

STATE AND IMPLEMENTATION OF THE MEASURE „RESTRUCTURING AND CONVERSION OF VINEYARDS” IN BULGARIA

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Abstract

Development of vineyard sector in Bulgaria is determined from one side by appropriate natural and climatic conditions and existing vineyard structure, as well as the traditions in selection of varieties and technology in wine producing. The aim of the paper is to analyze and assess the financing in the vineyard sector for the period 2007-2013 under the measure "Restructuring and conversion of vineyards" and on this basis to make generalized conclusions for, implementation of the measure in the previous programming period and to provide guidelines to enhance the potential of the sector through the use of funding in the new programming period. The paper presents the analysis of the possibilities for funding under the measure "Restructuring and conversion of vineyards"; analysis of the fund distribution of the measure for the period 2007-2013; analysis of the disbursed budget; analysis of maximal financial support per ha for different activities, evaluation of financial application and impact of the measure.

Key words: measure, restructuring, vineyard

INTRODUCTION

Development of vineyard sector in Bulgaria is determined from one side by appropriate natural and climatic conditions and existing vineyard structure, as well as the traditions in selection of varieties and technology in wine producing. For the period 2001- 2013, areas under vineyard decreased about 3 times (Table 1). This is explained by the restructuring process in the sector, the loss of some markets of local wine and implemented policy for vineyard.

In 2013 the areas covered by vineyards in the agricultural holdings accounted for 58 236 hectares. If compared to 2012, the areas covered by vineyards in the farms have been reduced by 7%. The areas occupied by ill-kept vineyards as a result of social, economic or agronomic reasons covered about 5 thousand hectares. Around 42% more than 2012 were the newly planted vineyards, and these that are not entered into fructifying period are 2 %. It is observed that the area of ill-kept vineyard is almost the same as in the beginning of the period in 2001 such as for 2013.

Table 1. Vineyards in Bulgaria in the period 2001—2013, hectares [1]

Year	Areas covered by vine plantations, ha	Ill-kept vineyards outside farms, hectares	Total areas covered by vineyards, hectares
2001	146,995	4,190	151,185
2002	129,998	15,200	145,198
2003	103,019	28,050	131,069
2004	95,551	34,029	129,580
2005	94,724	32,118	126,842
2006	85,320	43,537	128,857
2007	97,387	22,954	120,341
2008	88,570	22,246	110,816
2009	74,018	27,416	101,434
2010	56,968	25,707	82,675
2011	52,567	25,901	78,468
2012	62,701	14,640	77,341
2013	58,236	4,900	63,136

MATERIALS AND METHODS

Results and conclusions in the paper are based on the results of university research project [9] and information from annual reports of the Executive agency on wine and vine and Ministry of agriculture and food.

The aim of the paper is to analyze and assess the financing in the vineyard sector for the period 2007-2013 under the measure "Restructuring and conversion of vineyards" and on this basis to make generalized conclusions for the implementation of the measure in the previous programming period, and to provide recommendations to enhance the potential of the sector through the use of funding in the new programming period. To realize the aim of the paper were made:

- analysis of the possibilities for funding under the measure "Restructuring and conversion of vineyards";
- analysis of the fund distribution of the analyzed measure for the period 2007-2013;
- analysis of the disbursed budget for the analyzed measure;
- analysis of maximal financial support per

ha for different activities included in measure "Restructuring and conversion of vineyards";

- evaluation of financial application and impact of the measure.

RESULTS AND DISCUSSIONS

Financial support by measure „Restructuring and conversion of vineyards”

One possibility for the development of the vineyard sector is financing under the measures of the National support program for the wine sector, which is implemented in Bulgaria as a financial instrument for the period 2008/2009 - 2013/2014.

