ESTIMATION OF DIRECT PAYMENTS UNDER THE E.U.'S MULTIANNUAL FINANCIAL FRAMEWORK (MFF 2014-2020)

ESTIMAREA PLĂŢILOR DIRECTE ÎN CONDIŢIILE CADRULUI FINANCIAR MULTIANUAL AL U.E. (CFM 2014-2020)

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Abstract: *Estimation of direct parts per unit area in Romania eligible for the years 2014-2020 can be made having regard to the proposal for a regulation of the European Parliament and of the Council laying down rules on direct payments granted to farmers through new support schemes. The national ceiling for low amounts of Romania will have different payment schemes compulsory or optional. Because the eligible area increases from year to year but the national ceiling remains constant, the amount granted per ha, farmers will diminish.*

Key words: *direct payments, payment schemes, modulation, capping*

INTRODUCTION

The European Commission, Commissioner of agriculture, has launched a package of draft regulations of the new common agricultural policy in the European Parliament on 12 October 2011. This event was preceded by a series of preparatory debates since the previous autumn, debates continued and during the year 2011. We recall, in this respect, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – "The cap towards 2020: Meeting the food, natural resources and territorial challenges of the future" of November 18, 2010 or a "A budget for Europe 2020" of 29 June 2011, the communication addressed to the same EU bodies.

As of October 12, 2011, upon presentation of the draft regulation of the new common agricultural policy in the European Parliament, they became the object of public debate.

MATERIALS AND METHODS

For the determination of the level of direct payments per unit of surface area as possible for farmers in Romania and the formulation of scientifically documented scientific opinions, we carried out a series of its own calculations and analysis considering several options for the allocation and the formation of various models of payment.

Method comparison of results of calculation of highlighting different levels of funding on which the Romanian authorities must decedents attention with a view to making the best choices.

RESULTS AND DISCUSSION

1. The main provisions concerning the application of the new payment schemes and related

In the current period (2007-2013), payment of the aid schemes for farmers differs in the single payment scheme (SPS) per holding, carried out in the old EU Member States, and by exception, in some new Member States, with appropriate conditions for the application of such arrangements and the single payment scheme (SAPS) area, specify the Member States, including the US and Romania.

Beginning in 2014, according to the proposal for a regulation laying down the rules governing direct payments granted to farmers, introduce new payment scheme, uniform for all Member States, as follows:

1. Basic payment scheme;
2. Payment scheme for farmers producing agricultural practices beneficial for climate and environment;
3. Optional payment scheme to farmers in areas with natural constraints;
4. Payment scheme for young farmers who start agricultural activity;
5. Schema support coupled optional;
6. Specific payment scheme for the cultivation of cotton;
7. A simplified scheme for small farmers;
8. Framework for Bulgaria and Romania to supplement national resources with direct payments in the years to 2014 and 2015, by extending the application of the complementary national direct payments.

All of these support schemes shall be based on common rules on direct payments, under which Member States shall distribute amounts due to farmers, starting from **a ceiling**.

The national ceiling is distributed to farmers through a system of differentiated and multiple payments is much more complicated than the direct payments scheme (SAPS) on the surface or on the holding (SPS), in which **direct payments** and **direct payments for climate and environment** is the main payment schemes, on which we insist.

Ceiling of payment scheme is calculated by subtracting the annual national ceiling amounts relating to:

-payment for agricultural practices beneficial for climate and environment, representing 30% of the national ceiling;

-payment for areas facing natural constraints, representing a maximum of 5% of the national ceiling (the Member States to inform the Commission of the percentage for which they have opted-in);

-payment for young farmers representing a maximum of 2% of the national ceiling (Member States shall forward to the Commission percentage for which they have opted-in);

-payment for voluntary support, which coupled may be granted for cereals, oilseeds, protein crops, legumes, flax, hemp, rice, nuts, starch potatoes, milk and milk products, seeds, sheep meat and goat meat, beef and veal, olive oil, silk worms, dried fodder, hops, sugar beet, cane and chicory, fruits and vegetables and forest species with short production cycle. To finance this support coupled optional, Member States may apply one of three variants of possible allocation: a maximum of 5%, at maximum 10% or more than 10% of the national ceiling, depending on concrete conditions of each country, dependent applications in the current financing period (2007-2013);

-creation of the national reserve in a proportion not exceeding 3% of the national ceiling in the first year of application of the basic payment scheme. The allocation to the national reserve, as a priority, the amounts necessary to pay the young farmers.

