

## POSSIBILITIES OF INTERNAL REDISTRIBUTION OF DIRECT PAYMENTS IN ROMANIA: AN EXPERTS' CONSULTATION

Lucian LUCA<sup>1</sup>

e-mail: [luca@eadr.ro](mailto:luca@eadr.ro)

### Abstract

The consultation conducted by the author on the eventual redistribution of direct payments through certain elements of the agricultural policies proposed for the period 2014-2020 was mainly based on two questionnaires sent to a limited number of experts interested in the equity and efficiency of payments granted to the Romanian farmers. In the case of Romania, with its dual agricultural sector, an exercise of experts' consultation leads to the following conclusions: the small farm supporters are in favour of redistribution, but they understand that the small farmers scheme has positive effects that can be separated from redistribution and that is why they also consider that the alternative calculation formula is also desirable, which is also accepted by the large farm supporters; and the large farm supporters are against capping, but they understood that capping that would be followed by directing the saved amounts to investments on the large farms would benefit these, maintaining them in the category of competitive farms at European level, while the small farm supporters are in favour of this approach, which would mean not an absolute capping, but rather an "obligation" of large farms to invest.

**Key words:** CAP reform post 2013, small farmers scheme, capping basic payments, redistributive scheme

CAP Reform post 2013 within Pillar 1, as it results from the European Commission's legislative proposal, had in view (and already reached to a great extent) two main objectives: - more equitable direct payments (convergence of payments between states and within each state, through redistribution inclusively); - a greater focus on sustainable development (through payments for agricultural practices beneficial for the climate and the environment).

These add to a flexibilization of the implementation tools for direct payments, by introducing a national option, in an attempt to cover the diversity of situations in the agriculture of various member states, mainly the differences between the farming structures.

### MATERIAL AND METHOD

The consultation on the eventual redistribution of direct payments through certain elements of the agricultural policies proposed for the period 2014-2020, using the Policy Delphi technique, was mainly based on two questionnaires sent to a limited number of experts interested in the equity and efficiency of payments granted to the Romanian farmers. The answers to the questions from the two questionnaires were measured by a scale that did not permit neutral answers, in order to force pro or con positions. Thus, for each type of question, four positions on the

respective scale were defined, which received scores from 1 to 4, where 1 means total agreement, and 4 total disagreement. An average of scores smaller than or equal to 2 means that there is a consensus of experts (or of a group) in favour of the respective measure, while an average higher or equal to 3 means a consensus against the respective measure. An average value of scores between 2 and 3 reveals an uncertain situation, which must be further investigated in order to understand the pro and con arguments. As the averages of scores of the 11 respondents to the first questionnaire did not indicate a consensus on the key questions, we calculated averages by different groups of respondents. The grouping of participants into two homogenous groups proved to be quite relevant, i.e. "supporters of large farms" (4 persons) and "supporters of small farms" (5 persons), two being neutral. Only 6 persons answered Questionnaire II, out of which one was neutral, three were small farm supporters and two large farm supporters.

### RESULTS AND DISCUSSIONS

#### *Questionnaire I (table 1)*

##### *A more equitable distribution*

The first question (I.1) addressed to the national experts tried to establish what are the prospects of the European Commission's regulation proposal to be successfully approved by the two entities that share the decision of regulation adoption (the Council of the European

<sup>1</sup> Institute of Agricultural Economics (Romanian Academy), Bucharest

Union and the European Parliament), in the conditions in which it took into consideration the recommendation of the European Court of Auditors, for a more equitable distribution. The answers received from the Romanian experts reveal the skepticism with regard to reaching a solution favourable to the recommendation of the European Court of Auditors.

The second question (I.2) was meant to measure the importance of the differentiated support according to the farm size. Apparently, the answers reveal an acceptance of the importance of redistribution by all respondents, but in fact the average hides the particular importance that the small farm supporters attach to this issue.

#### *Small farmers scheme*

The small farmers scheme represented one of the surprises from the European Commission Regulation Proposal. The solution proposed by the Commission provided for a drastic simplification of the administrative requirements addressed to small farms, including a single lump sum payment for all the scheme beneficiaries. However, the total amounts paid to the small farmers could not exceed 10% of the national allocation for direct payments. EU Council (gathering the ministers of agriculture from the member states) favoured the optional introduction solution. In this context, the question (I.3) addressed to the experts tried to measure the small farmers scheme desirability for Romania's situation. The answers indicate the firm support by the small farm supporters and the moderate opposition of large farm supporters, which overall lead to the acceptance of the measure, in the consulted experts' vision.

