

THE DIRECT PAYMENT LEGISLATION, PROPOSED BY THE EUROPEAN COMMISSION AND THE IMPACT OF ITS APPLICATION IN ROMANIA

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Abstract:

Romania has gone through, in the last 20 years, an ample and complex process of systematic transformation, of reconstruction of the legal, institutional and organizational medium, having as objective the implementation of a democratic system and the transition to market economy. The promotion of public politics, based on anterior research, represents an essential element in providing quality results with a positive impact over the life of the citizens and capable of providing the desired changes in the real world. Following the situation of the Romanian agriculture in the present, for the advantageous integration in the UE, a specific approach is needed for the CAP measures that assure the reduction of economic delays compared to member states. The European Commission proposals for the political measures for rural development after 2013 are a mix of what was and what will be. So, a series of measures, that proved their worth in current times, have been updated. The declared purpose was to update these measures and make them more effective, so that they better reflect the political priorities for rural development.

Key words: direct payment, European Commission, Common Agricultural Policy..

INTRODUCTION

The increase of the EU member states to 27, in 2007, has modified the European agricultural reality, which now includes a diversity of types of agriculture, with big development delays in rural areas.

In Romania, a bipolar agrarian structure is maintained, formed on one side by small farms, with extensive production systems and on the other side formed by very large farms, that apply intensive and modern production systems. In the last 20 years, this structure has not suffered major modifications, both types of farms having their own important role in the exploitation of the terrain and having their own economic, social role and a specific potential for development.

Also, Romania's rurality degree is similar to the UE27 average, also the details of the social rural environment. Keeping in mind these aspects as well as the necessities of competitively growth, it is important that all available possibilities are used, provided through the rural and agricultural policy, proposed by the Commission, to support both types of agriculture so that they respond to the needs and niches of their development.

MATERIAL AND METHOD

The evaluation starts from the hypothesis of applying the law proposals for direct payments, estimating their impact and the application conditions in the form presented by the Commission. It is proposed that the distribution of assistance between member states should be more equitable so that in the case of member states in which the value of direct payments is smaller than 90% of the EU average, they are covered gradually by a third of this delay, by gradual reduction of country ceilings of countries that go over the EU27 average with over 190%.

Starting with the year 2014 the farmers will have access to two schemes of support (direct payments): one enforced and one optional.

The enforced scheme will be composed of:

- Base payment that will replace the two current schemes (the unique payment scheme and the unique payment scheme by surface). This scheme will function based on

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payment rights allocated at national (or regional) levels of all farmers, depending on the number of eligible ha in the first year of application.

- One payment for the farmers that apply agricultural practices that benefit the climate and environment (30% of the national annual ceiling)

The optional scheme:

- A payment for farmers in the areas with natural constraints (up to 5% of the national annual ceiling)
- A payment for young farmers that are starting their agricultural activity (up to 2% of the national annual ceiling)
- A coupled support scheme (up to 5% of the national annual ceiling) for certain types of agricultural activities or for certain agricultural systems that are difficult but important;
- A specific payment for the cotton cultures;
- A simplified annual scheme for the small farmers (up to 10% of the national annual ceiling).

According to present legislation (R73/2009), the eligible surface for SAPS in Romania is that of 8.716.320, 00 ha (until 2013). In conformity with the active European laws in the direct payment domain, in Romania direct payments are introduced gradually in conformity with the calendar for their growth by percentage, which is: 35% in 2009, 40% in 2010, 50% in 2011, 60% in 2012, 70% in 2013, 80% in 2014, 90% in 2015 and 100% starting with 2016.

RESULTS AND DISCUSSIONS

The Commission proposal stipulates that the surface upon which it will make all assessments for all countries will be one in 2009 (COM 12734/2011) and for Romania this means 9,720,864 ha, thus 11.5% higher than in current legislation.

Direct payments in the Commission proposal are broken down into dynamic national ceilings for each country and stated that the reference surface is taken into account in each country (2009).

For Romania, the total national ceilings for the period 2014-2020 amounts to EUR 12.816.958 thousand euros, theoretically 60% more than during 2007-2013, according to current legislation (R 73/2009) the amount rises to 5.578.490 thousand euros.[2]

If we consider it's different reference surfaces, of proposal COM is higher than 11.5% of the current regulations, a brief analysis we can say that the support per hectare by pillar 1 of the proposal COM, so as presented, does not support equality between farmers, even if national ceilings provide for an increase, this increase is less than the losses per hectare.

