



147th EAAE Seminar 'CAP Impact on Economic Growth and Sustainability of Agriculture and Rural Areas'

THE NEW DIRECT PAYMENTS PARADIGM IN THE CAP 2014-2020: ECONOMIC EFFECTS OF “GREEN” AND REDISTRIBUTIVE PAYMENTS ON BULGARIAN AGRICULTURE

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INTRODUCTION

The new organization of the direct payments in Bulgaria marks a new period for the Bulgarian agriculture policy development aimed at more balanced and targeted public support.

The elements of the direct payments are:

- **Basic payment.** Almost 50% of the envelope; cross-compliance rules should still be applied; subject to capping - 5% over 150 000 euro and 100% over 300 000.
- **Redistributive payment** – about 7% of the total envelope for direct payments. All eligible beneficiaries in Bulgaria could receive a higher rate for the first 30 ha of their land.
- **Young farmers** will receive extra 2% of the envelope;
- **Small farms scheme** is also introduced and is financed with up to 10% of the envelope.
- **“Green” direct payments** will provide support for 'adapting and maintaining farming systems and practices that are particularly favorable to environment and climate objectives'.

MAIN AIM

The main aim is to analyze and present the expected impact of some of the support mechanisms on the farms' economic activity.

The main tasks are:

- To study the effects of the redistributive area payment on farms grouped by their size and specialization.
- To calculate the economic effects from the introduction of some of the “green” requirements - the crops diversification and ecological focus areas.

METHODOLOGY (1)

REDISTRIBUTIVE PAYMENTS

- **Calculation of the expected payments, based on the Regulation 1307/2013 and the Bulgarian policy decisions (as of 2014);**
- **Calculating the expected effects of unlawful splitting of the farms in order to take advantage of the higher rate for the first 30 ha**

METHODOLOGY (2)

ECOLOGICAL FOCUS AREA

- Calculating the net results from the introduction of nitrogen-fixing plants (NFP)
- We calculated the net effects of choosing the alfalfa as nitrogen-fixing plant for farms that previously grew wheat, maize and sunflower. The equation used is the following:

$$N=SAPS+GP+GMa-GMx$$

Where **N** is the Net result from NFP introduction, BGN per ha, **SAPS** is the base payment per ha, **GP** is the green payment per ha, **GMa** is the Gross margin of alfalfa production, **GMx** is the gross margin of the crop previously grown on the area in question.

METHODOLOGY (3)

