

Journal of Economics and Business Research,
ISSN: 2068 - 3537, E – ISSN (online) 2069 – 9476, ISSN – L = 2068 – 3537
Volume XXI, No. 2, 2015, pp. 134-144

Common Agricultural Policy for the Period 2014- 2020 - A Solution for Agricultural Management

R. Lile, S. Stanciu, S. Martin, R. Meszlényi

Ramona Lile

Faculty of Economics

"Aurel Vlaicu" University of Arad, Romania

Sorin Stanciu, Simona Martin

Faculty of Farm Management, Banat`s University of Agricultural
Sciences and Veterinary Medicine “*King Michael I* of Romania”,
Timișoara, Romania

Meszlényi Rózsa

Tomori Pál College, Kalocsa, Hungary

Abstract

In the European Union, rural areas of major importance - both economically and socially, and therefore need to develop coherent common policy in the field. Common Agricultural Policy (CAP) is the oldest common policy and was designed as a partnership between farmers from the Community and the European Union, its main objective being to increase the productivity of the European agricultural sector, but also to support the rural development sustainable concept, which involved shift from economic dimension to the social and human welfare. In the paper we propose an analysis of CAP potential to help achieve these goals in the new EU multi-annual financial framework for 2014-2020.

Keywords: rural, development, land-law, management, policy.

Introduction

According to the OECD definition (Which defines rural areas according to population density criterion - see OECD, mapping Rural/Urban Areas Population density grids from 2010), about a fifth of the EU population lives in rural areas, which is almost half of the EU – 28, according to the latest statistics community (The Common Agricultural Policy and farming in Europe, Brussels, 2013). Currently, in the EU there are 12 million farmers - which are highly dependent on agriculture for supply - 6% of EU GDP generating also 46 million jobs.

The classification of NUTS3 regions of the European Union is classic, as the population density in rural areas: PR - predominantly rural regions, with more than 50% of the population in rural communities, IR intermediate regions with a population between 20 % - 50% located in rural areas and PU - predominantly urban regions, with more than 20% of the population in rural communities. In this context, the CAP as the main management tool for rural development in the European Union has a strategic importance, explaining that it has been allocated a large share of the EU budget, although funds have declined steadily in recent years (currently it stands at about 50%, versus 70% in the 80s).

Common Agricultural Policy - historical developments, new directions of development

In half a century of existence, P.A.C. changed significantly going from a policy based on subsidizing the production and protection of domestic markets to non-European producers, a policy that aims to stimulate production subsidy not but foster rural development and environmental protection. Currently P.A.C. is significantly reoriented to achieve three major goals: productivity, competitiveness and sustainability.

The European rural area is considered an economic sector disregarding emphasis on the social dimension and its environment. Subsequently, as shown in some theoretical approaches, the CAP gradually incorporates the objective of sustainable development, which involves taking responsibility for the used natural resources and for the environmental protection.

Common Agricultural Policy for the Period 2014-2020.....

By comparison between Romania and the EU, for the period 2002-2010, in terms of agricultural holdings (trends, average size, their number, etc.), we can say that Romania is characterized by:

- The highest number of farms in the EU (3.85 million farms);
- Romania holds 28.69% of the total number of farms in the EU;
- the average size of a farm in Romania in 2010 (3.45 ha) is much lower than in the EU (11.7 ha);
- the average size of a farm in Romania, from 2002 to 2010 increased slightly, from 3.3 to 3.5 ha;
- the rural population is still high share (about 45%);
- employment in agriculture is large and its weight compared to other sectors is 29.6% (in the EU is 5.6%). Large gap in labor productivity in the EU agriculture is due to several factors such as: low level of employment of available labor resources; low efficiency of work processes; level of technology to agricultural activities; low yields per hectare and per animal, etc.

Farmers in Romania have benefited in the pre-financing through SAPARD program (a financial instrument offered by the EU in order to assist in the pre-candidate countries in the field of agriculture and rural development). This funding has considered: reimbursement for purchases of livestock, provision of tractors, tools, machinery, equipment and hardware, the modernization of farms, orchards and vineyards recovery and diversification of economic activities in rural areas.

Table no. 1.