National support program for the wine sector 2008/2009 - 2013/2014 includes three measures for support financed by EAGGF as follows [2]:

- ✓ Measure —Restructuring and conversion of wine vineyards;
- ✓ Measure —Insurance of the harvest;
- ✓ Measure —Promotions of wines in third

countries;

One of the measures which have an important role for the development of the sector in the country is "Restructuring and conversion of vineyards". Three main activities are supported under the measure "Restructuring and conversion of vineyards". They are as follows:

- ✓ Conversion - changing the composition of the plantation varieties by grafting of varieties classified for the wine-growing regions of the country;

- ✓ Replanting with or without relocation of vineyards (vineyard restructuring), with or without change of the variety with the possibility of increasing the number of vines per hectare and / or changing formations with or without change of the supporting construction;

- ✓ Improved methods and technologies for vineyard management through:

- increasing the number of vines per hectare;
- changing formations with or without change of the supporting construction;
- building of facilities to protect against damage inflicted by wild animals and birds;
- building of erosion control facilities;
- building of irrigation facilities - drip irrigation;
- building of terraces;
- reconstruction of existing terraces;

Financial support for the measure "Restructuring and conversion of vineyards" is max 75 % of the investment for conversion and restructuring of vineyards, for increasing the number of vines per hectare, for changing formations, for building of irrigation facilities. Financial support for building of terraces and reconstruction of existing terraces is max 50% of the investment and financial support for building of facilities to protect against damage inflicted by wild animals and birds and building of erosion control facilities is max 30 % from the investment.

The compensation for loss of revenue under Article 3a, paragraph 1, item 2 of Regulation 1/2009 on procedures for granting financial assistance from National support program 2008/2009 - 2013/2014 for beneficiaries of the financial measure "Restructuring and conversion of vineyards" covers a period of

three years after the uproot of vineyard.

The maximal financial support per ha for different activities included in measure “Restructuring and conversion of vineyards” for each financial year is define with Ordinance of the Minister of agriculture and food. The maximal financial support per ha is for the activities connected with “Replanting with or without relocation of vineyards (vineyard restructuring), with or without change of the variety with the possibility of

increasing the number of vines per hectare and / or changing formations with or without change of the supporting construction” and “Increasing the number of vines per hectare”. Less financial support is for the activities connected with “Building of facilities to protect against damage inflicted by wild animals and birds”. The maximal financial support for the period 2007-2013 is presented on the table 2.

Table 2. Maximal financial support per ha for different activities included in measure “Restructuring and conversion of vineyards” for all the financial years during the period 2007-2013 [4,5,6,7,8]

Activity	Financial support per ha in Euro
Conversion - changing the composition of the plantation varieties by grafting of varieties classified for the wine-growing regions of the country	9,291
Replanting with or without relocation of vineyards (vineyard restructuring), with or without change of the variety with the possibility of increasing the number of vines per hectare and / or changing formations with or without change of the supporting construction	17,698
increasing the number of vines per hectare	17,551
changing formations without change of the supporting construction	3,409
changing formations with change of the supporting construction	7,358
building of facilities to protect against damage inflicted by wild animals and birds	636
building of erosion control facilities	1,645
building of irrigation facilities - drip irrigation	around 5,112*
building of terraces and reconstruction of existing terraces;	around 5,624 **

*It depends on the space between rows

** it depends on the slope

Beneficiaries of this measure have to be the following groups of farmers:

- ✓ Owner, tenant or lessee of the fruit-bearing vineyard, registered as a vineyard holding under Article 23 a, paragraph of the Law for the wine and alcohol beverage;
- ✓ A producer who manages vineyard holding with a minimum area of 0.1 ha, which is outlined in the identification system for agricultural parcels;
- ✓ A candidate who has made regular annual declaration under Article 22, paragraph 1 of Law for the wine and alcohol beverage that must demonstrate that the vineyard is fruitfulness;
- ✓ A farmer with replanting rights, occurred after uproots of existing vineyard and who has the right for grafting in order to change the varieties of vines.

Each producer of wine grapes, who intends to

apply the measure "Restructuring and conversion of vineyards" have to prepare "Preliminary plan for restructuring and conversion of vineyards". Preliminary plans for restructuring and conversion of vineyards must be submitted no later than May 10 of the financial year in the Regional unit of the Executive agency on vine and wine (EAVW). Individual plan for restructuring and conversion of the wine is approved by the Executive Director of EAVW after the deadline for submission of preliminary plans (applications) for the financial year. Employees of Regional unit of EAVW accept and verify the submitted Individual plan for restructuring and conversion by comparing the data with the dossier of the farmer and in case of incompleteness and / or inaccuracies they shall inform the farmer to correct them not more than 5 working days. The farmer

must correct incompleteness and / or inaccuracies in the plan within 10 days from the date of notification.