1.1. Basic payment scheme. Calculation of the unit value (€/1ha)

The roof remained for basic payment scheme, after making deductions mentioned above, will be determined by the Commission.

The unit value of the payment entitlements (€/1ha) is calculated by dividing the **national ceiling remained** after the deductions, **the number of**

payment entitlements allocated from the national or regional level (ha eligible) if necessary.

To predict the individual value of the payment entitlements of the Romanian farmers will benefit from the year 2017, when you reach the maximum amount of the annual ceiling, we will take account of the different situations and possible variants, to be followed in the coming years, taking into account the following:

1 °. It anticipates **three different situations**, depending on the number of payment entitlements (eligible hectares), as follows:

Situation I (S1): 8716370 payment entitlements (ha eligible for direct payments negotiated SAPS). This situation is already exceeded the number of eligible hectares, being much more;

Situation II (S2): 9500000 payment entitlements (ha estimated eligible, in the light of recent years evolution of areas eligible);

Situation III (S3): 13753000 payment entitlements (ha utilised agricultural area eligible representing Romania).

It takes into account the fact that it is possible to increase annually the number of eligible hectares in Romania with the biggest difference (5036630 ha) between the useful agricultural area (or = 13753000 ha) and the area eligible negotiated (8716370 ha). Increasing the size of agricultural holdings, from one year to another, is a natural reality that generates by default and increasing the surface eligible for direct payments.

2 °. For every situation (S1, S2, S3) were calculated three variants of payment (V1, V2 and V3), depending on the maximum level of deductions for the operation of the national ceiling in order to constitute the fund necessary for **payment scheme support coupled optional**. This voluntary support shall not exceed a maximum of 5%, 10% or more than 10% of the national ceiling referred to in article 39 of the proposal for a regulation on direct payments.

The amount subtracted from the national ceiling for the setting up of the voluntary support coupled in three variants, will be:

Version 1 (V1, with the percentage of deduction of 5%) to € 96968 thousands;

Version 2 (V2, with the percentage of deduction of 10%) to € 193357 thousands;

Version 3 (V3, with the percentage of deduction of 15%) to € 290904 thousands.

With these variants of calculation we intend to highlight the possibility of consolidation for payment scheme on a voluntary basis, priority support coupled to support livestock sector (milk and milk products, sheep meat and goat meat, beef and veal) very defective in Romania.

3 °. The national ceiling amounts intended for other payment schemes are:

-30% for **payment scheme for good agricultural practices beneficial for climate and environment**, 581807 thousand €;

-5% for **payment scheme in the areas experiencing the natural constraints** (considering that Romania will have such an option) of € 96968 thousands attaches financial support programme for rural development in such areas.

4 °. If Romania will apply the provisions of article 14, paragraph 2 of the proposal for a regulation, transferring from pillar II to pillar I, 5% of the amount allocated for supporting the measures under the rural development programmes results in an amount of 58030 thousand €/year.

5 °. The annual ceiling for the Romanian national direct payments (annex 2 of the proposal for a regulation on direct payments) of 1933357 thousand € shall be increased by the transfer from pillar II, in the amount of 58030 thousands € (as of 2015), with a total of 1991387 thousand €.

Having regard to those listed above, the unit value of the payment entitlements (DPB), in three situations (S1, S2, S3) and in the three versions (V1, V2, V3) will be calculated taking into account that other uses of the national ceiling shall remain constant (581807 thousand €, for climate and environment, and to 96968 thousands € areas with natural constraints, totalling 678775 thousand €).

$$DPB_{S1,V1} = \frac{1991387 - 96968 - 678775}{8716} = \frac{1215644}{8716} = 139{,}5 \text{ €/ha}$$

$$DPB_{S1,V2} = \frac{1991387 - 193357 - 678775}{8716} = \frac{1119255}{8716} = 128{,}5 \text{ €/ha}$$

$$DPB_{S1,V3} = \frac{1991387 - 290904 - 678775}{8716} = \frac{1021708}{8716} = 117{,}2 \text{ €/ha}$$

$$DPB_{S2,V1} = \frac{1991387 - 96968 - 678775}{9500} = \frac{1215644}{9500} = 128{,}0 \text{ €/ha}$$

