

FINANCING MECHANISMS IN AGRICULTURE ACCORDING TO EUROPEAN UNION STANDARDS

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Abstract: In order to support farmers and to ensure financing for works during agricultural campaign it was initiated an instrument for crediting farmers, in collaboration with Guarantee Fund for Rural Loan and a series of banks. Through market mechanisms they succeed in protecting agricultural producers against outside European Union competition and against prices changes on garden stuff. To give other types of agricultural subventions, other than the ones from European Union, Romania has to notify the European Committee regarding a new scheme of state help. For the moment, Romanian farmers appeal at direct payment for each hectare.

Direct payment for each hectare

Direct payments for each hectare are introduced in 2007 and maintained from European Union funds. The sum offered in 2007 of about **50euros/ hectare**¹⁾ will increase step by step, every year, until 2013, when it will be 200 Euros/ hectare/ year.

Money will be paid to those who work the land- owners and tenants- on condition that:

- the worked surface (field, grazing fields, vineyards, orchards) must be of at least 1 hectare, divided in parcels of at least 30 ars;
- the land must be registered in Farmers' Registry.

The institution which will pay directly is The Agency of Payment and Intervention in Agriculture. In each Romanian district there are more centres of this agency, where they can obtain information regarding the money that farmers will get.

The Rural Development Funds represent European money that will be given for investments in agriculture and rural development. According to the negotiations between Romania and European Union, our country will receive about 7.5 billion euro for 2007- 2013, which is 1, 07 billion euro/ year²⁾. This money is added to the Romanian state, according to the investment types that will be made.

The Rural Development Funds resemble with SAPARD funds but they have something in particular:

- there are of about 6 times bigger
- they are addressed to more beneficiaries, including small farmers and entrepreneurs
- they can be obtained in a simpler way

The Rural Development Funds are addressed to small farmers, farmers associations, young people, small and medium agricultural and sylvan enterprises (but also of services and small industry), processing industry, woods owners, mountain farmers, local councils.

These funds are divided in 4 big directions. Each direction (axis) has more measures

A. competitiveness increase of the agricultural and sylvan sector = 3, 25 billion euro (45% of total)

- support for semi-subsistence farms (about 85.000 small farms will receive 1.500 euro/ year, for 3 years, if they make a modernizing plan)
- modernizing of agricultural exploitations (16.000 agricultural exploitations will receive about 70.000 euro/ project)
- support for setting up agricultural farming groups (750 farming groups will receive about 250.000 euro/ project)
- professional formation and information (140.000 farmers will be trained)

B. agricultural and sylvan fields economy = 1,8 billion euro (25% of total)

- field support, for underprivileged areas, especially mountain area (about 370.000 farmers will get 25- 250 euro/ hectare/ year in addition)
- support for lawns and meadows (about 95 euro/ hectare/ year)
- support for the first forestation of agricultural field (36.000 hectares will have funds for 5.000 euro/ hectare)

C. Life quality improvement in the rural area = 2,12 billion euro (30% of total)

- diversification of non- agricultural activities (crafts, artefacts, traditional products, rural tourism) (19.000 beneficiaries will receive 10.000 euro/ project)
- investments in small enterprises in the country- barber's shops, farm equipment repairs (3.800 small enterprises will be financed with 20.000 euro/ project)
- village improvement (about 1.200 local councils will receive 1 million euro for earth roads, plumbing, restoration of constructions with historical and cultural value)

D. LEADER program = 0,18 billion euro (2,5 % of total)

They will finance Local Action Groups which will support de rural development projects. For fishing, there will be a special fund of 263 million euro for 2007- 2013 (about 9.250 billion lei). Most part of this money will be given for:

- creating aquaculture farms;
- modernizing boats and fishing ships;
- financing fishermen associations.

State Assistance

Rural Development Funds will come through Payment Agency for Rural and Fishing Development (last SAPARD agency). PARFD has got 42 district offices where projects can be left starting with 2007 spring.

