tables and graphs there are found very large differences from one country to another, although the preamble of Regulation Proposal of European Parliament and Council of establishing rules for direct payments granted to farmers under support schemes within the Common Agricultural Policy and Eurostat for UAA stipulates that "... it has become increasingly difficult to justify the presence of some significant

individual differences in the level of support per hectare resulting from the use of historical references. Therefore, the direct support for incomes should be distributed more equitably between Member States by reducing the link to historical references and given the overall context of the European Union budget."

The fact that *".. the Member States granting direct payments below 90% of the EU average have to eliminate one-third of the gap between the current level and this level"* does not solve this great inequality than, possibly, from a diplomatic and political mean but not economic one.

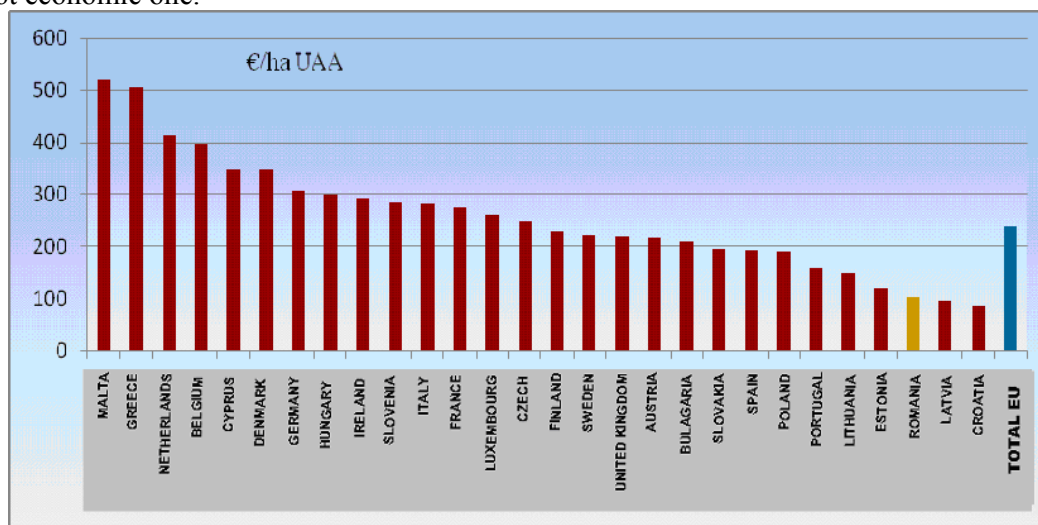


Figure 2. The support regarding direct payments related to UAA starting with the year 2019

In the current period (2007-2014), the payment schemes of aids intended for farmers are differentiated as follows:

- **Single Farm Payment Scheme** practiced in the old Member States of EU and, exceptionally, in some new member states, with appropriate application conditions of this method;

- **Single Area Payment Scheme (SAPS)**, specific to new member states, including Romania, opting for the continued application of the single area payment scheme making use of Article 6 para. 2 of Regulation (EU) no. 1307 of December 17, 2013.

For the year 2014, the level of area payments is granted on the same basis as in the period 2007-2013.

For the period 2015-2020 the proposals of Ministry of Agriculture of Romania, made public in January 2014, aim to the following payments structure:

- **Single Area Payment Scheme (SAPS)** shall continue to apply (during the period 2014-2020) in accordance with Section 4, Art. 36 of EU Regulation no.1307/17.12.2013;

- **Payments for agricultural practices beneficial for the climate and the environment** representing 30% of the national ceiling, according to the same law, Art. 47;

- **Redistributive payment** of maximum 30% of the national ceiling, according to art. 41 and art. 42 of EU Regulation no.1307/17.12.2013 granted to agricultural holdings with an area of between a minimum of 5 ha and a maximum of 30 ha. Within the limits imposed by European regulations, the Ministry of Agriculture is proposing a percent of 7.5% of the national ceiling;

- **Payments for young farmers** at a rate of 25% of the single area payment multiplied by the number of eligible hectares owned by the farmer. According to Article 51

of Regulation EU no.1307/17.12.2013 for financing this payment there is used a maximum of 2% of annual national ceiling;

- **Transitional National Aids-TNA** granted under Art. 37 of EU Regulation no.1307/17.12.2013.