$$DPB_{S2,V2} = \frac{1991387 - 193357 - 678775}{9500} = \frac{1119255}{9500} = 117{,}8 \text{ €/ha}$$

$$DPB_{S2,V3} = \frac{1991387 - 290904 - 678775}{9500} = \frac{1021708}{9500} = 107{,}5 \text{ €/ha}$$

$$DPB_{S3,V1} = \frac{1991387 - 96968 - 678775}{13573} = \frac{1215644}{13573} = 88{,}4 \text{ €/ha}$$

$$DPB_{S3,V2} = \frac{1991387 - 193357 - 678775}{13573} = \frac{1119255}{13573} = 81{,}4 \text{ €/ha}$$

$$DPB_{S3,V3} = \frac{1991387 - 290904 - 678775}{13573} = \frac{1021708}{13573} = 74{,}3 \text{ €/ha}$$

Table1

Summary calculations concerning the allocation of payment entitlements (€/1ha)

Estimated number of payment entitlements (S2, S2, S3)	**The percentage of the Fund for voluntary payments coupled**		
	V1=5%	**V2=10%**	**V3=15%**
S1 – 8716 thousands ha	140	129	117
S2 – 9500 thousands ha	128	118	108
S3 – 13753 thousands ha	88	81	74

1.2. Payment for agricultural practices beneficial for climate and environment

This payment scheme applies to farmers who are entitled to a payment under the scheme of payment of the additional basic and satisfying the following requirements on agricultural practices beneficial for climate and environment:

a) cultivating at **least three crops on arable land**, each culture on 5% of the surface, not exceed 70% of the arable land;

b) **maintaining the existing permanent grasslands** in holdings and convert up to 5% of the reference in the permanent meadows;

c) arrangement of a **range of environmental interest** (land left fallow, terraces, landscape features, buffer strips and afforested areas) that will provide at least 7% of eligible area of holdings, less permanent grassland. Detailed definition of the area of ecological interest to be made by the Commission.

The estimates for this scheme of payment and the amount eligible per ha are shown in table 2.

Table 2

Payment for agricultural practises beneficial for the climate and the environment

Specify	2014	2015	2016	2017-2020
The national ceiling, thousands €	1472005	1692450	1895075	1939357
National contribution thousand €	330971	156618	-	-
TOTAL, thousand €	1802976	1849068	1895075	1939357
% retention of the national ceiling for climate and environment	30%	30%	30%	30%
The estimated amount for climate and environment, thousand €	540893	554720	568523	581807
Amount for climate and environment, €/1ha: S1 – 8716370 ha S2 – 9500000 ha S3 – 13753000 ha	62 57 39	63 58 40	65 60 41	67 61 42

Knowing the estimated possibilities for the two schemes of payment-payment scheme and payment scheme for agricultural practices beneficial for climate and environment – one may approximate the unitary amount (€/1ha eligible) can be received by a Romanian farmer into the three situations (S1, S2 and S3), in the year 2017 and below, without the influence of modulation and capping process.

Table 3

Payments per hectare eligible within the scheme of payment and payment scheme for climate and environment

€/ha

No. of payment entitlements at the national level	**Payment scheme**	**The percentage of the Fund for voluntary payments coupled**		
		V1=5%	**V2=10%**	**V3=15%**
S1 = 8716370	Basic payment	140	129	117
	Payment for climate and environment	67	67	67
	TOTAL	207	196	184
S2 = 9500000	Basic payment	128	118	108
	Payment for climate and environment	61	61	61
	TOTAL	189	179	169
S3 = 13753000	Basic payment	88	81	74
	Payment for climate and environment	42	42	42
	TOTAL	130	123	116

2. Gradual reduction of payments and capping

In the process of granting direct payments (mainly payments) shall have regard to the restriction on the **gradual reduction of payments and capping**. (Article 11 of the proposed regulation for granting direct payments).

The amount of direct payments to be granted to a farmer, part of the resources intended for payments for climate and environment (30% of the national ceiling) and wages paid, including taxes and social contributions incurred shall be reduced as follows:

-by 20% if the amount of the direct payments per holding is between 150,000 and 200,000 €;

-40% in the case of the tranche payment of over € 200,000 and up to 250,000 €;

-up to 70% in the case of the tranche payment of over € 250,000 and up to 300,000 €;

- with 100% tranche payment of over € 300,000.