The evolution of the Common Agricultural Policy - milestones and targets

Period	Regulations	Objectives and goals
1958-1961	The Stresa Conference	The Establishment of the Common Agricultural Policy
1962-1972	The implementation of the C.A.P. – agriculture being the single pillar	Uniformization of the agricultural products prices.
1973-1982	The "prudent price policy" period	Introducing the production quotas, which limited the right of producers to guarantee income based on a maximum level of production (originally for grain, dairy, sugar).
1983-1999	The Mac Sharry Reform	The price reduction generated the largest surpluses in particular at cereals, beef and butter.
2000-2001	Implementation of the second Pillar - Rural development measures	Measures regarding the products quality and production process, concerning the environment protection, multilateral development of rural areas - in an "umbrella" policy, the rural development policy, which became the second pillar of the CAP.
2002-2003	The Agricultural Policy Reform	This focus point of the new reform is "decoupling" (The Single Farm Payment-SFP) which aims to break the link between production and payment.
2004-2014	The New Common Agricultural Policy Reform	Under the new CAP reform, distribution support through direct payments will be more "fair" between Member States, namely the gap payments per hectare will be reduced gradually to average direct payments in the EU-27. Thus, it becomes possible to transfer amounts between the two pillars.

Source: author's contribution

Common Agricultural Policy for the Period 2014-2020.....

With the adhesion into the European Union, in terms of agriculture and rural development, the principles of the Common Agricultural Policy (CAP) comprises for Romania a set of rules and measures aimed mainly to increase productivity, ensuring a fair standard of living for the rural population, stabilize agricultural markets, safeguard supplies of food products, ensure consumer food goods at reasonable prices. (Moatăr and collab., 2013, p. 2849-2853).

The proposal for a Regulation of the European Parliament and of the Council established rules for direct payments to farmers under support schemes within the framework of the Common Agricultural Policy. CAP intended to offer to the European Commission, Proposals for Regulation like 2011/0280 which follow a policy of major importance, still relying on the two pillars of support (Pillar 1 and Pillar 2) with the following financial allocation, which represents 39% of the total EU budget. The bulk of the allocation is directed towards the two pillars (96.1%). This amount mostly lies on Pillar 1.

According to article 6 of the proposed Regulation of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within PAC, it is estimated that Romania would return the allocations as follows:

Tabel no. 2

National ceiling allocated to Romania by the EU in 2014-2020

Thousand euros

Year	2014	2015	2016	2017	2018	2019	2020
Amount	1,472,005	1,692,450	1,895,075	1,939,357	1,939,357	1,939,357	1,939,357

Source: European Commission, Proposal for Regulation of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes under the CAP, 2011/0280 (COD), p. 62

Romania has a national ceiling, which will increase until 2017, and then maintained at the same value until 2020.

Common Agricultural Policy and the New Framework for the Community funding in the period 2014 - 2020

In February 2014, the European Commission through DG Agriculture & Rural Development published a report which summarizes the main directions of development of this common policy between 2014 -2020, and the implications of national policies in the field.

According to the analysis published in the above mentioned report, PAC is a bridge between the EU citizens expect from agriculture and expectations of the farmers in countries facing economic and environmental challenges, as well as being an investment for the Community budget in a strategic sector, in terms of food security, environment and economic growth in rural areas.

To meet these expectations in the new context of financing, the funds allocated under the Common Agricultural Policy and rural development programs of the Member States will be mainly directed towards the following objectives:

- Increasing competitiveness of European agriculture on a global and national level;
- Conservation farming systems diversity in EU countries;
- Adaptation of the agricultural production at the new environmental challenges of climate change and protection of the natural resources.

In this context, it should be noted that in June 2013, the Community institutions have adopted a regulatory framework that outlines new directions for the development and reform of the CAP. New reform P.A.C. was modeled by a full public debate with citizens and the national community (Ciolac and colab., 2011, p.103-108), with the objective of enabling adaptation CAP to new challenges in terms of developing the rural sector in the EU in the medium and long term. Under the new direction of development and reform of the CAP during 2014-2020, it will focus on three pillars: ecology and efficiency in agriculture, ensuring healthy food and revitalization of rural communities.