However, a problem that could lead to complications during the implementation was the exceeding of the 10% ceiling regulated by the Commission, for which no solution could be found in the initial proposal; yet, in the Parliament's proposal, this led to a linear diminution of the single lump sum received by each farm participating to the scheme, which could diminish the incentive to participate to the scheme. The question (I.4) that evaluated this difficulty measured the feasibility level of the scheme, in the experts' opinion. It can be noticed that the expectations of a reasonable solving of the hypothetical situation generated by exceeding the ceiling were found only in the category of small farm supporters.

Testing the acceptability of the optional introduction of the scheme (question I.5) gave the possibility to the large farm supporters to express their disagreement with this scheme, and in fact, its redistributive character.

#### *Capping of direct payments*

Following the recommendations of the European Court of Auditors, in the year 2011 the European Commission proposed capping the payments at 300 thousand euro per farm. This proposal was a continuation of the Commission's traditional approach, which militated with each reform in the last 20 years for the progressive diminution of the direct payments received by the large farms. The question (I.6) on the desirability of capping revealed the almost full disagreement between the supporters of large farms and the supporters of small farms (although these do not benefit directly from the amounts saved by capping), but probably this rather represents a support of the Commission's position than a desire to get the large farms penalized.

The next question (I.7) investigates the acceptability of a compulsory percentage diminution, which should replace the proposal of progressive diminution by a linear one, for all the farms that receive more than 150 thousand euro. This was the solution that had a consensus reaching potential at the beginning of negotiations between the Commission, Council and Parliament from 24-26 June 2013. No consensus has been reached between the Romanian experts, although the positions got more harmonized, the large farm supporters probably considering that the 20% level was too high.

As the capping issue has generated hot debates, the large farms found their defenders in the ministers that represent the member states in the EU Council. However, they did not managed to persuade the European Parliament - that has co-decision right - to support their capping rejection position. The interviewed Romanian experts were asked (question I.8) to appreciate the feasibility of optional capping. As expected, no consensus could be reached: the large farm supporters are against capping, while the small farm supporters are in favour of capping.

#### **Questionnaire II (table 2)**

##### *Small farmers scheme*

A solution to the problem of an eventual exceeding of the ceiling was found by adding a new calculation option for the sum that the small farmers will receive, namely the same sum that they would receive if they did not opt for the scheme. All the farms that receive less than 1250 euro per year can opt for the scheme. The question (II.1) formulated in relation to the small farmers theme refers to the alternative calculation formula of the payments for the participants to the scheme. The answers revealed a consensus obtained after the clarification of the positions of certain respondents.

Table 1

**Average of scores for answers to the questionnaire I**

Questions	All answers	Large farms supporters	Small farms supporters
Question I.1: The European Court of Auditors made a recommendation to the European Commission to try a more equitable distribution of direct payments inside the member states. Do you think that the parts involved in the CAP Reform (Council, Parliament) will take into consideration this recommendation?	2.27	2.25	2.20
Question I.2: The European Commission proposed different support rates, through the basic direct payments, for certain categories of farms, i.e. a higher support rate for the small farms and a lower rate for the large farms. Do you think that this proposal is important for Romania's agriculture?	1.73	2.50	1.00
Question I.3: The European Commission proposed the compulsory introduction of the small farmers scheme, by which a lump sum payment of 500 euro per farm would be received (in Romania's case), which is higher than the sum resulting from the payment per hectare, for most small farms (of 2-3 ha) registered at APIA. Do you consider that this measure is desirable?	1.82	2.50	1.40
Question I.4: In the situation when the necessary sums for the small farmers scheme exceed the limit proposed by the Commission (10% of the national allocation for direct payments), is the introduction of the scheme feasible in Romania?	2.55	2.75	2.00
Question I.5: If the small farmer scheme is optional, for any member state, do you think that its introduction is a feasible option for Romania?	2.27	3.50	1.60
Question I.6: For the limitation of incomes of the very large farms, the European Commission proposed capping the basic payment received by a farm at 300 thousand euro and a progressive diminution of payments ranging from 150 thousand to 300 thousand euro per farm, the amounts saved in this way being also used in Romania, under the rural development measures. Do you consider this measure desirable?	2.27	3.50	1.20
Question I.7: Do you consider that a compulsory percentage diminution (for instance, by 20%) of the basic direct payments that exceed 150 thousand euro is possible in Romania's case?	2.73	3.00	2.40
Question I.8: If capping direct payments at 300 thousand euro is to be optional for the states, do you think that this is a feasible option for Romania?	2.27	3.50	1.20