According to preliminary Memorandum relating to the Position of Romania on the Commission communication "The CAP towards 2020, the Romanian Government estimates that this process will make considerable amounts and that *„Romania is not considered appropriate to the Commission's proposal to introduce an upper limit (capping) the level of direct payments to large farms allocated* ".

The final position of the Government of Romania should be based on a much more detailed analysis of which produces a clear strategy for the development of agriculture and the countryside. Large agricultural holdings in Europe and Romania not specific period of the third millennium, spread on thousands or tens of thousands of hectares, do not believe that encouraging the harmonious development of countryside.

We believe that modulation and capping are two processes, the need for a more detailed analysis, in the light of, firstly, the threshold of the beginning of the process of modulation and capping.

For better documentation of this process we have developed a series of calculation of which below below in table 4, in which eligible area per country is appropriate situation, 9500000 ha and S2 percentage of Fund for voluntary payments coupled is 15%, corresponding to the variable. In this situation the unit amount of the basic payments will be 108 €/1ha and the unit value of payment for climate and environment will be 61/ha. € I also have approximate costs such as salary as of 50 €/1ha, per year (approximately 5 employees per 1,000 hectares, with 830 euro salary expense per month) with which I updated modular ceiling and capping.

Area 2600 hectares eligible/holding represents the threshold of starting the process of modulation and the area of 5,000 ha of eligible/holding represents the minimum threshold above which begins the process of capping. Basically, both modulation and capping the payment entitlements, in order to reduce direct payments only basic pensions (108 €/1ha), payments for climate and environment (61 €/1ha) remains constant, regardless of the size of the farm if they are satisfied the conditions for agri-environment.

Table 3

Effect of modulation and capping on direct payments per holding in S2 and variable V3

The size of the holding (ha)	The unit amount of the basic payments (€/ha)	Rights deriving from (€)		Total basic + climate and environment	Difference (€)	Updated ceiling with salaries (€)
		Basic	Climate and environment (61€/ha)			
100	108	10800	6100	114100	-	-
500	108	54000	30500	84500	-	-
1000	108	108000	61000	169000	-	-
1500	108	162000	91500	253500	-	87000
2000	108	216000	122000	338000	-	116000
2500	**108**	**270000**	**152500**	**422500**	**-**	**145000**
3000	106.4	319200	183000	502200	4800	174000
3500	104.8	366800	213500	580300	11200	203000
4000	102.3	409200	244000	653200	22800	232000
4500	99.6	448300	274500	722800	37700	261000
5000	96.4	482000	305000	787000	58000	290000
6000	89.2	535000	366000	901000	113000	348000
7000	83.6	585000	427000	1012000	171000	406000
8000	79.4	635000	488000	1123000	229000	464000
9000	75,8	682000	548000	1231000	290000	522000
10000	73,5	735000	610000	1345000	345000	580000
20000	61,8	1235000	1220000	2455000	925000	1160000
30000	57,8	1735000	1830000	3565000	1505000	1740000
40000	55,9	2235000	2440000	4675000	2085000	2320000

The calculated quantities are approximate, depend on several variables. After approval of the draft legislation proposed after the formulation of national options, taking into account actual and eligible hectares, will be able to calculate accurately the level of payments per hectare and per holding.

Calculations carried out a variant of both offers and a concrete formulation of the documented conclusions.

CONCLUSIONS

1. Entering multiple payment schemes and not needlessly leads to the simplification of the common agricultural policy. Lump-sum payments to small farmers, although beneficial, does not resolve this problem.

2. The extension of the application of the system of payment for small farmers, from 3 to 5 Ha, with appropriate modification of restrictions for other payment schemes, would constitute a real support for many farmers.

3. The process of modulation and capping of the direct payments of the basic position, contrary to what we consider beneficial to the Ministry of Agriculture (expressed in the memorandum concerning the preliminary Position of Romania on the Commission communication "The CAP towards 2020").

4. The threshold from which to start the process of modulation and capping, disctutabil is dependent on which Romania strategy should take in relation to the size of the farm, taking into consideration the impact of agriculture on the countryside, the environment, social conditions and the standard of living of the population in rural areas.

5. The conditions of Cap-dependent wage costs, creates very large discrepancies between Member States because the wage level is different. The same size farm wages much higher than in the old EU Member States make the level of capping to be much higher than in the poorest States, with a low level of salaries and wages.

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11.*** www.dae.gov.ro – suport online European Affairs Ministry

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