

EFFECTS OF PAYMENT SCHEMES ON THE PERFORMANCES OF AGRICULTURAL EXPLOITATIONS FROM ROMANIA

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The paper aims to bring a contribution in increasing the economic efficiency of the agricultural exploitations and the effects of the payment schemes on their performances.

Also the paper intends to analyze the changes produced in the meantime in the European agricultural landscape by implementing the payment system knowing that for the new member states is applied the unique payment scheme on the surface, (including g Romania) is foreseeing the possibility to apply this simplified system and after 2013.

The financial aid granted to the farmers under the form of a unique payment scheme, both under the form of historical model and the regionalized one, is based on a greater measure or less on a past reference period (currently set to be between 2000 and 2002). Therefore is intended the actualization of these to take into account the changes produced meantime in the European agricultural landscape. For the new member states that applies the unique payment scheme on the surface, (including Romania) is foreseeing the possibility of applying this simplified system and after 2013.

Since the current policy measures for the development of agriculture is directly affecting Romania, in what follows we will briefly present which where the proposed reforms, then the way in which those were incorporated into the member counties, as well as and the options that Romania has in applying these agricultural policies.

Key words: economic efficiency, payment scheme, agricultural exploitations, performances

For underlining the special role of agriculture within the Romania's economy we will present below the evolution of the mode of use of the land resources in the time period that passed after 1989.

The structural changes from the transition period have as essential positive element the location of Romanian agriculture based on the private property. The shortcomings manifested in the elaboration an applying the agricultural policy measures as well as the poor legislative constructions led to the excessive split of the land fund.

RESULTS AND DISCUSSIONS

The General Agricultural Census (2007) has showed that in Romania there were 4759.7 thousands agricultural units, of which 4.736.6 thousands (99.5%) the exploitations or individual households without legal personality and only 23, 1 thousand units with legal personality. This units use agricultural land and or have livestock's.

Table 1

The evolution of the mode of use of the land resources after juridical statute of agricultural enterprise

Agricultural land used	Total agricultural enterprise	From which:			
		Exploitation/ individual households	% from total	Enterprise with juridical statute	% from total
Total SAU , from which:	13939,5	7715,6	55,4	6223,9	44,6
- agricultural land	8758,9	5413,0	61,8	3345,9	38,2
- familial gardens	202,1	201,8	99,9	0,3	1
- hay field and pastures	4636,6	1876,1	40,5	2758,5	59,5
- permanent crops	343,9	224,7	65,3	119,2	34,7

Source: General Agricultural Census, INS, 2008

Following the General Agricultural Census was found that approximately 97% of the agricultural terrains are privately owned. The most part of the use agricultural surface is exploited in the individual households (55,4%), and the big units with legal personality exploits 44,6% from SAU. The individual households, in number of over 4.48 millions had resulted from the way of elaboration and implementation of the land fund laws and produce, due to the average modest size, especially for auto-consume. The large surfaces (average of 319 hectares) are exploited by agricultural units with legal personality (table below). The presence of a consumed sector of production is an important advantage for the modern organizing of the agricultural production. However, the individual household's exploits 61.8% from the arable surface almost all the surfaces destined for the cultivations of vegetables and 63% of the destined surface for permanent crops.

The support measures of the market are willing to be reformed as follows:

- For the grains is intended waiving at the intervention system on product which, in present, foresees that the farmers receives 101.31 euro per tone in the situation in which they can't assess the bread grain production, barely, durum grain of cain of market. Therefore it will extend the proposed reform in the corn where the administration of the institutional stocks became not feasible (at the end of campaign 2005/2006 these stocks represented 40% from the total of public stocks, approximately 5,6 million tones). Starting with the year 2007/2008 the interventions on the corn

market will be limited at purchases of up to 1.5 millions of tones, and for the campaign 2009/2010 practice won't no longer permitted such interventions – Agricultural Council (2007). Renouncement at the intervention measures for the other grains, with the exception of bread corn, will allow a greater orientation of the production towards market signals. Also in the case of grain producers is intending to give up to the indispensability of letting a part of the uncultivated terrain. These surfaces will be oriented towards the bio-carburant production, and to the protection measures of the environment foreseen by the current scheme will be taken by the III pillar – rural development;