After the document check within 5 working days the regional unit of EAVW sent for processing, registration and approval all the documents and submitted plan at the office of EAVW. Within one month Executive Director of EAVW approves or rejects the plan by sending a notice to persons with a copy to State fund of Agriculture. For approval of the restructuring plan the farmers don't owe a charge.

Analysis of implementation of the measure “Restructuring and conversion of vineyards”

National Support Program for the wine sector for the period 2008/2009 - 2013/2014 is with a budget 84.97 million euro including the budgets of the Ministry of agriculture and food, Executive agency for wine and vine (EAWV) and National vine and wine chamber. The highest amount of funds for the period 2009-2013 is provided for the measure "Restructuring and conversion of vineyards", such as provided funds increased almost twice, from 12.54 million euro to 21.70 million euro. Table 3 shows approved by the European Commission funds under the measure "Restructuring and conversion of vineyards".

The total budget of the measure is 91.06 million euro, which is about 8 times more

than the budget allocated to the other two measures.

Table 3. Distribution of resources in National support program for “Restructuring and conversion of vineyards”, thousand euro [2]

Year	Restructuring and conversion of wine vineyards	% of the total budget
2009	12,548	80.39
2010	17,114	80.60
2011	17,772	80.70
2012	21,927	80.98
2013	21,702	81.15
Total	91,063	80.81

The planned funds in the program for the period 2009-2013 for the analyzing measure range from about 12 million euro in beginning of the period and increased to 21 million euro at the end of the period

During the period 2009-2012 the number of beneficiaries applying for measure “Restructuring and conversion of vineyards” is decreasing. They decrease from 117 in 2009 year to 73 in 2012, but in 2013 the number of beneficiary significantly increases – 150. The average area reconstructed vineyards per 1 beneficiary for the analyzed period decreased and from 34 ha in 2009 to 18 ha in 2013 (Table 4). This is explained by the fact that relatively small vineyards are interested in this measure.

Table 4. Number of beneficiaries, and surfaces of vineyard restructured by measure “Restructuring and conversion of vineyards” [10]

Year	Benefi-ciaries (number)	Surfaces of vineyard restructured (ha)	Average of restructured surface per beneficiary (ha)
2008	143	n.a.	n.a.
2009	117	3,987.8315	34
2010	76	1,912.0887	25
2011	94	2,297.7	24
2012	73	n.a	n.a
2013	150	2,675.9	18

The budget of the measure for restructuring and conversion in 2009/2010 amounts 21.23 million euro and the disbursed budget is 14.32 million euro. In the financial year 2010/2011 budget is of 22.02 million euro, and contracted projects amounts 5.86 million euro

and in financial 2012/2013, the paid amount is 18.33 million euro. The value of the funds paid for financial year 2013 was the highest for the period. Data show that the interest of the producers to the utilization of allocated funds has increased significantly.

Percentage of the used resources from the determined budget for the period 2007-2013 is between 51% and 69%. The used recourses

for the financial year 2010/2011 are only 27% (Table 5).

Table 5. Determined and disbursed budget for the measure "Restructuring and conversion of vineyards" [1]

Year	Determined budget for the measure (Euro)	Disbursed budget for the measure (euro)	% of used recourses
2007/2008	18,044,087	11,911,671	66
2008/2009	14,977,000	7,711,272	51
2009/2010	21,234,000	14,318,486	67
2010/2011	22,022,000	5,864,000	27
2011/2012	27,077,000	17,379,192	64
2012/2013	26,742,000	18,333,877	69

The National support program for the wine sector for the next programming period 2014-2018

In the next programming period 2014-2018, National support program for the wine sector provided four measures - "Restructuring and conversion of vineyards", "Promotion", "Green harvesting" and "Investments". According to the Program, the measure "Promotion" will improve the image of produced wines in the European Union outside the scope of the internal market and will increase exports of products by conquering new markets.

