

ANALYSIS ON THE GRANTING OF DIRECT PAYMENTS IN ROMANIA AND BULGARIA

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Abstract

Both Romania and Bulgaria, the 2014-2020 period is probably a defining period in the country's development, particularly agriculture, taking into account the Commission's intention to abandon the granting of payments in agriculture, after 2020. So, time is critical and highly sensitive, being the last chance to reduce major differences compared to other countries, them benefited from such support on a much higher period than countries new entrants disfavored them up to a large extent thereon. It also represents a tremendous help of direct payments to farmers, contributing to their living standards and continuing their activities in agriculture. This paper seeks to highlight the need for support in agriculture so that by processing the statistical data it can be concluded that in both countries, even after the passing of seven years, regarding the first programming period, the situations are not solved completely, so these measures should be further enforced to help farmers.

Key words: direct payments, Romania, Bulgaria, the Common Agricultural Policy

INTRODUCTION

CAP's history began with the signing of the Treaty of Rome, when they created the European Economic Community, among the six founding countries, following the actual birth act in 1962 to take the Common Agricultural Policy. In 1984 CAP falls victim to its own success that food production was too large to use. In subsequent years (1992) are encouraged practices friends with the environment, animal welfare and food safety standards, such as the 2013 PAC to be reformed, focusing on the sector's competitiveness, promoting sustainability of farms and innovation and the creation of employment in rural areas [1].

CAP is based on three components namely: market support, income support and rural development. As regards financing the CAP is determined by budgetary allocations fixed for a period of 7 years. For example, market and income support are financed from the EU budget, while rural development is based on

multiannual programs and co-financing from Member States [2][10].

We can say that 40% of the EU budget is necessary that policy, but suffered a decline in the last 30 years from 75% at somewhere around 40% of the EU budget, given that this time joined European Union's 18 new members, thus doubling the number of farmers [4][6].

With 2015 as schemes direct payment were changed so that European farmers can access schemes mandatory payment (those that were adopted by all member countries) but also any voluntary schemes of payment (only in countries where these schemes were adopted). Among the mandatory schemes include: SAP (single area payment), and greening payment scheme for young farmers. Regarding voluntary schemes, they are: redistributive payment, offered support areas with natural constraints and coupled support [8][11].

The area payment is the provision of a payment per hectares for each farmer who fit the conditions for granting this type of support. Complementing this payment can be made and

the reverse payment is granted to each firm per hectar, if they comply with practices in agriculture on climate and environment. This payment aimed at three basic conditions: the maintenance of permanent grassland, crop diversification and maintaining ecological zones representing 5% of the arable land of the farm with more than 15 hectares [7][5].

MATERIALS AND METHODS

Research is based on the use of statistical data provided by the Department of Agriculture and Rural Development of the European Commission, the data available on the web site of the Ministry of Agriculture and Rural Development of Romania and Bulgaria, taking into account several indicators.

As a research method was used statistical method for recording in a systematic and unified statistical data in order to achieve a parallel indicators of the two countries.

RESULTS AND DISCUSSIONS

In between 2014 and 2020 will be allocated significant sums of agriculture and rural areas in European Union countries. Also new direct payments is intended to be distributed in a more equitable manner and only active farmers will benefit from these payments. These payments vary from country to country, different factors were taken into account [10]. Romania joined together with Bulgaria to the European Union in 2007, so a comparison in terms of the amounts allocated to various schemes, schemes chosen by them, and the results achieved by the end of 2014 are relevant for determining future objectives and the possibility of applying the results satisfactory, taking into account the characteristics of each country.

From Table one can see that Romania's budget for the direct payments for 2014-2020 is 12 billion euros, while Bulgaria's is 7.4 billion, representing only 62% of budget Romania. Regarding the budget for rural investment, for the same periods, Romania allocated a budget of almost 4 times higher (8 billion) than

allocated by Bulgaria or (2.3 billion) (Table 1.).

Table 1. A comparative table in terms of direct payments between Romania and Bulgaria

Specification	Romania	Bulgaria
2014-2020 budget related direct payments	12 billion euros	7.4 billion euros
Rural investment allocated budget 2014-2020 (RDP)	8 billion euros	2.3 billion euros
CAP investment period 2007-2013	10 billion euros	4 billion euros
The share of primary sector jobs	30.6%	19%

Source: CAP summary sheet - Romania and Bulgaria.