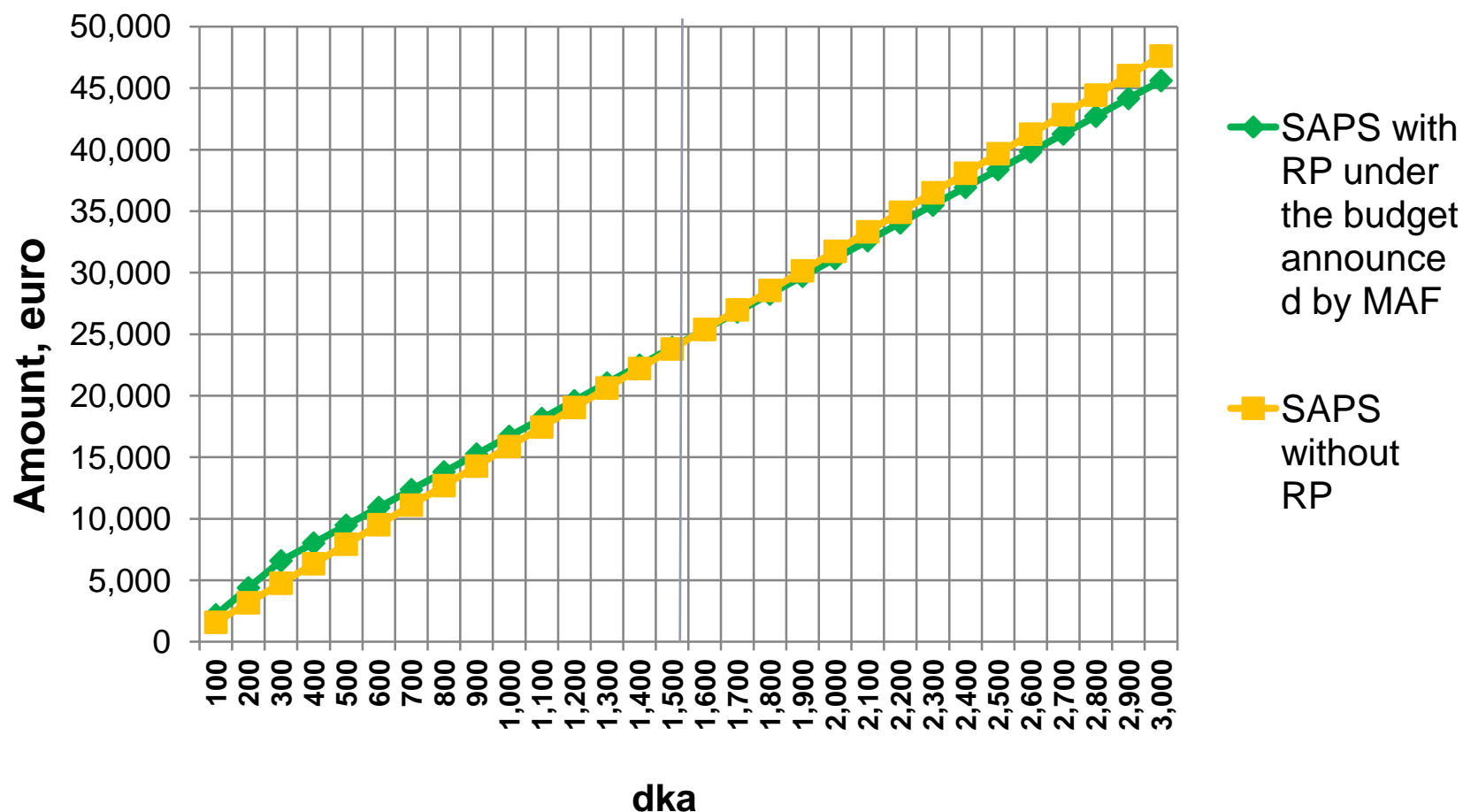
CROP DIVERSIFICATION

- To calculate the average annual cost of crop diversification we used the approach of DEFRA, UK (2013).
- The difference between the average gross margin of the group of diversified farms and gross margin of each of non-diversified farms is considered an expense for the introduction of the requirement for crop diversification.
- The annual gross margin per farm is calculated the value of gross output minus variable costs of intermediate goods. the fixed costs for land, labor and capital, and depreciation are not taken into account.