Implications of the new context of the CAP funding for Romania

The CAP budget allocated in the period 2014-2020 amounts of 373 billion euros for the 28 Member States and to Romania has allocated funds of 17.5 billion, more than in the previous budget year 2007-2013 (13.8 billion euros). These additional funds will be fully exploited by the Romanian farmers, particularly through the direct payments system. The total funds for Romania increased to Pillar II - Rural Development with 13.5%.

Ensuring food security

To achieve this, new ways of financing the CAP supplement funds aim to strengthen the position of farmers in the food chain and ensure their better protection against price volatility. This new context of funding could be harnessed and the Romanian farmers expect fairer distribution of direct payments between Member States, between regions and farmers, different agricultural practices and rural areas of the European Union.

Also, the new provisions of CAP regulations stipulate that the Community will provide farmers the best prices in the market for their products. Professional and inter-professional organizations will have new opportunities to be able to increase efficiency, and they will be supported to increase direct sales to consumers.

Under the new funding framework in the period 2014-2020 will be promoted mutual funds and ensure farm income, but also a new reserve for crises that will provide immediate support to farmers in the event of an economic crisis, a recession weather-related or other type of crisis. The crisis fund will be of 400 million annually.

Revitalization of rural areas

The new regulations of the CAP aim to increase the number of farmers in the European Union, the attractiveness of the area for young people. In this context, young farmers under 40 years in Romania will be eligible for additional financial support from 25% in the first five years of operation.

He also provided funds to boost employment and entrepreneurship by supporting rural development in other sectors

besides the food sector, for example, food processing and tourism areas. (Stanciu, 2005, p. 677 – 682).

Table no. 3

The new structure of the system of direct payments in the CAP during 2014-2020

Support schemes simplified	Additional funding for natural constraints
Growth from 10% to 15%	Growth up to 5%
Payment schemes for young farmers	
Growth up to 25% in the first five years	
Green Scheme Payment	
Mandatory share of 30% of total direct payments	
Basic payment scheme	
Increase by 5%, but up to a ceiling of 150,000 euros	

Source: EC - "Overview of CAP Reform 2014 -2020" 12/10/2013

It should be noted that to ensure a better distribution of financial support to stimulate growth and employment, the new provisions of the CAP stipulates that only active farmers will receive payments, and people working in less favored areas qualify for additional funds, as well as small farmers whose support scheme will be simplified.

The new funding framework of CAP also provides greater flexibility in the system and introduce direct payments scheme, "green" payment, which facilitate the financing of agricultural activities complying with environmental requirements.

Moreover, Member States have the possibility of better targeting of payment schemes, through so-called "optional scheme" and the "payments redistributed" by these tools can be supported by farmers. Between 2014 -2020, in P.A.C. will be admitted and "simplified support scheme" for "small farmers", so to facilitate access to finance and reduce the "burden" that are faced administrative.

Ecology and efficiency in agriculture

In the view of the CAP reform, the future of European agriculture is defined under two major trends: clean and efficient.

Common Agricultural Policy for the Period 2014-2020.....

To achieve these two goals, the new funding framework - in the period 2014-2020 - will encourage a more efficient use of natural resources for climate and biodiversity protection in this context being provided to allocate 30% of direct payments and 30% of funds for rural development of sustainable production. They also provided specific benefits for organic farming. (Moatăr and collab., 2013, p. 2849-2853).

The reform adopted in June 2013 states that 30% of the direct aid to farmers will be linked to effective agricultural practices to protect biodiversity, soil quality and the environment, in general.

The new funding framework provides a doubling of funds for research, innovation and knowledge sharing, including a new European Innovation Partnership, which will encourage closer collaboration between researchers and farmers, and helping them to increase its production using fewer resources for more effective results. Between 2014 -2020, through CAP, it will be allocated 4.5 billion EUR for agricultural research in order to lay the foundations for sustainable growth strategies of agricultural production and its adaptation to the expectations of EU consumers.

Conclusions

The new structure of direct payments, but also by other support measures dedicated to farmers in the EU Common Agricultural Policy may, during the 2014 -2020 period, be a way to enhance the economic potential of the rural area in the EU, encouraging both - agricultural production competitive quality and increased quality of life in this sector.