Table 2

**Average of scores for answers to the questionnaire II**

Questions	All answers
Question II.1: Would it be desirable for Romania to apply an alternative calculation formula for the farm payments for the holdings in the small farmers scheme, which would not imply a redistribution (the small farmers receiving exactly the same amount per ha that they would receive outside the scheme and that is received by the larger farms)?	1.83
Question II.2: Do you consider feasible the adjustment of agrarian structures from Romania that would result from the definitive exit mechanism from agriculture (in exchange for the 120% compensations funded under Pillar 2) of the small farmers participating to the proposed scheme?	2.33
Question II.3: Do you think that the (semi)subsistence farms have a significant contribution to the social equilibrium from the rural areas, ensuring the households self-consumption?	1.67
Question II.4: Would the capping option be desirable in Romania, if the amounts "saved" in this way were directed exactly to the holdings where they come from (through the investments under Pillar 2)?	1.67
Question II.5: Do you consider as feasible a diminution of the basic payments that exceed 150 thousand euro, by a higher percentage than the minimum compulsory percentage of 5%?	3.17
Question II.6: Do you consider important the role of large farms in ensuring the necessary raw products for processing and, implicitly, in meeting the food consumption needs in the urban area?	1.83
Question II.7: Is it desirable for Romania to supplement the basic payment for the first 30 hectares of each farm (on the basis of the diminution of payments for the areas that exceed 30 ha)?	2.50
Question II.8: Do you think it feasible to allocate a high percentage (30% at maximum) from the national ceiling of direct payments for these redistributive payments?	2.83
Question II.9: Do you consider it important to support the commercial family farms for getting the Romanian agrarian structures closer to those of the EU Old Member States?	1.50

The second question (II.2) tried to check up if the consultation organizer's perception, who considers that the mechanism of exist from the small farmers scheme is essential for adjusting the farm structure in Romania, is also shared by the experts participating to consultation. The average

of scores for their answers does not indicate reaching a consensus, probably because such an adjustment process is subject to certain incertitude. As regards the socio-economic role of subsistence and semi-subsistence farms (question II.3), the consulted experts reached a consensus,

which represents an important step in accepting the existence of certain schemes of small farmers type, at least in a country like Romania.

#### *Capping and percentage diminution*

The question (II.4) addressed to the experts tried to measure the desirability of capping introduction, in the conditions in which this were optional, but the retained amounts were directed to the large farms where they come from, under the form of investment programs in innovating projects. The answer is quite surprising, by the acceptance of such solutions by the large farm supporters, which proves an understanding of the essential role of investments (and of innovation) in increasing competitiveness.

As regards the feasibility of a percentage diminution higher than 5% (minimum percentage negotiated by the Council and the Parliament), the participants to consultation are quite skeptical (question II.5).

As regards the role of large farms in ensuring Romania's food security, by providing raw products for processing, the opinions are consensual (question II.6).

#### *Supplementary payment for the first 30 ha*

As a result of the last negotiations, an optional scheme for the member states was introduced, which gives the possibility of receiving supplementary payments, limited for the first 30 ha on each farm. The maximum level that can be used for these payments amounts to 30% of the national ceiling. The question (II.7) for the participants to consultation tested the desirability of this measure, and no consensus was obtained, either for the acceptance or for the rejection of such an intervention.

As regards the feasibility of allocating a high percentage (i.e. 30%), there is no acceptance or rejection from the part of consulted experts, which shows that the debates on this theme must reveal the objectives of such a redistribution, and the percentage is going to be adapted to the objective (question II.8).

Although no consensus exists on the support to smaller farms by the redistribution of payments, a consensus does exist on the support to commercial family farms, as it results from the answers to the question II.9.

## CONCLUSIONS

As regards the equilibrium between the support to small farms and the support to large farms, experts' consultation leads us to the following conclusions: the small farm supporters are in favour of redistribution, but they understand that the small farmers scheme has positive effects

that can be separated from redistribution and that is why they also consider that the alternative calculation formula is also desirable (which is also accepted by the large farm supporters); in their turn, the large farm supporters are against capping, in general, but they understood that capping that would be followed by directing the saved amounts to investments on the large farms would benefit these, maintaining them in the category of competitive farms at European level (while the small farm supporters are in favour of this approach, which would mean not an absolute capping, but rather an "obligation" of large farms to invest). Of course it is important to identify the concrete modality of redirecting the amounts obtained from capping (or from the percentage diminution) to the large farms. An alternative to this source of investments could be the measure to increase the compulsory diminution percentage (at present established at 5% of the basic payments), in the conditions of the same redirecting of the amounts to the farms from which money is coming. The hypothesis has not been investigated during experts' consultation, but it can obtain an acceptability even higher than capping and it could be better adapted to Romania's agricultural reality.

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