

IMPACT OF BULGARIA'S AGRICULTURAL POLICY AND STRUCTURAL CHANGES IN AGRICULTURE AND LAND RELATIONS - AN INTEGRAL PART OF THE CAP

Teodora STOEVA, Violeta DIRIMANOVA

Agricultural University-Plovdiv, 12 „Mendeleev” Str., Plovdiv, 4000, Bulgaria,

Emails: violeta_dirimanova@yahoo.com, teodorastoeva@gmail.com

Corresponding author: teodorastoeva@gmail.com

Abstract

Land relations are complex public relations arising on the basis of land use as an indispensable means of production in the agricultural sector. In the last three decades, the dynamics in development and the specifics of the complex processes related to the improvement of land relations in Bulgaria have reshaped public relations and led to significant institutional changes in the national economy, in particular in the agriculture in Bulgaria. A main factor for the dynamic changes in Bulgarian agriculture and land relations are the historical changes in the social model of society. The implementation of the Community agricultural policy after 2007 has brought new dynamic changes to the business environment in which this primary Bulgarian industry functions. The purpose of this article is to analyze the changes in Bulgarian agriculture which is characterized by great intensity and dynamics, as well as the dynamics in the development and specificity of land relations in Bulgaria in the context of the CAP. The methodical framework of this article provides a summary overview of the main changes in the agricultural policy and the structure of land relations in Bulgaria. A number of contemporary scientific quantitative and qualitative methods are used to achieve the intended objective set in this study: systematic and comparative analysis; monographic analysis; expert assessment. The results pointed out the fragmentation of the use of agricultural land, and the existence of a large number of small farms. In Bulgaria in recent years, extensive farming has been given a strong impetus at the expense of the intensive farming, a process that is of a sustainable nature and has a clear causal link. The agricultural sector has always been a strategic branch of Bulgarian economy.

Key words: agricultural policy, land relations, agriculture

INTRODUCTION

Land relations are complex public relations arising on the basis of land use as an indispensable means of production in the agricultural sector. In the last three decades, the dynamics in development and the specifics of the complex processes related to the improvement of land relations in Bulgaria have reshaped public relations and led to significant institutional changes in the national economy, in particular in the agriculture in Bulgaria. The implementation of the Community agricultural policy after 2007 has brought new dynamic changes to the business environment in which this primary Bulgarian industry functions. A main factor for the dynamic changes in Bulgarian agriculture and land relations are the historical changes in the social model of society [13].

The agricultural policy in Bulgaria includes, as a component, the implementation of structural reforms in agriculture, just like any other Southeast European country. These reforms are of a different nature and are directly related to the historical stage of development of the country. The following can be identified as such:

- Land reform, including consolidation of production units and consolidation of land ownership;
- Concentration and vertical integration of production;
- Territorial and sectoral restructuring;
- Organizational restructuring and construction of new production structures;
- Product restructuring, including restructuring of international exchange of agricultural commodities, etc. [1].

Since Bulgaria's accession to the European Union in 2007, the agricultural sector has

been facing a number of challenges and issues related to the strict application of the regulations and measures of the Union's Common Agricultural Policy. In the context of the Common Agricultural Policy, it is imperative that Bulgarian agriculture increases its competitiveness and productivity and carries out reforms related to the modernization and restructuring of the industry [10].

MATERIALS AND METHODS

The social and economic processes that are going on in Bulgarian agriculture are in a symbiotic and active relationship [14].

The purpose of this article is to analyze the changes in Bulgarian agriculture which is characterized by great intensity and dynamics, as well as the dynamics in the development and specificity of land relations in Bulgaria in the context of the CAP. Bulgarian agricultural policy should have clear priorities about the development of agriculture and its transformation into a competitive and highly effective branch of Bulgarian economy. The methodical framework of the study provides a summary overview of the main changes in the agricultural policy and the structure of land relations in Bulgaria. A number of contemporary scientific quantitative and qualitative methods are used to achieve the intended objective set in this study: systematic and comparative analysis; monographic analysis; expert assessment.

