

STUDY CONCERNING THE LEVEL OF DIRECT PAYMENTS GRANTED TO FARMERS FOR THE PERIOD 2015 AND 2020

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***Abstract:** Knowing the national and community national programs for financing agriculture, advantages and constraints of the Common Agricultural Policy that apply unitary in all the European Union member states as well as of the exigencies of the new reform of the Common Agricultural Policy in consensus with the market evolutions, are aspects that must be studied carefully. The financial mechanisms and criteria for the allotment of financial sources designed for direct payments from agriculture constituted and still constitute these days a subject matter of many discussions both at European and national level. That is why, the authors plan by this work to analyze the new mechanisms and criteria of distribution of the direct payments to the farmers for the period 2015-2020.*

***Key words:** direct payments, allocation level, redistributive payment, greening payment*

INTRODUCTION

In February 2014, the European Commission, through DG Agriculture & Rural Development has published a Report summarizing the main directions of development of this common policy in the period 2014 -2020, as well the implications on national policies in the field, but also on agricultural production in Member States.

According to this report, the CAP represents a bridge between the expectations of EU citizens regarding agriculture and expectations of farmers from member countries facing economic and environmental challenges, being as well an investment from the Community budget in a strategic sector in terms of food security, environment and economic growth in rural areas.

To order to meet these expectations in the new financing context, the funds allocated under the Common Agricultural Policy and rural development programs of the Member States will be mainly directed towards the following objectives:

- Increasing the competitiveness of European agriculture at global and national level;
- Preserving diversity of agricultural production systems in EU countries;
- Thus adapting the agricultural production to the new environmental challenges linked to climate change and natural resources protection.

The European Commission has released the draft regulations package of the new Common Agricultural Policy in the European Parliament on 12th October 2011. With the presentation of the draft regulations package of the new Common Agricultural Policy in the European Parliament, these have become the object of public debate, following then at the end of 2013 the approval procedure and regulation within the competent European bodies.

In the month of December 2013 the European Commission gave towards publishing the Regulations which are representing the legislative Package regarding the Common Agricultural Policy for the period 2014-2020, namely:

- The Regulation (EU) no. 1305/2013 of the European Parliament and of the Council from 17th December 2013 concerning the support for rural development granted

by the European Agricultural Fund for Rural Development (EAFRD) and of repealing Regulation (EC) no.1698/2005 of the Council;

- The Regulation (EU) no. 1306/2013 of the European Parliament and of the Council from 17th December 2013 concerning the financing, management and monitoring of the Common Agricultural Policy and of repealing Regulation (EEC) No. 352/78, (EC) no. 165/94, (EC) no. 2799/98 (EC). 814/2000, (EC) no. 1290/2005 and (EC) no. 485/2008 of the Council;

- The Regulation (EU) no. 1307/2013 of the European Parliament and of the Council from 17th December 2013 for establishing some rules regarding the direct payments to farmers through support schemes under the common agricultural policy and repealing Regulation (EC) no. 637/2008 of the Council and of Regulation (EC) no. 73/2009 of the Council;

- The Regulation (EU) no. 1310/2013 of the European Parliament and of the Council from 17th December 2013 for establishing certain transitional disposals regarding the support for rural development granted by the European Agricultural Fund for Rural Development (EAFRD), of amending Regulation (EU) no. 1305/2013 of the European Parliament and of the Council as regards the resources and their distribution for the year 2014 and amending Regulation (EC) no. 73/2009 of the Council and Regulations (EU) no. 1307/2013, (EU) no. 1306/2013 and (EU) no. 1308/2013 of the European Parliament and of the Council as regards their application in the year 2014.

MATERIALS AND METHODS

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

RESULTS AND DISCUSSIONS

The provisions of the European Commission by relating the Common Agricultural Policy aim at preserving the two pillars architecture of the CAP with an agriculture budget to be at least at the current level, and a mechanism for the redistribution of direct payments between Member States, restructuring market measures, the Common Agricultural Policy being categorized as one of the few truly common European policies, which is a very important statement. It also reiterates that the CAP should support sustainable farming activity in Europe by improving its competitiveness through the provision of adequate and safe supply of food products, through conservation of the environment and of countryside while providing in the same time a fair standard of living for the agricultural community.