Support will be aimed at strengthening trade opportunities to export wines with guaranteed quality, thus achieving an increase in the average price of domestic exports [3].

Restructuring of vineyards remains a priority for the next programming period, as it leads to improvements in production potential, increase the average quality of raw materials and improve the competitiveness of producers.

Measure "Green harvesting" will give a guarantee regarding the realization of the production of wine producers and provide some stability in their economic efficiency, which is reflected positively in a social context and contribute to the sustainability of the wine sector. The measure "Investments" will increase marketing and competitiveness of wine products.

Determined budget in the Program amounts 133.78 mln.euro.(Table 6). The highest is the amount of funds provided for the measure "Restructuring and conversion of vineyards" - 80.78 mln. euro, followed by the measure

"Investments in enterprises" - 42.49 million euro. Regarding measures "Restructuring and conversion of vines" and "Promotion" funds provided for the new programming period are relatively less, but there were included two new measures under the program.

Table 6. Determined budget in the National support program for the wine sector 2014-2018, million euro [3]

Measure	Determined budget
Restructuring and conversion of vineyards	80.78
Green harvesting	3
Investments	42.49
Promotion	7.5
Total	133.78

CONCLUSIONS

Based on the analysis of measure "Restructuring and conversion of vineyards" could be made some conclusions as follows:

- There is a significant support for the wine sector for the period 2009 - 2013 in the field of "Restructuring and conversion of vineyards", which achieved the highest rate of funds utilization and realized projects.
- The maximal financial support per ha is for the activities connected with "Replanting with or without relocation of vineyards, with or without change of the variety with the possibility of increasing the number of vines per hectare and / or changing formations with or without change of the supporting construction" and activities connected with "Increasing the number of vines per hectare", but less financial support is for the activities connected with "Building of facilities to protect against damage inflicted by wild

animals and birds”.

➤ Data connected with the high percent of disbursed budget for the measure “Restructuring and conversion of vineyards” show that the interest of the producers to the utilization of allocated funds has increased significantly, indicating a broadening of the investment base in the sector.

➤ The decreasing average area reconstructed vineyards per 1 beneficiary for the analyzed period (18 ha) show that relatively small vineyard holdings are interested in this measure.

➤ Due to the favorable structural impact of the measure “ Restructuring and conversion of vineyards” on the vineyard sector during the previous programming period is expected during the next period this measure to play an important role in increasing market orientation and competitiveness of the producers in this sector.

➤ Utilization of funds under the Program for the period 2014-2018 should contribute to the adaptation of wine production to market demand, to increase producers’ incomes, and to preserve rural areas from depopulation.

➤ Utilization and effective use of funds provided under the measures of state support for the wine sector will prove significant role for the development of the wine sector and promotion of Bulgarian producers at national and European level.

[7]Ordinance 03-RD/1863, 01.08.2011 of the Minister of agriculture and food for the defining the funds for measure “Restructuring and conversion of vineyards” for the financial year 2011/2012

[8]Ordinance 03-RD/1701, 06.07.2012 of the Minister of agriculture and food for the defining the funds for measure “Restructuring and conversion of vineyards” for the financial year 2012/2013

[9]Project No 21.03-06/2008 "Sustainable development of the wine sector in Bulgaria”, University of National and World Economy, Sofia

[10]Reports of Executive Agency on Wine and Vine, 2008, 2009, 2010, 2011, 2012, 2013, 2014

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[1] MAF, Annual Agricultural Report 2008, 2009, 2010, 2011, 2012, 2013, 2014

[2] MAF, National support program for the wine sector 2007-2013

[3] MAF, National support program for the wine sector 2014-2018

[4]Ordinance 01-RD/348, 23.02.2009 of the Minister of agriculture and food for the defining the funds for measure “Restructuring and conversion of vineyards” for the financial year 2008/2009

[5]Ordinance 01-RD/1235, 14.08.2009 of the Minister of agriculture and food for the defining the funds for measure “Restructuring and conversion of vineyards” for the financial year 2009/2010

[6]Ordinance 01-RD/2313, 03.08.2010 of the Minister of agriculture and food for the defining the funds for measure “Restructuring and conversion of vineyards” for the financial year 2010/2011