RESULTS AND DISCUSSIONS

The relevance and importance of the scientific issue under question are due to the structural changes that have taken place in the primary sector in Bulgaria after the country's accession to the Common European Economic Area. Part of these changes, however, have led to imbalances. Given the current stage of the development of land relations in Bulgaria, the relevance and importance of such a research are also derived from the need to solve issues that have emerged as early as during the land reform, as well as issues that have arisen as a result of the implementation of the Community Agricultural Policy. Obtaining financial means to support income and incentives to comply with other European policies distorts the business environment in our country. European subsidies are an attractive reason for a large number of farmers. Too often, obtaining them becomes a priority. They are not always reinvested in the business.

Bulgaria is characterized by fragmentation of land relations in the following directions:

- Fragmentation of the use of agricultural land;
- A large number of small farms;
- A significant difference between own and rented lands used by one and the same farm;
- Internal fragmentation [8].

Compared to the year 2010, in 2016, Bulgaria had 202,720 agricultural holdings, that is by 45.29 % less.

Table 1. Main economic indicators for Bulgarian agriculture for the period 2018 - 2019

	<i>Indexes</i>	<i>2018</i>	<i>2019</i>	<i>2019/2018 %</i>
1	Value of production from plant growing and livestock breeding (at producer price*), incl.	7,460.6	7,628.0	2.2%
1.1	Production from plant growing	5,642.0	5,760.9	2.1%
1.2	Livestock production	1,818.6	1,867.1	2.7%
2	Agricultural services	501.7	492.2	-1.9%
3	Value of gross production in the Agriculture sector (at producer prices *)	8,155.0	8,319.1	2%
4	Value of final production in the Agriculture sector (at basic prices **)	8,457.6	8,504.6	0.6%

Source: acc. to data of the NSI processed by MAFF.

* Producer prices – prices excluding subsidies by product; ** Basic prices – prices including subsidies by product

Table 2. Number of farms, utilized agricultural land (UAA) and standard output (SO) in Bulgaria in 2016 compared to 2010

	2010	2016	2016/2010 %
No. of farms	370,490	202,720	54.71
UAA (ha)	4,475,530	4,468,500	99.84
Average UAA/Farm (ha)	12.08	22.04	182.45
Farm area excluding special agricultural production area (ha)	5,260,520	4,968,500	94.44
Farms with livestock (No.)	279,710	134,970	48.25
Farms with livestock (Livestock)	1,149,470	1,094,240	95.19
Standard Output (Thousand Euro)	2,536,665	3,824,891	150.78
Average Standard Output/farm (Euro thousand)	6,845.7	18,867.8	275.61

Source: Own calculations based on Eurostat Statistics Explained Data [5].

The utilized agricultural land accounted for 4,468,500 ha in 2016 being relatively at the same level with the UAA existing in 2010.

The decrease of the number of farms and the relatively stable utilized agricultural land have led to a change in farm size. In 2016, average size of a holding reached 22.04 ha, being by 82.45% higher than in 2010 [5].

Standard output also increased reaching Euro 3,824,891 thousand in 2016, being by 50.78% higher than in 2010.

As a result, the average standard output per holding raised 2.75 times from Euro 6,845.7 in 2010 to Euro 18,867.8 in the year 2016 (Table 2) (Eurostat, 2020) [5].

This means a process of concentration of land in a smaller number of farms in order to increase farm size and allow the development of a modern agriculture.

However, in Bulgaria, the most numerous farms are the small family farms which accounts for about 90%. The average size of a small farm is about 5 ha, one of the smallest in the EU, but higher than in Greece, Cyprus, Romania and Malta, which are on the last positions from this point of view.

(Eurostat, Farm structure survey, 2016).