By the end of the first programming period, Romania spent through the CAP's about 10 billion euros, while Bulgaria spent 2.5 times less, and the share of jobs in the primary sector, it is 30.6% in Romania and 19% in Bulgaria (Table 1.).

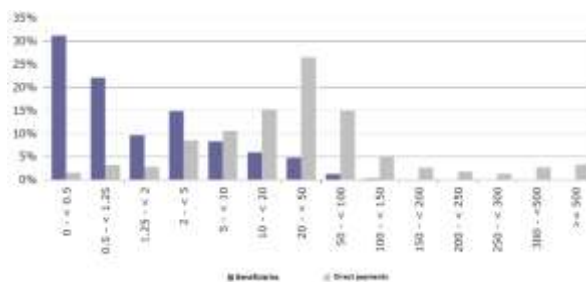


Fig. 1. Distribution and beneficiaries of direct payments in the EU by the amount of payments received (EUR thousand) in financial year 2014

Source: Report distribution of direct payments for agriculture (financial year 2014).

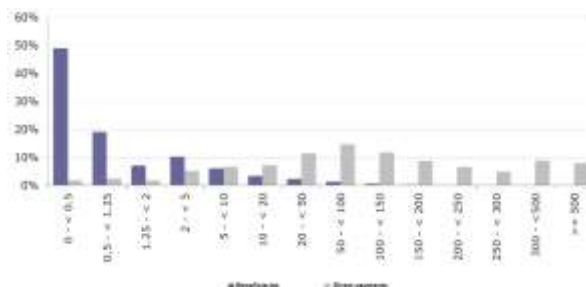


Fig. 2. Distribution and beneficiaries of direct payments in Bulgaria by the amount of payments received (EUR thousand) in financial year 2014

Source: Report distribution of direct payments for agriculture (financial year 2014).

Regarding the related financial year 2014, over 30% of beneficiaries received support whose

value was between 0 and 500 euros, which meant approximately 2% of direct payments. Also accounted for over 27% of all direct payments were received by 5% of all beneficiaries who received payments worth between 20,000-50,000 euros (Fig. 2).

At the level of Bulgaria, during the 2014 financial exercise, it appears that about 50% of beneficiaries receive payments of up to 500 euros, representing approximately 2% of direct payments budget. Most of the budget for direct payments of about 15%, goes to beneficiaries who receive such aid between 50,000 and 100,000 euros (Fig. 3).

While in 2008 the number of beneficiaries who received support which had a value below 5,000 euros was more than 90% of all beneficiaries at the end of 2014, their share reached 85%, the difference being replaced by beneficiaries that received support included between 5000-50000 euros (about 13%) and the difference of almost 2% of those receiving support with a value between 50,000-100,000 euros or 100,000 euros.

Regarding the share of direct payments, the highest amount was intended, in 2008, beneficiaries who received aid of between 5,000 and 50,000 euros, representing a rate of over 40% of the total budget allocated to direct payments. At the end of 2014, approximately 50% of the budget was given to the beneficiaries of direct payments that were cashing aid of 100,000 euros.

At the end of 2013, the economic value (SO) under € 4,000 farms in Bulgaria, have a share of about 75% of the total, while those with a value between 4,000 and 100,000 euros a share of 18% and the remaining approximately 2% consisted of farms that have economic value of 100,000 euros.

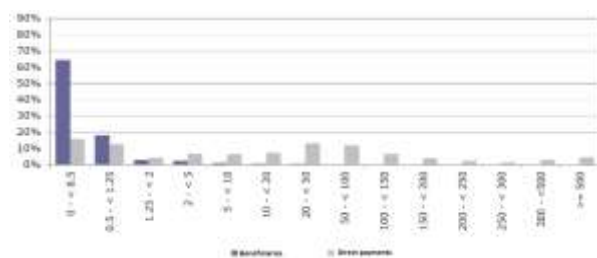


Fig. 3. Distribution and beneficiaries of direct payments in Romania by the amount of payments received (EUR thousand) in financial year 2014

Source: Own design.

In Romania, the largest share of beneficiaries of direct payments is represented by those who receive up to 500 euros, accounting for about 62% of all beneficiaries and for allocating the largest amount of the total budget for direct payments, accounting for about 16% of them (Fig. 4).

