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

Lucian LUCA¹

e-mail: 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 by 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

¹ 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 farms 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.
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.

**ACKNOWLEDGMENTS**

This work was co-financed from the European Social
Fund through Operational Programme
Development of Administrative Capacity, project
"Debating Policies, Enhancing Expertise", cod
SMIS 40667.

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