Considering this structure of payments, the Ministry of Agriculture estimates the allocations level for different farm sizes (Table 3)

Table 3

Estimation of direct payments for the period 2015-2020

	2015		2016		2017		2018		2019-2020	
1-5 ha	Max 173	80- SAPS	Max	89	Max	90	Max	92	Max	93
		50- Greening	187	56	188	57	188	58	190	59
		0- Redistributive		0		0		0		0
	Min 130	23- Young farmer	Min	23	Min	23	Min	23	Min	23
		20- TNA Vegetal	145	19	147	18	149	16	152	15
5-30 ha	Max 220	80- SAPS	Max	89	Max	90	Max	92	Max	93
		50- Greening	240	56	242	57	244	58	245	59
		47- Redistributive		53		54		55		55
	Min 157	23- Young farmer	Min	23	Min	23	Min	23	Min	23
		20- TNA Vegetal	198	19	201	18	203	18	207	15
30-60 ha	Max 173	80- SAPS	Max	89	Max	90	Max	92	Max	93
		50- Greening	187	56	188	57	188	58	190	59
		0- Redistributive		0		0		0		0
	Min 130	23- Young farmer	Min	23	Min	23	Min	23	Min	23
		20- TNA Vegetal	145	19	147	18	150	16	152	15
>60 ha	Max 150	80- SAPS	Max	89	Max	90	Max	92	Max	93
		50- Greening	164	56	165	57	165	58	167	59
		0- Redistributive		0		0		0		0
	Min 130	0- Young farmer	Min	0	Min	0	Min	0	Min	0
		20- TNA Vegetal	145	19	147	18	147	16	152	15

Source: Ministry of Agriculture and Rural Development

Note:- for calculating the level of SAPS there has been used the area of 9,720,864 ha;

- for calculating the level of TNA (Transitional National Aids) there has been used the area of 6,200,000 ha;

- for calculating the level of redistributive payment there has been used the area of 2,500,000 ha;

- the payment for young farmers was calculated using a ceiling of 115,360 farmers and an area of approx. 1,900,000 ha

Table 4

Estimation of direct payments for the years 2015 and 2019-2020 for different farm sizes

Farm size ha	Allocations euro/ha 2015			Allocations euro/ha 2019-2020		
	Minimum	Maximum	Difference	Minimum	Maximum	Difference
5	130	173	43	152	190	38
30	169	212	43	198	236	38
60	150	192	42	175	213	38
100	142	176	34	166	195	28
500	132	155	23	155	173	18
1000	131	153	22	153	170	17
2000	130	151	21	153	168	15

Source: Own calculations based on the model of Ministry of Agriculture and Rural Development

Note: Redistributive payment shall be granted only to farms sized between 5 to 30 ha;

Payment for young farmers is granted to farms sized between 1 to 60 ha

The estimation of sizes listed in the table is conditioned by the evolution of eligible area during the entire period of 2015 to 2020. In the performed calculations there was considered an eligible area of 9,720,864 ha, registered by APIA for direct payments related to the year 2014, surface that will increase every year according to the further consolidation of lands. Assigning the same national ceiling to more eligible hectares, the allocations level per eligible hectare will be reduced comparing the sizes specified in this table.

CONCLUSIONS

1. The national ceiling assigned to Romania for direct payments disregards the increase of eligible area from 8,716,370 ha negotiated to over 9.7 million ha in 2014, and probably more than 10 million ha in the coming years which causes a sharp decrease of unitary payment due to farmers. This phenomenon forces the Romanian authorities to renegotiate the eligible area.

2. It became increasingly difficult to justify the substantial differences between the support level per hectare granted to Member States resulting from the use of historical references, still distorting agricultural products market with public money.

3. The right granted to Romania and Bulgaria to contribute from national budget sources at filling national ceilings does nothing but confirms the existing inequalities.

4. We consider that the achievement of total convergence objective through the equal distribution of direct support throughout the EU would lead at avoiding the imbalances resulting from the direct support disproportionate among the Member States and the agricultural products market would enter into a process of normality.

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