

ANALYSIS REGARDING THE DIRECT PAYMENTS IN THE EUROPEAN UNION

Eduard Alexandru DUMITRU, Valentina Constanța TUDOR, Ana Ruxandra MICU, Marius Mihai MICU

University of Agronomic Sciences and Veterinary Medicine Bucharest, 59 Marasti Boulevard, District 1, 011464, Bucharest, Romania, Phone: +40213182564, Fax:+40213182888, Mobile:+40744 6474 10, Emails: dumitru.eduard@iceadr.ro, valentina_tudor@yahoo.com, micuanaruxandra@yahoo.com, micumariusmihai@yahoo.com;

Corresponding author: micumariusmihai@yahoo.ro

Abstract

Direct payments to European farmers through the common agricultural policy are extremely important to them. The CAP has undergone countless changes over time and has been modified in the circumstances. Lately, the focus has been mainly on decoupled support, to the detriment of coupled support and rumours across the European Union as to whether it would be the last time they would assist by direct payments to farmers, fueling farmers' anxiety in especially those from countries have recently joined the European Union. Financing the agricultural sector is a necessity and a future, as the reduction of the CAP budget after 2020 is not a viable solution in this respect, which will lead to a decline in all aspects of the sector. The statistical processing of data provided by the European Commission demonstrates, among other things, the defamation of the most recent countries that have joined the European Union, such as Bulgaria or Romania, but especially Croatia.

Key words: direct payments, CAP, the Common Agricultural Policy

INTRODUCTION

CAP was established in 1962, his main role was to ensure good prices for farmers, who managed to produce from year to year increasingly more. The European Union came to life, with the signing of the Treaty of Rome in 1957 [7].

The period 1970-1980 is known as the period during which farmers in Europe produced more than was needed, so they took a series of measures to align production to demand.

Due to reduction in agricultural prices it was necessary to introduce direct payments to farmers to resist, and they were encouraged to produce more and use environment friendly practices, a period that coincided with the Rio summit was referring to the principles of sustainable development [1].

Mid-90s concentrated on producing adequate food in terms of quality, so that the introduction of new measures based on encouraging investment in farms, training farmers in improved processes and marketing. Also during this period it appeared the first

European regulation on organic farming, which has been implemented [9].

With the 2000 CAP puts greater emphasis on the economy, social and cultural development of rural Europe. Also once this period farmers are more market oriented and specific to areas with agriculture. Consequently, farmers began to put a greater emphasis on food safety, environment, and good condition of the animals. Also standards were introduced on avoiding pain and suffering for the livestock, ensuring minimal spaces in which they are grown, etc [2].

In the mid-2000s, the European Union is the largest importer of agricultural products, managing to import more than the United States, Japan, Australia and Canada combined. Between 2004-2007, the population of farmers has doubled, because the European Union and joined November 12 countries representing so, in 2007, 27 countries with a population of over 500 million [8].

In 2011, it wanted a reform of the CAP (period in which the European Commissioner for Agriculture, was the representative of

Romania) which wanted enhancing the competitiveness of the agricultural sector by promoting innovation, climate change and supporting job creation employment in rural areas [10].

PAC focuses on agricultural product quality by applying the highest quality standards and rigorous plant and animal health control, so that the EU population are able to consume safe food whose traceability is known [3].

From 1980 to 2010, the budget structure of the CAP has undergone a genuine transformation so that if the early 80's budget was divided evenly by supporting measures to market and support exports in 2010 only for marketing measures there budget allocation. Instead bulk of the budget is intended decoupled aid and investment aimed at rural development. CAP budget also underwent a transformation impressive, from about 12 billion in 1980 to over 55 billion euro in 2010 [4][5].

MATERIALS AND METHODS

Research is based on the use of statistics taken from the Department of Agriculture and Rural Development of the European Commission and available data on the web site of the Ministry of Agriculture and Rural Development of Romania.

As a research method was used statistical method for recording in a systematic and unified statistical data in order to achieve a parallel indicators identified in the European Union.

RESULTS AND DISCUSSIONS

The European Union currently comprises 28 countries, with Croatia in 2013. In the year 2014, the countries that had made the greatest contribution to the budget of the European Union was Germany (20.9%), France (15.3%) and Italy (11.6%). Also the top 3 positions is kept in the share of population with 15.9% (80 million), 13% (65 million) and 12% (60 million) (Table 1).

Despite the fact that the five countries listed above are the countries with the highest GDP in member countries of the European Union

when it comes to GDP reported per capita, ranking changes so that this top make their way countries like Luxembourg, which has by far the highest GDP / capita, amounting to 87,600 euros, followed by Denmark and Sweden 46,200 euros to 44,400 euros per capita (Table 1).