The P.A.C. objective to support farmers in EU countries is vital for the sustainability of rural areas given that, although now, more and more of them came to be supported by factors outside agriculture by diversifying their socioeconomic structure, however, in - a large part of the community, agriculture remains a key driving element of rural development. In these circumstances, the new funding framework of the CAP aims to support the vitality and economic potential of rural areas in the EU, by encouraging the creation of a competitive and dynamic farming sector, attractive to all farmers.

The new payment system allowed farmers to adopt production decisions based on market signals rather than on policy intervention.

In the period 2014 -2020, mutual funds remain an important tool in the development of agriculture in the Community, which works very well in areas where farmers are organized as a union or agricultural organization.

The structure of these organizations, these funds may be beyond the protection of the interests of farmers against the authorities, can support their interests in relation to the market, they can be a useful tool in terms of young farmers in rural areas.

Direct payments help maintain agricultural activities throughout the EU thus guaranteeing a minimum income stability for farmers. They allow, thus ensuring long-term viability of farms and protects them against price fluctuations.

Bibliography

- Ciolac, R., Csoz, I., Pet, E., Martin, S., Dincu, A. M. (2011). Research on the features witch customize areas with developed agritourism from Central Region of Romania, *Lucrări științifice Management Agricol*, Seria 1, vol. XIII (4), p.103-108.
- Crăciunescu, A., Stanciu, S., Moatăr, M. (2014). Legal protection of the forests in a changing climate ecosystem, *Research Journal of Agricultural Science*, ISSN 2066-1843, Vol 46 (1).
- Crăciunescu, A., Stanciu, S., Moatăr, M. (2014). Comparative study in Romania and European states regarding the management afforestation lands, *Scientific Papers, Faculty of Farm Management, Series I*, Vol. XVI (4), p. 83-88.
- Curec, M. S., Tabără, V. (2012). Food, feed and green energy: premise for the sustainable agriculture toward transnational network of rural solidarity, XXXIII Conferenza scientifica annuale AISRe, Roma, Istituzioni, Reti Territoriali e Sistema Paese: La governance delle relazioni locali-nazionali, Italy, p. 22-32.
- Iosim, I., Iancu, T., Popescu, G., Martin, S., Marin, D., Radac, B. (2013). The implementation of negotiating styles in agrotourism, *Lucrări Științifice, Facultatea de Management Agricol, Seria I*, vol. XV (1), p. 123-128.
- Lile, R (2010). *Calitatea și managementul calității*, Ed. Mirton, Timișoara, p. 89-92.

- Lile, R., Pantea, V., Cuc, L. (2008). Strategic management, logistics and business control, Editura Universității “Aurel Vlaicu”, Arad, p. 34-37.
- Moatăr, M., Lăzureanu, A., Chisăliță, I. (2011). Land degradation and ways to prevent and combat them with forest vegetation, Scientific Papers, Faculty of Farm Management, Series I, Vol. XIII (2), p. 413-418.
- Moatăr, M., Lăzureanu, A., Chisăliță, I. (2011). Need for action for reconstruction and organic management of oak forest, Scientific Papers, Faculty of Farm Management, Series I, Vol. XIII (2), p. 419-422, 2011.
- Stanciu, S., Tabără, C. (2011). Comparative analysis of the offenses covered by forest legislation in Romania, *Journal of Horticulture, Forestry and Biotechnology*, vol. 15(1), p. 203-208.
- Stanciu, S. (2012). Economic policies of the European Union in 2012, according to legal acts in force, *Lucrări Științifice, Facultatea de Management Agricol*, Seria I, vol. XIV (3), p. 291-298.
- Stanciu, S. (2013). Study regarding institutional environment and legal regulations for european cooperatives, *Lucrări Științifice, Facultatea de Management Agricol*, Seria I, vol. XV (3), p. 64-68.
- Stanciu, S. (2013). Research on legal measures applied under the common Agricultural Policy of European Union in 2012, *Lucrări Științifice, Facultatea de Management Agricol*, Seria I, vol. XV (3), p. 69-73.