The proposal for a regulation COM are also indications concerning the estimation of the average payment per ha in EU-27, which is calculated by dividing total national ceilings to the total reference area (42.780.279 thousand euros/161.066.872 ha) with an average of 266 EUR / ha.[3]

To assess the amounts needed to pay for agricultural practices beneficial for the climate and environment make the following assumptions:

- Because this payment is not subject to the cap, it is estimated that all farmers will be interested to apply;
- It is assumed that all farms over 3 hectares for cultivation will be required at least 3 different cultures (466 000 firm-as APIA 2010), will be eligible for this payment;
- In the first version (V1) payment per hectare was estimated at 30% of the payment per hectare as proposed by the Commission;
- In the second version (V2) payment per hectare was estimated at 25% of EU-27 average payment for natural resources are the same for all Member States it must be kept in harmony throughout the EU.

In version V1, the maximum annual value for this payment, in the case that all farmers that have exploitations over 3 ha, utilize one of the eco-friendly practices, will be situated ascending between 26% of the annual cap for 2014 and 30.5% of the annual cap for 2020, the total value for the budgetary period being that of 3.527.659 thousand euros, which represent 28% of the total cap.

In version 2, the maximum annual value of these payments would be higher for 2014 and 2015 (38% and 33% of the annual ceiling) but for the next period would fit the maximum amount of 30% of the annual ceiling. Even total value for 2014-2020, 3.903.250 thousand euros, it will represent 30% of Romania's total budget ceiling.

To assess the impact of the proposed cap on farm support were used APIA data for the year 2009 on the farms of over 2000 ha, those that would be practically affected by this measure. Thus, for 200 farms with a total of 816 738 ha (9% of the eligible in 2009), it was estimated that the value loss due to capping / modulation (money available for rural development). It was also made a comparison between the current legislative provisions, a variant as proposed COM cap and pay 30% of average pay per ha (V1) and a version with cap and average pay 25% of the EU average (V2) for the years 2014 and 2020.

Capping losses on farm payments, amounts will be transferred to rural development are not as spectacular as we expected. For example, as proposed in COM (V1), in 2014 they amounted to 33.959 thousand euros, which represents 2% of the national ceiling. In 2020, the loss is estimated at 55.401 thousand euros, representing 3% of the national ceiling in 2020.

If we look at version 2 (V2), in which considered a payment for practices beneficial for the climate and environment, uniform EU, namely 25% of the EU27 average, the losses are lower, namely 23 096 thousand euros in 2014 and 51 100 thousand euros in 2020, representing less than 2% of the national ceiling in 2014 and 3% of the national ceiling in 2020.[4]

A detailed assessment of the impact of capping value on the 200 farms over 2 000 hectares, which basically are among the most competitive and who would be affected by this measure is presented in the following table

Table 1 Impact of capping value on certain categories of farms in V1 and V2 compared to the current state of legislation

Type of farm	Number	surface 2009 ha	% of eligible surface	The value of direct payment in the current legislation 2011 euro	Value of direct payment after modulation. 2014(V1) euro	Value cap loss (V1) euro	Value of direct payments in current legislation 2020 euro	Value of direct payment after modulation 2014(V2) euro	Value cap loss (V2) euro
Over 20000 ha	4	126 061	1,4	13047306	6926723	12162354	25603241	8763656	16448530
Over 10000 ha	4	45 164	0,5	4674516	3251739	3587390	9172987	3909865	5123017
5000-10000 ha	23	177 846	1,0	18407112	14979249	11951580	36120998	17570789	17998509
3000-5000 ha	52	192 885	2,2	19963600	24362422	4845652	39175355	27173101	11403903
2000-3000 ha	117	274 781	9,4	28439845	40196984	1412401	55808624	50528843	4427379
Total	200	816 738	9,4	84532379	89717116	33959376	165881205	107946254	55401338

Source: Romania European Institute – Politics and strategies studies SPOS 2011, own evaluations on APIA dates, 2009

In the first version (V1) will lose substantially in 2014 values between 5,6 and 2 million euros, 4 farms with area over 20 000 ha representing 1.4% of the area eligible for direct payments. These farms will receive payments / farm between 2,8 and 1,2 million, the amount can be higher if they would take into account labor costs. Also 4 farms with an area of over 10 000 ha will receive pay / farm between 0,9 and 0,8 million. Losses due to a ceiling value if these farms will range between 0,7 to 1,0 million euros per farm. 23 farms with areas ranging from 5000 to 10 000 ha will

receive 0,5 to 0,75 million / farm losses from capping being 0,2 to 0,7 million per farm depending on the surface.

It was also estimated for each type of farm, based on the previously processed data, the average payment per farm in V1 and V2 versions and average losses / farm payments due capping versus medium / farm received in 2011, situation presented in table 2.