Table 1. Top countries contributing to the EU budget (2014)

Country	Total population	Rural population	GDP (million)	GDP / per capita
Germany	80,767,463	13,203,427	2,915,650	36,000
France	65,835,579	19,535,623	2,132,449	32,200
Italy	60,782,668	12,199,659	1,613,859	26,500
UK	64,308,261	1,850,094	2,254,297	34,900
Spain	46,512,199	3,408,796	1,041,160	22,400

Source: European Commission, Eurostat, Update: January 2016.

At EU level, the average GDP per capita of 27,400 euros, while EU population is over 506 million inhabitants.

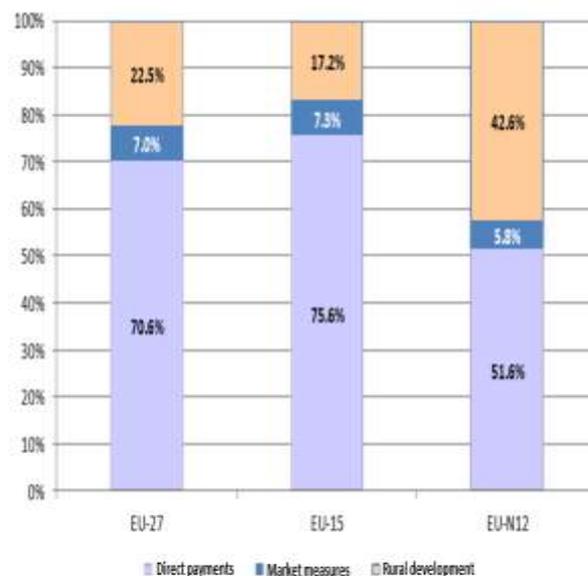


Fig. 1. The distribution of CAP expenditure 2009-2014
 Source: Own calculation.

Distribution PAC spending in 2009-2014, make EU27 be directed to direct payments, with a share of 70%. Once we get closer to the EU-12 shows that the percentage of direct payments tends to decrease, reaching 51.6% and to increase their support rural development. Market measures tend to have a relatively equal distribution per Compare all

indicators, ranging between 7.3% and 5.8% of the total expenditure budget of CAP (Fig. 1).

Table 2. PAC spending in 2014 in European Union countries (in 1000 euros)

Member countries	Direct payments	Market measures	Rural development	Total
Belgium	552,451	53,303	40,856	646,609
Bulgaria	578,641	23,451	0	602,092
Czech Republic	878,679	14,131	0	892,809
Denmark	916,928	9,114	90,288	1,016,331
Germany	5,101,256	95,870	664,602	5,861,728
Estonia	99,062	1,245	103,626	203,933
Ireland	1,227,717	6,744	0	1,234,461
Greece	2,246,414	45,232	0	2,291,646
Spain	5,106,397	474,169	0	5,580,566
France	7,779,692	551,831	4,353	8,335,876
Croatia	93,202	3,247	0	96,449
Italy	3,902,241	603,595	0	4,505,837
Cyprus	51,668	5,330	0	56,998
Latvia	143,760	4,014	138,327	286,101
Lithuania	374,109	4,080	230,393	608,582
Luxembourg	33,088	298	0	33,386
Hungary	1,284,695	52,241	0	1,336,936
Malta	5,273	296	0	5,569
Netherlands	805,800	33,845	87,118	926,763
Austria	695,527	22,061	557,807	1,275,395
Poland	2,982,334	225,398	1,569,518	4,777,250
Portugal	634,797	100,405	577,031	1,312,233
Romania	1,259,561	74,988	0	1,334,549
Slovenia	140,204	6,271	118,679	265,154
Slovakia	371,547	7,951	271,155	650,653
Finland	519,427	5,257	335,441	860,125
Sweden	679,485	13,343	0	692,828
UK	3,195,725	39,471	475,532	3,710,728
UE-28	41,659,680	2,478,675	5,264,723	49,403,077

Source: European Commission, Directorate General for Agriculture and Rural Development.

France is the country that allocates the largest amount of money of direct payments in agriculture, 7.7 billion euros, followed by Spain with 5.1 billion euros and Germany 5.1 billion. For 2014, the allocation for direct payments in agriculture has exceeded 41 billion euro at the 28 European Union countries (Table 2).

The highest amounts allocated to market measures were granted by Italy (600 million), followed by France and Spain with 551 million euros or 474 million euros. Regarding rural development, Poland has allocated in 2014, of the most significant amount of money over euro 1.5 billion (Table 2).

At EU level, the largest budget allocation of direct payments bound for beneficiaries earning between 20,000-50,000 euros,

accounting for over 26% of direct payments budget.