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

- € 296.0 billion for Pillar I (EU Regulation no. 1307 and 1310 from 17th December 2013 on Direct Payments);

- € 95.7 billion for Pillar II (EU Regulation no. 1306 from 17th December 2013 on support for rural development).

Table 1

Member countries	Annual national ceilings for direct payments					
	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
Holland	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	33247,9	33108,9	32955,7	32837,5	32719,2
Bulgaria	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	8927,5	9281,4	9427,7	9582,8	9737,9
Total EU-28	41678,5	42175,4	42390,3	42383,4	42420,3	42457,1

Source: Regulation Proposal of the European Parliament and of the Council of establishing certain rules regarding direct payments granted to farmers under support schemes within the Common Agricultural Policy, Annex II

From the data presented it results that in the year 2017 it will reach the maximum ceiling allocated annually for each Member State. It also notes, the lowering of the annual ceiling for a group of states (generally old EU member states) and the increasing of annual ceilings for the group of new member countries.

With all the occurred changes, there can be seen a big difference in terms of the support per hectare due to each Member State. The differences are maintained due to the use of historical references (yields per hectare during the period 2000-2002) which are further generating major imbalances, unfair competition or discrimination, with obvious negative effects, unbearable for the poorer countries of the European Union as it is Romania as well.

Starting with the year 2015 according to Regulation (EU) no. 1307/2013 and GO no. 3/2015 of establishing rules for direct payments granted to farmers, the payment schemes that can be accessed by Romanian farmers are:

- Single Area Payment Scheme;
- Transitional national aid –TNA;
- Redistributive Payment;
- Payment for agricultural practices beneficial for the climate and the environment;
- Payment for young farmers;
- Coupled support scheme;
- Simplified scheme for small farmers.

The financial support will be granted only to active farmers, natural or legal persons or groups of natural or legal persons who can prove the legal right to use the holding and which are carrying between their farms an agricultural activity – are cultivating lands and livestock, are maintaining through usual technologies the agricultural area in suitable conditions for grazing or cultivation or are performing minimal activities on farmlands habitually kept in a suitable state for grazing or cultivation.

The farmers which in the previous year of payment have received direct payments not exceeding the amount of 5,000 euros are considered active farmers. At the list of exclusions from the payment imposed at EU level, Romania has proposed the inclusion of enterprises or similar non-agricultural activities- societies/construction companies, National Forests, private forest managers, prisons, ATU sites (villages, cities, towns, counties).

If beneficiaries in the previous year payment have received direct payments exceeding the amount of 5,000 euros and are found on the list of exclusions from payment, they can become active farmers if they prove that the agricultural activity carried on their farms represents their main activity, thus:

- the annual amount of direct payments is less than 5% of its total revenue obtained from non-agricultural activities in the most latest fiscal year for which such evidence is available, or
- the total revenue obtained from agricultural activities on the holding represents at least one third of the total revenue in the latest fiscal year for which such evidence is available;

1. Single Area Payment Scheme consists of providing a single payment per eligible hectare declared by the farmer, annually payable and decoupled from production. To receive this payment, farmers must meet as well other conditions to those listed above, among which we mention:

- To submit the payment request with correct and complete data, together with all the documents requested by the Agency for Payments and Intervention in Agriculture;
- To comply with environmental requirements;
- Farmers which in the previous year of the year of application for payment have received direct payments of over 5000 euros, to state at least the quality of authorized physical persons, sole proprietorships or family businesses.

For this scheme Romania is allocating minimum 47% of annual national ceiling EAGF.

2. The transitional national aids represent additional payments to be granted from the national budget to farmers from vegetable and livestock sectors that benefited from complementary national direct payments in the year 2013. The conditions of granting transitional national aids are identical to those authorized to grant payments for the year 2013.