In 2008, the number of beneficiaries receiving aid with a value of up to € 5,000 had a share of 98% of the total, so that at the end of 2014, this ratio would decline only 1-2 percentage points. Also in 2008 the largest share of direct payments to concentrate the beneficiaries who received below 5,000 euros, having a share of over 50%, managing that in 2014, between amounts paid to beneficiaries who were receiving under 5,000 euros and those received between 5,000 and 50,000, to balance, reaching somewhere around 35% of direct payments budget.

At the end of 2013, about 83% of farms in Romania had an economic dimension under 4,000 euros, while the rest consisted of farms with an OS of between 4,000 and 100,000 euros (about 15%), and nearly 1% are farms an economic size of over 100,000 euros.

It is interesting that the total economic size of farms in Romania, the share is an almost similar between farms with an SO under 4,000 euros (size they have over 80% of total farms) and those with a SO more than 100,000 euros (size they have less than 1% of total farms) so that the two category each represent about 30% of the total economic value of farms in Romania.

For the period 2014-2020, Bulgaria has taken the following decisions as regards its main payment schemes, so that was taken into account Single Area Payment Scheme (SAPS), Payment redistributive scheme for coupled support, and helping young farmers and for which what the largest allocation was distributed SAPS's (47.8% in 2016). Romania has also opted for the same types of payments, but the SAPS has allocated over 50% of the budget for direct payments.

For example in terms of support provided to beneficiaries to pay redistributive both Bulgaria and Romania have opted for this payment, but the latter, unlike Bulgaria offers

this support for two types of intervals, for areas up to 5 hectares offering 5 euros / hectare, and from 5 to 30 hectares offering 45 euros / hectare, unlike Bulgaria which only offers up to 30 hectares (there are no scales intermediate) and offering 77 euros / hectare, being surpassed in this respect by Belgium (Wallonia region) offering 133 euros / ha.

Regarding the terms for which farmers can receive aid through direct payments, both countries have agreed not to introduce a minimum threshold for which no grant aid (which ranged between 100-500 euros and attainment of this amount makes the recipient not receive any help), but beneficial Bulgarian and the Romanian must have an eligible area of 1 hectare for crops and livestock sector. Aid should be a minimum 100 euros to enter the possession aid.

Also in finalizing coupled support, Bulgaria has chosen to support the beef and veal meat, fruit and vegetables, milk and milk products, protein crops and sheep and goats meat. On the other hand Romania chose to support the beef meat, fruit and vegetables, grain legumes, hemp, hops, milk and dairy products, plant protein, rape, seeds, meat goat and sheep, silkworms and sugar beet.

CONCLUSIONS

On the farming situation in its whole, both in Romania and in Bulgaria, we can say that agriculture accounts for 6.5% of GVA and 5.3% for Bulgaria. Also if the workforce employed in agriculture, in Romania it is 30.6%, 19.2% strictly observe. These two indicators are far above the average in the European Union, namely 1.7% for the economy and 5.2% of the workforce.

Also this is not very good, because the GVA is significant in both countries, which means that the economy is based on agriculture, which produces mainly raw material, to the detriment of products that have added value. At the same time jobs in agriculture are poorly paid, as they consist mostly of unskilled workers who have no knowledge in agriculture, represented by labour crude.

Both in Romania and in Bulgaria small farms predominate, so that 74% of them have less than 2 hectares (in the case of Romania a total of over 3.8 million farms) and 83.2% for Bulgaria of a total of more than 370,000 holdings.

In Romania, the share of young farmers who are aged 35 years is approaching the EU average, accounting for 7.3% (EU average is 7.5%), while in Bulgaria it is 6.9%.

Allocation of direct payments granted by Bulgaria account for up to 50% by farmers who receive up to 500 euros, much less than in Romania allocating more than 60% of this type of beneficiary, taking into account the number of farmers Romania reported at Bulgaria.

At first glance we would say that Bulgaria allocates greater attention to performance against Romania, allocating greater financial resources (as a percentage of the total budget of direct payments allocated to the country), but this is partially true because the funds Romania are much more substantial than those of Bulgaria, so its budget allocated to direct payments in 2014 was over 578 million, plus and more than 23 million for market measures, while Romania was allocated direct payments over 1.2 billion, plus about 75 million for market measures.

Obviously, both for Romania and Bulgaria for the period 2014-2020 is critical for agriculture (and others) so that the measures taken should help eliminate gaps with the other countries in terms of agriculture, especially in the context that after 2020 the intention to eliminate these forms of support.

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