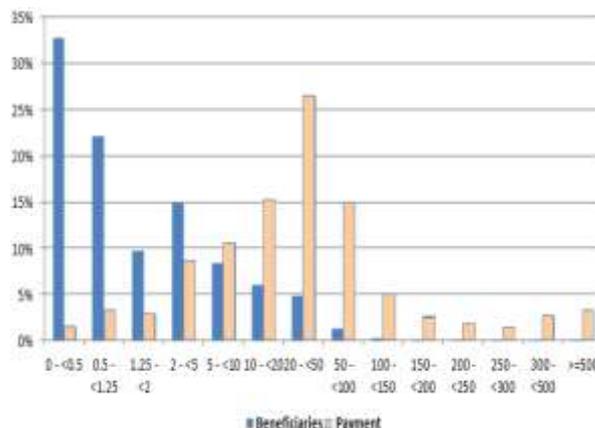


Fig. 2. The distribution of direct payments to producers (financial year 2014)

Source: European Commission, Directorate General for Agriculture and Rural Development;

Also most of the beneficiaries are those who receive up to 500 euros, accounting for about 33% of all beneficiaries of direct payments (Fig. 2.)

Table 3. Direct payments situation for the financial year 2014

Size payments	Financial Year 2014			
	Beneficiary		Payments euro	
	X 1000	% in total	X 1000	% in total
< 0 €	120	1.6%	-5,582	0.0%
≥ 0 and < 500 €	2,343	31.2%	652,611	1.6%
≥ 500 and < 1,250 €	1,659	22.1%	1,340,814	3.2%
≥ 1,250 and < 2,000 €	724	9.6%	1,148,425	2.8%
≥ 2,000 and < 5,000	1,117	14.9%	3,550,879	8.5%
≥ 5,000 and < 10,000	624	8.3%	4,404,273	10.6%
≥ 10,000 and < 20,000	447	5.9%	6,343,930	15.2%
≥ 20,000 and < 50,000	360	4.8%	11,049,115	26.5%
≥ 50,000 and < 100,000	93	1.2%	6,257,770	15.0%
≥ 100,000 and 150,000	17	0.2%	2,082,094	5.0%
≥ 150,000 and < 200,000	6	0.1%	1,075,011	2.6%
≥ 200,000 and < 250,000	3	0.0%	728,522	1.7%
≥ 250,000 and < 300,000	2	0.0%	557,777	1.3%
≥ 300,000 and < 500,000	2	0.0%	1,123,684	2.7%
≥ 500,000	2	0.0%	1,369,101	3.3%
Total	7,521	100%	41,678,424	100%

Source: European Commission, Directorate General for Agriculture and Rural Development.

The categories of beneficiaries that have received between 0 and 500 euros in financial year 2014 was 2.3 million (representing 31.2% of all beneficiaries), followed by those with payments with a value between 500 and 1,250 euro (22.1% of all beneficiaries) and those with sums between 2,000 and 5,000 euros, the

number of beneficiaries 1.1 million (representing 14.9% of all beneficiaries) (Table 3).

In terms of value exclusive of payments, more than 11 billion euros, representing 26.5% of the total budget for direct payments for the year 2014 was recorded by the beneficiaries who have received between 20,000 and 50,000 euros, followed by those receiving between 10,000 and 20,000 euros, accounting for 15.2% (Table 3.).

In total, in the financial year 2014 benefited a total of over 7.5 million beneficiaries from direct payments to the European Union, totalling a value of over 41 billion euros (Table 3.).

CONCLUSIONS

In early 1980, the Common Agricultural Policy budget, it would be worth around 11 billion euros and was divided into two steps, almost in equal proportions, i.e. market measures and export finance. With 1981 it was introduced in the CAP budget and separate allocation for rural development.

In 1992 it was introduced coupled support, whose time peak was reached in 2005, when the next year's budget for the coupled support has been halved, and replaced by decoupled support, which until now has had an upward trend in the proportion of its CAP budget.

Measures taken by the CAP have been updated according to the needs of farmers and the market situation at those moments also in the future, this will have to take into account the context in which the European Union is found. In a eventual elimination of direct payments to farmers most likely to lead to major imbalances between European farmers and other farmers in the world, so that this transition should be a gradual and targeted on the future of the CAP (after 2020) follow them [6].

Also this will be a big disadvantage for the newest countries that entered the European Union and which have not benefited from such aid to farmers, and the most disadvantaged such as Croatia, which joined the European Union only in 2013.

It is clear that the system for granting direct payments to EU farmers, play a key role in ensuring their normal living. CAP budget suffered large changes from 1980 to the present, it actualized according to the situations arising in European agriculture.

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