3. Redistributive Payment represents an annual payment intended for farmers which are entitled to the single area payment. The redistributive payment is added to the single payment, it is payable once a year and is decoupled from the production. The redistributive payment is not received by the farmers who created artificial conditions to receive support, namely which have divided their holdings after 18th October 2011 only in order to qualify for redistributive payment, or farmers whose holdings are the result of the concerned division. The redistributive payment is granted for the first 30 ha, without considering the farm size and it is allocated gradually, on two levels - for the first 5 ha and the remaining 25 ha.

For this payment Romania allocates around 5.3 to 5.7% of the national ceilings EAGF 2015-2020.

4. Payment for agricultural practices beneficial for the climate and environment (payment for greening) is a payment to be granted to farmers who are entitled to the single area payment and are necessarily applying on all their eligible hectares the following agricultural practices beneficial for the climate and the environment:

- a) crop diversification;
- b) the maintenance of existing permanent pastures;
- c) the presence of an ecological focus on agricultural areas.

The payment for the agricultural practices beneficial for the climate and environment, is granted to farmers which are applying all related practices according to the specific of the holding and/or crop structure.

The farmers who practice organic farming system and possess a justificatory document issued by an inspection and certification body approved by the Ministry of Agriculture and Rural Development benefit by default of the payment for areas in conversion or farm certificate used in organic production.

The farmers with the whole holding occupied by permanent crops benefit of the payment by default.

In order to finance the payment for greening, there are used 30% of the annual national ceiling set out in Annex II to Regulation 1307/2013.

The amount for greening payment per eligible hectare is calculated annually by dividing the established ceiling by the total number of eligible hectares. Crop diversification consists of the existence of several crops on arable land, depending on the surface, as follows:

- a) at least two different crops on areas between 10 to 30 hectares and the main crop to cover maximum 75% of the arable land;
- b) at least three different crops on areas over 30 hectares and the main crop to cover maximum 75% of arable land, namely the two main cultures to cover together maximum 95% of the arable land;
- c) as an exception, where the area of arable land is covered in proportion of 75% with grass or other herbaceous or fallow, the main crop on the remaining arable area occupies maximum 75% of the remained arable land.

The farmers whose holdings are greater than 15 ha ensure that, starting with the year 2015, minimum 5% of the declared arable land includes one or more of the ecological focus areas from below:

- a) terraces;
- b) elements of landscape -hedgerows /forested strips; isolated trees, trees in group /shrub clumps in the plains or trees in alignment; field edges; ponds; gutters;
- c) buffer areas located along the running or standing waters;
- d) areas with short rotation forestry production;

- e) wooded farmlands;
- f) areas with topsoil;
- g) areas with nitrogen-fixing crops.

5. Payment for young farmers includes granting an annual payment to eligible farmers for the single area payment.

Young farmers means those individuals who:

a) are established for the first time in an agricultural holding as leaders- heads of holding or who have already established in one of the five years preceding the first submission of an application under the single area payment scheme;

b) have a maximum age of 40 years in the year of submission the mentioned request;

c) submit proof of graduation at least some training courses of short duration.

The payment for the young farmers is granted to each farmer for a period not exceeding five years. From this period is subtracted the number of years that have passed between the mentioned installing and the first application for payment request for young farmers.

Legal persons applying for the single payment area regardless of their form of organization are receiving the payment under the scheme for young farmers if they respect the following conditions:

a) there are effectively and sustainable controlled in terms of management decisions, of the benefits and financial risks by at least one young farmer, in the first year when the legal person submits the single payment request under the scheme for young farmers;

b) the young farmer complies with the conditions.

The payment for the young farmers is granted to a legal persons only as long as at least one of the individuals who exercised the control over the legal person in the first year of its application for payment under the scheme is maintaining the control.

In order to finance the payment for young farmers, there are using 2% of annual national ceiling set out in Annex II to Regulation 1307/2013.

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

6. Coupled support scheme is granted only in those sectors or those regions where particular types of farming or specific agricultural sectors which are particularly important for economic, social or environmental reasons undergo certain difficulties. The sectors and productions concerned are: protein crops, legumes for grains, hemp, rice, seeds, hops, sugar beet, fruit and vegetables, milk, mutton and goat meat, beef meat and silkworms.