MAIN DATA SOURCES

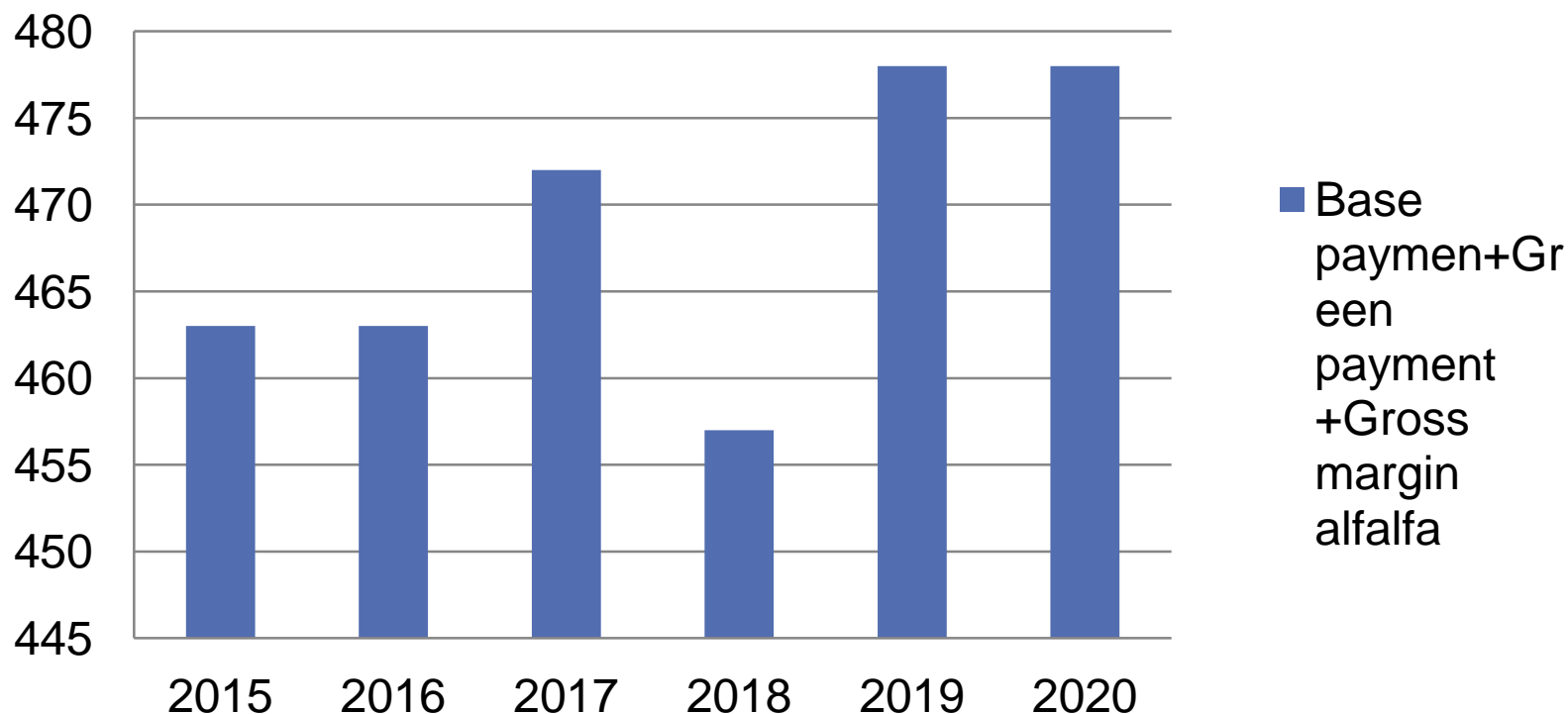
- Department “Agrostatistics”, Ministry
- Bulgarian FADN for 2011
- National statistical institute.