- The quotas systems in the case of milk production it isn't amenable in the new market conditions – European Commission (2008). Currently the European Union is confronting with a growing demand for products of superior quality (especially the chess and fresh products) in the conditions in which the productions is limited at the level of established quota for each member state. In terms of agricultural politic the quota system didn't allowed a broad structural reform in this sector of activity. Therefore are necessary to be taken measures in which to permit the sector's reform until the moment in which this quota system will expire (31 March 2015). In the situation in which these are foreseen, the farmers are less competitive situated especially in the mountain areas as well as the new member states, will know great difficulties. In perspective, is proposed the gradual increase of the quota allocated to each member. Such a measure would be preferable and for Romania because in this way the quota surplus resulted could be allocated of new investments made in the livestock sector. These would prepare the moment of final renunciation at the quota system through the fact that, would be sufficient of competitive enough to make face to a stiff competition on this market.

The principal worries from the agricultural domain, on which the future reforms must take into account are:

- Introduction of some measures of management risks financed through the system of modulation. It is intended that that the measures type, as well as the ways of intervention to be adapted to every micro-region in part.
- Increasing the importance of the second pillar financing: of adequate measures in the domain of using some friendly technologies with the environment which to subscribe at reducing the greenhouses gas (to counteract the climatic effects); using in crop of the plants destined to the fabrication of bio fuels; efficient use of the water; keeping of bio-diversity;

The Commune Agricultural Policy has suffered important reforms after the agreement in Berlin. This reform, and of course the established financial frame were established in a preamble for the expansion realized of the European Union in 2008 with new 10 states from Central Europe and of East (NMS).

The reforms have mainly assumed:

- Approaching the community prices near those of the world market. The forecasted decrease was of approximately 15%. In the case of the cereals for the period 2000 – 2006, but this decrease was compensated partially by creating the direct compensatory premiums;
- To benefit of financial support the agricultural exploitations are obliged to comply with certain of protection of the environment – the maximum of eco conditionality of the financial support;
- Possibility to modulate the financial aid, which assumes the possibility to use a part from this financial support for the rural development measures – the rural development became the second pillar of the PAC;
- Direct payments to the surface (compensation) are fixed per hectare and regionalized but granting them was to subordinate obligatory parlogii (10% from the cultivated grain surface, oilseeds and protein – COP);

Under the Treaty of Accession the Romanian farmers are having access at the possible support of granting to the regular markets through the Common Market Organization CMO as well as at the directly payments. Thus, the value of financial support granted from the community budget allocated in EU in the first year of accession. Thus, the financial support granted from the community budget is of 25% of the amount allocated directly in EU in the first year after the accessions, 30% in the second year, 35% in the third, 40% in the fourth year and the an annual increase of 10%, until achieving the value of 100% from the EU-15 support.

According to the regulations in vigor and of the negotiated results, direct payments (both those from the vegetal sector and from the animal sector) can be assigned independently by the production level, depending on the political decisions, both under the simplified scheme of payment (standard scheme of direct payments – SPS) or applying the unique payments scheme on the surface (SPAS).

The unique payments scheme on surface (per hectare) SAPS may be applied for three years after accessions (period in which NSM can perfect the Integrated System of Administration and Control (SIAC) required for administration the unique payment scheme – SPS. At the end of the period of three years The European Commission will evaluate the stage of implementation SIAC and will decide if this payment form will continue (maximum two extensions of 1 year each) or if it will be passed to the unique scheme of payment (SPS).

According to these anticipation it is possible that this scheme of payment to be available five years after accession in the NSM case. If neither after the extension period of applying SAPS the management systems and control (SIAC) from NSM are prepared to pass at the SPS application, then it can be decided to continue the SAPS application but the support percent to be frozen at the value of 50% from the EU-15 level.