For this scheme, Romania allocates 13.7% in the year 2015 and 14.9% in the year 2020 of the annual national ceiling EAGF.

7. Small farmers scheme involves the granting of an annual payment to farmers eligible for the single payment, with compliance with the following rules:

- The farmer receives an amount of direct payments equal with the total amount of payments to which the farmer is entitled each year (single area payment, ANT, redistributive payment, payment for greening and, where applicable, the payment for young farmers and support coupled), but no more than 1250 euros;
- During participation in the scheme, small farmers:

a) are exempted from the use of agricultural practices beneficial for the climate and the environment;

b) does not apply administrative sanctions for non-compliance with cross-compliance rules;

c) are keeping at least a number of eligible hectares corresponding to the number of eligible hectares declared in 2015.

After at least a year, the farmers may opt to switch to the RDP small farmers scheme, a scheme that provides granting a 120% of the direct payment level to which the farmer is entitled, if he undertakes to permanently transfer his entire holding to another farmer.

Given all these schemes of payment, we have simulated the direct payments that farmers can get, depending on to the area they hold and the category of which each farmer takes part.

Table 2

Direct payments granted to farmers during the period 2015-2020

		2015		2016		2017		2018		2019-2020	
1-5 ha	SAPS	Max	74	Max	82	Max	84	Max	85	Max	85
	Greening	170	49	181	54	183	55	184	56	184	57
	Redistributive		5		5		5		5		5
	Young farmer	Min	23	Min	23	Min	23	Min	23	Min	23
	vegetal ANT	128	19	141	17	144	16	146	15	148	13
5-30 ha	SAPS	Max	74	Max	82	Max	84	Max	85	Max	86
	Greening	210	49	221	54	223	55	224	56	224	57
	Redistributive		45		45		45		45		45
	Young farmer	Min	23	Min	23	Min	23	Min	23	Min	23
	vegetal ANT	168	19	181	17	184	16	186	15	188	13
30-60 ha	SAPS	Max	74	Max	82	Max	84	Max	85	Max	86
	Greening	165	49	176	54	178	55	179	56	179	57
	Redistributive		0		0		0		0		0
	Young farmer	Min	23	Min	23	Min	23	Min	23	Min	23
	vegetal ANT	123	19	136	17	139	16	141	15	143	13
>60 ha	SAPS	Max	74	Max	82	Max	84	Max	85	Max	86
	Greening	142	49	153	54	155	55	156	56	156	57
	Redistributive		0		0		0		0		0
	Young farmer	Min	0	Min	0	Min	0	Min	0	Min	0
	vegetal ANT	123	19	136	17	139	16	141	15	143	13

Source: own calculations, taking into account the annual ceilings granted under the EAGF and allocations for each payment scheme

It appears that the largest subsidy will be charged by farmers who own between 5-30 ha, because for this category of farmers the redistributive payment is granted. Thus, a farmer who holds between 5-30 ha can get in the year 2015 maximum 210 euro /ha and in the year 2020 maximum 224euro /ha. The smallest grants will be obtained by farmers who own more than 60 ha.

CONCLUSIONS

The structure of the CAP for the period 2014-2020 is also based on two pillars: Pillar I, which covers direct payments and market measures and the second pillar, which covers rural development.

For the period 2015-2020 Romanian farmers are given 7 new payment schemes that can access through the Agency for Payments and Intervention in Agriculture.

The farmers which in the previous year of payment have benefited from grants exceeding 5,000 euros must become active farmers. Those who received grants of less than 5,000 euros are automatically considered active farmers.

The conditions for granting direct payments for the period 2015-2020 are making harder especially because of agro-environmental conditions that must be completed (crop diversification, maintenance of existent permanent pasture and the presence of an ecological focus areas on agricultural land).

The amounts received by each farmer will be influenced by the size class of each farm, the age of the farmer and imposition of certain agro-environment conditions.

It still maintains a large gap between the subsidies received by the old EU countries and new EU countries. Romanian farmers will receive the lowest subsidies in the EU alongside Bulgaria farmers and those from Croatia.

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