State Assistance represents the subventions and credits given by ministry of Agriculture starting with 2007 to support land cultures and rising animals.

The State Assistance will be given as:

- credits for agricultural production, assistance for seeds, subventions for sanitary treatments, bonuses to ensure cultures, support to finance vineyards and orchards, subventions for irrigations (in culture sector)
- support for buying animals (reproductive and pure race), credits for production, subventions for seeds centres for owners associations (for zoo-technical sector).

The State Assistance will be given through Payment and Intervention Agency for Agriculture (PIAA) and Agency for Agriculture and Rural Development (AARD).

Market mechanisms are actions of protecting the agricultural producers against competition from outside European Union and against price changes on agro-alimentary products.

The main market mechanisms that will be applied in Romania after its entrance in European Union are:

- **Intervention Price.** It is the action of the state buying or selling on the market of different quantities of products to protect the producers and the market in overproduction or underproduction situations. This mechanism is used mainly for cereals and will ensure a fair price of wheat for the producer.

- **Export Subventions.** They are large sums of money that are given to Romanian exporters who sell agro-alimentary products outside European Union even if the price is lower than that of the intern European Union market.

Market mechanisms are part of Agricultural Payment and Intervention Agency. Between 2007- 2013, about 12 billion euro will come from the European Union for agriculture and rural development. This sum represents 40% of all the funds that European Union gave to Romania for the next 7 years.

Direct payment mechanisms qualification

According to existent regulations³⁾ and the negotiations results, the direct payments will be given without taking into account the production level and applying the scheme of unique payment according the surface. The new member states have the possibility to supplement the direct payment after acceding, with the European Union Committee's approval, through national, complementary, direct payments, the so called "top ups" (measures financed from the national budget).

The institution responsible for direct payment implementation and market measures is The Agency of Payment and Intervention in Agriculture. For administration and control of the support given to farmers after acceding, it was founded, as a part of Agency of Payment and Intervention in Agriculture an instrument called IACS (Integrated System of Administration and Control).

The Agency of Payment and Intervention in Agriculture announced that farmers who want to receive the payment for each hectare from EU funds, given to Romania for 2008, have to file an application between March, 1st and May, 15th, 2008.

According to the guide elaborated by APIA, the applications for hectare payment given for 2008 can be filed between March, 1st and may, 15th, 2008 without penalties, between May 16th and June, 9th with 1% penalties for each delaying day. For direct payment on hectare, the sum given to Romania is of 440 million euro for 2007⁴⁾, and 527,9 million euro for 2008⁵⁾. Romania received only 330 million euro of the 440 million promised for about 9 million hectares. The authorities will make the payments to villagers and European Union will discount the expenses between May- June 2008⁶⁾. Up to June, 15th, APIA introduced in the data base about 95- 96% of the entire payment requests.

In 2008, Romanian farmers can have financial support from European funds and from the national budget according to the following direct payments schemes:

- Unique payment scheme according to the surface
- National, direct, complementary payments
- Detached sugar payment scheme
- The payment scheme for energetic cultures (rape, sunflower, soya bean, corn)
- Transitory payment for tomatoes
- Compensatory payments for rural development measures
- Compensatory payments for mountain areas and naturally underprivileged
- Agro-environmental measures

- 1st package - meadows with a high value
- 2nd package- traditional agricultural practice
- 3rd package- meadows important for poultry
- 4th package- green cultures

In the case of direct payments from the vegetal sector, the support value is established on each hectare and in the case of direct complementary payments from the zoo-technical sector the support value is established for each animal.

The Ministry of Agriculture, Wood and Rural Development is authorized to treasure the European funds for agriculture and rural development, the European fund to ensure agriculture and the European fund for agriculture and rural development, to respect the annual limits and budget commitments, sealed between European Community Committee and Romanian Government and the funds from the national budget.

The Agency of Payment and Intervention in Agriculture is the institution responsible with the direct scheme implementation for agriculture, having as a financing source the European fund for insurance in agriculture, the European fund for agriculture and rural development and funds from the national budget.