Table 2 Payments medium / farm and capping losses compared with average payments received in 2011 for categories of farms over 2,000 hectares

Farm type	The average value per farm in current legislation	The value of average payment per farm (V1) euro	Loss value per farm (V1) euro	The value of average pay per farm (V2) euro	Loss value per farm (V2) euro
Over 20000 ha	3 261 827	1 731 681	3 040 588	2 190 914	4 112 133
Over 10000 ha	1 168 629	812 935	896 847	977 466	1 280 754
5000-10000 ha	800 309	651 272	519 634	763 947	782 544
3000-5000 ha	383 915	468 508	93 186	522 560	219 306
2000-3000 ha	243 076	343 564	12 072	431 870	37 841

Source: Agricultural Common Policies reform in the context of budget perspective post 2013, own evaluations on APIA dates, 2009

And from this analysis it can be seen that the cap substantially affected farms in both those in the first 3 categories (over 5000 ha) both in 2014 and in the year 2020. In the case of category between 2000-5000 ha farm loss is so consistent in 2014, amounts medium / farm that may be collected by farmers are higher than those received in 2011 under current law, which is not true for the first three categories of farms (which represents 4% of the eligible for direct payments).[4]

In the last years the subject of the „small farm” keeps coming up, and the law proposal targets a scheme to support small farms. This proposal aims at replacing payment per hectare with an annual amount per farm and also simplify compliance with conditionality on good agricultural practices for the implementation of CAP direct payments in the future. The main provisions of the proposal for small farm refers to the amount of the payment, namely:

- The amount should not exceed 15% of the average value per farm payments nationally or amount must correspond to direct payment per hectare multiplied by the number of hectares that can be up to 3 ha;
- Payment amount can not be less than 500 euros per farm and can not exceed 1000 euros per farm.

Amount designed for small farms will be deducted from the total ceiling for direct payments allocated to each Member State. The total amount that can be spent on the scheme for small farms should not exceed 10% of the national ceiling for direct payments, but there are reports that this percentage could rise if countries that have a large number of small farms, such as Romania.

If we consider the first criterion for membership of the scheme (15% of the national average per farm), we see that in our country, in 2017, average payments per farm, nationwide, such as those presented in Table. 3.

According to the Commission, the average payment per farm in Romania was in 2009, the lowest level of EU-27 countries namely 493 euro / farm. In 2017, when the ceiling of payment for Romania is 1 939 357 thousand euros per farm payment would be about 1739 euros and 15% of this amount is approximately 260,7 euro / farm, so less than 500 euro / farm that is minimum amount stipulated by the scheme.

Table 3 Possible payments per hectare and per farm in Romania in 2017

	UM	Current legislation	COM, 2017 proposals
Eligible surface 2010	ha	9611790	9611790
Farm numbers 2010		1115756	1115756
National cap	thousand euros	1780410	1939357
Euro/ha		185,2	201,8
Euro/farm		1595,7	1739,2
15% of the surface payment		239,4	260,7

Source: after European Parliament and Council of regulation proposal Annex II National levels on article 6 and Regulation 73/2009

According to the proposal, however, the minimum single farm payment should not be less than 500 euro / farm. The question which category of farms could join the scheme and, sensibly, is supposed to be the ones who, after options for payment to 500 euro / farm would receive more than if they receive direct payment per ha.

It is therefore considered that the second criterion would be beneficial for our country, namely an award of at least 500 euro / farm for farms with an area of 1 to 3 hectares. According to the 2010 APIA in this category would be about 650 000 farms and exploited area they would be 1.198 million ha.[4]

CONCLUSIONS

Shaping the future of the European Agricultural Policy in 2020 was and is a complicated and sensitive issue both because global context but very changeable and unstable growth and diversity of agriculture European countries following the enlargement to Central and Eastern European former communist . The main conclusions drawn from this are:

- States with a competitive agriculture, with large farms and effective, the workforce employed in agriculture is relatively low, are dominated by concerns about the environment, landscape preservation, balanced development of rural areas;
- Less developed States with numerous small farms and especially with a significant population employed in agriculture must maintain a policy to subsidize agriculture in one form or another farm to cope with market competition Agricultural Community ;
- For Romania, direct payments support from the European Union will be supplemented by payments from the national budget;
- Reference surface for direct payments in Romania will be 9 720 864 ha so 11.5% higher than current legislation;
- Total national ceilings for 2014-2020 amounted to 12 816 958 thousand euros, 130% higher than the 2007-2013 period;
- To finance payment for agricultural practices beneficial for the climate and environment, use 30% of the annual national ceiling;
- Capping losses on farm payments, amounts will be transferred to rural development are not as spectacular as expected;
- Small farms would receive the most money in case the segment 1 to 2.5 ha would opt for single farm payment (500 euros) and class 2.5 to 3 ha farm payment per hectare.

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