The unique payment scheme on surface (hectare) SAPS consists in the payment of a uniform amounts per hectares payable once a year decoupled total by production. The eligibility conditions established for granting these support are generally the following:

- Maintaining the respective terrain in good conditions;

- The minimum criteria of eligibility are the following: the minimum surface of the exploitation to be of 1 hectares and it can't be composed from smaller plots of 0.3 ha.

Within these schemes, the payment value on the hectare is calculated by dividing the nation ceiling of direct payments to the eligible agricultural surface,

The agricultural eligible surface is the used agricultural surface established according to the EUROSTAT definition (whether or not it is in production at that time) from the anterior year of accession, adjusted after the approved criteria by the Commission for each NSM in part (minus the surface with parcel ineligible under 0.3 ha, minus the surface of exploitations between 0, 3 – 1 ha, minus the terrains which aren't maintained in good agricultural conditions and of environment).

The financial package obtained by Romania after the negotiations for the period 2007 – 2009 is of over 4 trillion euro, money divided between the rural development, market sustaining and direct payments IAE 2005.

The proposed financial support for the direct payments for Romania for three years rises to 881 million euro, amount which includes the financial support for products or sectors for which are established quotas, surfaces of reference or national ceilings. Thus type of financial support doesn't require funding from the national budget, but involves national implementation costs.

The amount of 732 millions of euro proposed for the market measures, which included the intervention on the market and refinancing at export, doesn't require national co-financing. This financial support will be allocated starting with 2007.

The financial support for the rural development from the EU budget is a commitment of 2.308 millions euro for 2007 – 2009. The share of co-financing required from the national budget raises to the 25%, According to the methodology of allocation of these funds, the annual volume of money committed (Zahiu Letia, 2005).

According to recent studies IAE, 2005; Ciurca Daniela coordinator noted that Romania has opted for the implementation of the direct financial support granted to the farmers under the form of a unique payment scheme on the surface (SPAS). The main reasons which stayed at the base of these decisions were of ethnic nature and budgetary (costs of implementation and reduced administrative costs; the necessity of making the control just from the point of view of respecting the good agricultural conditions and of environment). This decision affects more than half of agricultural exploitations from Romania, because according to the dates of General Agricultural Census 49,5% from those 4.5 millions of agricultural exploitation less than 1 ha of agricultural terrain, which makes them ineligible for SAPS.

Under the scheme of these payment schemes the direct payment value on hectare is calculated by dividing the national ceiling for direct payment at the agricultural eligible surface for such payments. In assessing the unique bonuses at the surface has started from the hypothesis that the total eligible surface for direct

payments is according with the provided dates by the Nation Institute of Statistics for smaller surfaces of 1 ha and namely 9.651.447,6 meters.

The third assessed scenario within these papers is that trough which is foreseen the granting of a unique bonus at hectare after the Romania's integration in EU within the unique payment scheme on the surface, and the trading prices will align to European level. According to the anterior hypothesis the size of these premiums is as follows:

Table 2

The unique payment scheme on the surface in EURO/ Ha

Elements	2007	2008	2009	2010	2011	2012
SAPS/HA*	33,42	36,21	38,02	39,92	43,91	48,3

SAPS/HA = financial payment which is foreseen the granting of a unique bonus at hectare after the Romania's integration in EU;

Besides the unique payments on surface the European Union had granted freedom of decision to Romania in what's concerning the possibility to provide after accession (the period of transition) the direct payments, and so called "top ups". The national payments complementary can't exceed 55% from the direct payment at EU level, in the first year after the accession, 60% in the second year, 65% in the third year, and beginning with the fourth year, maximum 30% over the payments level from the respective year. The European Union has granted to Romania a "exception from the rule" namely in the first three years after accession CNDP possible to granted to be partial financed from the funds of rural development (which can be accessed trough the modular inverse) of the financial package established for rural development. This contribution mustn't exceed 20% from the allocation of the respective year but Romania can decide to replace the annual rate of 25% in the first year, 20% in the second year and 15% in the third year after accession. Having in view the community regulations and this sums must be co-financed from the national budget.