Despite that in Bulgaria the small farms are the most numerous they utilize only about 22 % of the total UUA and they represent just 31.3% in the standard output [4, 6].

From the point of view of the National Strategic Plan for Rural Development, it is necessary to employ mechanisms for consolidation of the agricultural lands used by

farms. Such tools are land consolidation and land banking [9].

Land consolidation is characterized as a procedure regulated by law and this procedure is applied in order to improve agricultural productivity. According to FAO and the organizations related to land relations in the EU, land consolidation is defined as overall territorial planning subject to regulation and improvement of the spatial structure of a certain territory [15].

This can be achieved by means of classical land consolidation and without change of ownership. Land consolidation with change of ownership can be implemented through obtaining the voluntary and democratic consent of a large percentage of land owners /over 75%/ or by means of purchase and sale. Consolidation without change of ownership is limited in time since the agricultural lands can be used only for a certain period [2].

The majority of small farms in Bulgaria are not market-oriented and produce mainly to cover their own needs. This makes land consolidation difficult for application [15].

In general, Bulgarian agricultural policy is almost entirely linked to the implementation of the Common Agricultural Policy of the European Union and, in particular, to the Rural Development Program. After the accession of Bulgaria to the EU, the more important indicators that characterize rural areas are as follows:

-High levels of unemployment – approximately twice as high as the rate in urban areas;

-Strong dependence on agriculture and forestry;

-Low labour productivity – rural areas create only 27% of GDP;

-Low income – GDP per capita in rural areas is 50% lower than in urban areas [12].

The CAP must remain a Community policy. Bulgaria does not support the idea of re-nationalization of the CAP nor the idea of national co-financing of direct payments - their realization would deepen the disproportion in the development of individual member states [11].

The funds allocated to Bulgaria for direct payments for the period 2014-2020 amount to approximately EUR 5.1 billion. Like farmers everywhere in the EU, Bulgarian farmers must comply with the so-called “greening” rules which purpose is to make ensure that agriculture is carried out in a sustainable manner and that it contributes to the EU’s efforts in combating climate change and consequent biodiversity loss and soil degradation. Under this system, 30 % of the allocated funds for direct payments, paid per hectare, are related to three environmentally friendly farming practices: crop diversification, maintaining permanent grassland and dedicating 5% of arable land to areas beneficial for biodiversity (the so-called ‘Ecological Focus Areas’) [3].

Being one of the new EU member states, Bulgaria will apply a simplified system for allocating direct payments to farmers by the end of 2020, known as the Single Area Payment Scheme (SAPS). Compared to the basic direct payment schemes applied in most of the other Member States of the European Union, the amount of basic income support for Bulgarian farmers under this system is linked, in a simpler form, to the area of land declared by each farmer. Bulgarian authorities dedicate 13% of the allocated funds for direct payments (the maximum eligible rate) for voluntary coupled support – i.e. payments are linked not only to the number of hectares cultivated, but also to specific products or processes, in this case beef and veal, fruit and vegetables, milk and dairy products, sheep and goat meat and protein crops. Bulgaria has also chosen to apply re-distributive payments

that allow it to achieve a fairer distribution of support among farmers by reducing direct payments by 5% for amounts above 150,000 EUR per individual farm (excluding the first 30 declared hectares) [12].

CONCLUSIONS

Bulgarian agriculture has been in a highly competitive environment - this is the Common European market that comprises over 500 million consumers and imposes a highly restrictive European policy in the sphere of agriculture.

The agricultural sector has always been a strategic branch of Bulgarian economy. The importance of agriculture to the economic stability and prosperity of Bulgaria has been proven many times during the last century. It has always been considered a priority branch.

In Bulgaria in recent years, extensive farming has been given a strong impetus at the expense of the intensive farming, a process that is of a sustainable nature and has a clear causal link. The subsidies per unit area are the main reason for this - they have made it much more profitable to invest in crops which require much larger areas for sowing, but also give much lower yields per decare [16].

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