COMPARISON OF SAPS PAYMENTS WITH AND WITHOUT REDISTRIBUTION



RESULT OF THE INTRODUCTION OF NFC AS EFA, WEIGHT 0.7 – LEV, BGN/HA

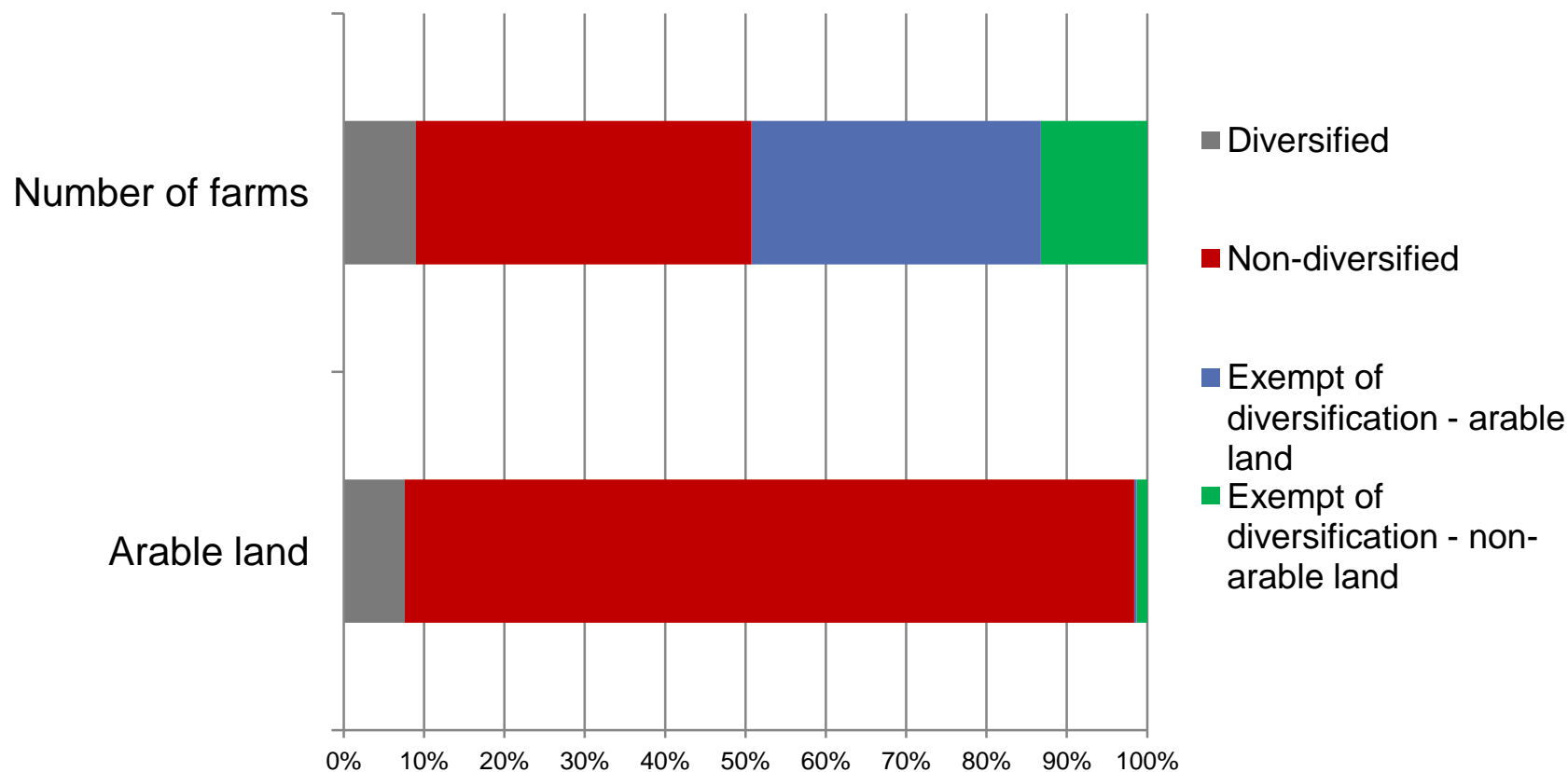
1 Euro= 1,95583 BGN



Source: own calculation and CAPA project

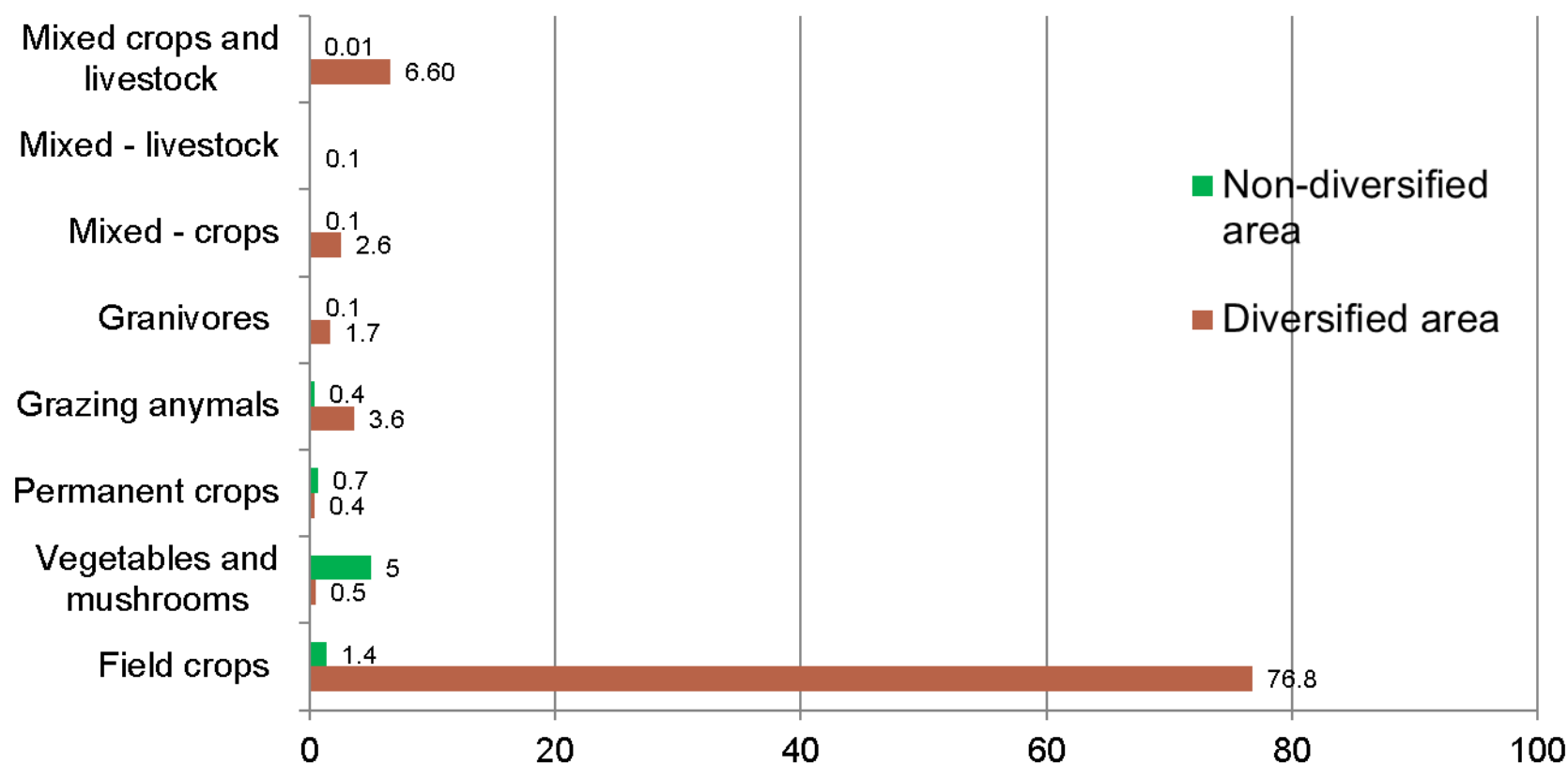
	2015	2016	2017	2018	2019	2020
Lost income , BGN/ ha:						
wheat, maize, sunflower	367,8	367,8	367,8	367,8	388,0	388,0

CROP DIVERSIFICATION*, %



*For the farms part of the FADN sample

SHARE OF DIVERSIFIED AND NON-DIVERSIFIED AREA OF TOTAL ARABLE LAND, %



*For the farms part of the FADN sample

ANNUAL COSTS FOR CROP DIVERSIFICATION, BGN/HA*

	Minimum	Mean	Maximum
Field crops	21	731	6 468
Vegetables and mushrooms	102	5 712	99 260
Permanent crops	24	3 280	37 596
Grazing	37	453	4 703
Granivores	111	38 186	135 084
Mixed-crops	50	1 799	5 380
Mixed crops and animals	330	617	1 098

*For the farms part of the FADN sample

Source: FADN 2011, own calculation

CONCLUSIONS (1)

- **The redistributive payment would result in little higher support to small and medium-sized farms, that could at least be a starting point for creating more balanced and sustainable agriculture in Bulgaria.**
- **Almost half of the farms and the majority of the arable land should be brought into compliance with the EFA. The significant number of farms that will face the need to change farming practices in order to receive subsidies raises questions about the farmers awareness and motivation to complying with the EFA.**

CONCLUSIONS (2)

- **The income of pig, poultry farms and manufacturers of vegetables will be strongly and unfavorably affected by the diversification requirements while arable crops diversification costs are expected to be commercially viable.**

THANK YOU!

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