According to this forecasts of agricultural policy were built more scenarios in which is evaluated the impact of the Romanian government decision to grant national compensatory direct payments to al eligible surfaces, for those sectors covered by the support schemes of EU-15, but of different intensities. Thus, the fourth scenario assesses which is the impact of providing the unique payments on the surface with 10% under the form of national compensatory direct payments, and the commercialization prices will align at the level of unique market. According to this hypothesis the received financial support from the agricultural exploitations to be modeled after 2007 would have the following level:

Table 3

The impact of providing the unique payments on the surface with 10% under the form of national compensatory direct payments in the form of PDNC in EURO/Ha

Elements	2007	2008	2009	2010	2011	2012
SAPS/HA*	33,42	36,21	38,02	39,92	43,91	48,3
PDNC 10 %	13,37	13,37	13,37	13,37	13,37	13,37
Total	46,79	49,58	51,39	53,29	57,28	61,67

Source: Own calculation after financial support for Romania

Within the fifth scenario was analyzed which is the impact of providing with 20% under the form of national compensatory direct payments, and the commercialized prices will align the unique level market. In this case the financial support decoupled per hectare will rise to the next level:

Table 4

The impact of providing the unique payments on the surface with 20% under the form of national compensatory direct payments in the form of PDNC in EURO/Ha

Elements	2007	2008	2009	2010	2011	2012
SAPS/HA*	33,42	36,21	38,02	39,92	43,91	48,3
PDNC 20 %	26,74	26,74	26,74	26,74	26,74	26,74
Total	60,16	62,95	64,76	66,66	70,65	75,04

Source: Own calculation after financial support for Romania

In a final scenario was foreseen providing the unique payments on the surface at the maximum level of the national compensatory direct payments possible to be granted through the accession treaty, namely 30% from the EU-15 support, in this case the financial support on hectare will have the following level.

Table 5

The impact of providing the unique payments on the surface with 30% under the form of national compensatory direct payments in the form of PDNC in EURO/Ha

Elements	2007	2008	2009	2010	2011	2012
SAPS/HA*	33,42	36,21	38,02	39,92	43,91	48,3
PDNC 30 %	40,11	40,11	40,11	40,11	40,11	40,11
Total	73,53	76,32	78,13	80,03	84,02	88,41

Source: Own calculation after financial support for Romania

CONCLUSIONS

After the obtain results it can be detached the following conclusions:

That Romania joined the European Union will continuously lead at decreasing the Romanian farmer incomes. The decrease of these revenues depends by the situation of agricultural exploitation. Thus, in the situation in which the agricultural exploitation practice technologies in which the resources consumption is important the produced shock of accession at the European Union will be important (decreasing with approximately 30% of the net income / hectare obtained);

Granting of unique premiums decoupled on hectare leads to the support of farmers income. The capacity of recovering the income loses differs depending by the farms situation. For those farms that wouldn't be very influences by the new conditions of market are anticipated even an increase of the net income of the agricultural exploitation.

The crop rotation of the agricultural exploitations will be really confused by the accession at the unique market. The agricultural exploitations present the specialization phenomenon towards the better productions. For the productions in which the new conditions on the market will become bad achievement is expected to a technology change.

Analysis of the financial parameters influence has highlighted that the credit access has an influence more important on the farms income as well as on the crop rotation than the rotation rate. This result is sustained and by the way in which was produced the funds absorptions of pre-accession SAPARD. Thus up to 2006 wasn't hired only 50% from the financial support granted to Romania. Once with the program "Farmer with 2006 January was hired the entire financial support repayable until June 2006 (source www.sapard.ro)

We consider in conclusions that such measures of supporting the access at credit will be benefic in the situations of accession Romania to the European Union.

This study must be extended by performing an analysis on a representative sample of Romanian agricultural exploitations. Building such a base of data is in present it is challengeable. The traditional mean at which is appealed within some scientific intercessions, currently are in Romania jut in an incipient stage of development.

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