In order to manage the community and national funds dedicated to agriculture for direct payments given in the vegetal sector and for control, the Agency of Payment and Intervention in Agriculture will use as an winding and financial management instrument, the Integrated system of administration and control.

The unique payment scheme according to the surface

It consists in giving a certain sum for each hectare, paid once a year, without any connection to the production.

The financing source for the already made payments in the unique payment scheme according to the surface is ensured from the European fund for insurance in agriculture.

The beneficiaries for direct payments can be physical or juridical persons who work the field for which they want the payment as owners, tenants, lessees, and administrator partners in the association and so on.

The ones who give the field in leasing don't have the right to take direct payments for the given field.

In order to have the payments in the unique payment schemes according to the surface, the solicitors must be registered in the Farmer's registry, administrated by the Agency of Payment and Intervention in Agriculture, to file an application asking payment on time and under the following conditions:

a) to exploit at least 1 hectare of field and the surface of the agricultural parcel should be of at least 0,3 hectares for vineyards, orchards, hop cultures, tree nursery, vineyard nursery, fruit shrubbies, the minimum surface of the parcel should be of 0,1 hectares;

b) to declare all the agricultural parcels;

c) to register, under law penalties real, complete and perfectly available data in the request form of direct payment according to the surface and in the given documents, including the surface list;

d) to agree that the data from the request form to be introduced in the data basis of IACS, processed and verified in order to determine the payment and send it to the responsible authorities in order to elaborate statistic studies and economical evaluations

according to law no 677/ 2001 for person protection regarding personal data and free circulation of this data with further changes;

e) to respect the agricultural and environmental conditions, established with the national legislation, on the agricultural surface of the exploitation;

f) to give the necessary documents that prove the right of using and to be able to make the proof that they use the field available for the request;

g) to give all the information asked by the Agency of Payment and Intervention in Agriculture, in the established deadlines;

h) to allow controls by the Agency of Payment and Intervention in Agriculture or by other credited committees;

i) to mark the limits of the used parcel when it is seeded with the same seed as the neighbours;

j) to communicate in 10 days, in writing, to the Agency of Payment and Intervention in Agriculture any change of data from the payment request appeared between the filed date and the payment date. These changes refer to the used surface, property transfer to another user, approval of an agricultural life- annuity, and other changes in the request form.

The request forms are filed every year until May, 15th at the centres of the Agency of Payment and Intervention in Agriculture and are registered in the integrated system for administration and control.

The Agency of Payment and Intervention in Agriculture will establish the necessary documents regarding the use of agricultural surface that the farmer asks for support and that he has to present when filing the payment request form for that surface.

National Direct Complementary Payments (NDCP)

In the vegetal sector there are payments in the community support schemes and they consist in supplementary granting of sums of money according to the surface for the cultures registered in the actual legislation.

The financing source of national, complementary, direct payments in the vegetal sector are ensured from the state budget, the budget of the Ministry of Agriculture, Woods and Rural development, in the limit of approved sums and from the European fund for agriculture and rural development.

The national direct complementary payment in the zoo-technical sector are given in the limit of the financial resources offered every year by the state budget law for animal species registered in the actual legislation.

The financing source of national direct complementary payments are granted from the state budget by the Ministry of Agriculture, Woods and Rural development in the limit of given budget.

There are granted national direct complementary payments in the zoo-technical field for agricultural producers, physical or juridical persons that have and exploit production animals, identified and registered in the national system.

The payment surface scheme for energetic cultures represents payments for the community support schemes and consists in giving a sum according to the surface starting with 2007 for energetic cultures destined to food production like: rape, sunflower, soy and corn.

The financing source for the payments from the direct payment scheme for energetic cultures is ensured from the European fund for agricultural granting.

The payment beneficiaries are physical and legal persons who exploit the field that

they ask the payment for, as owners, tenants, lessees, and administrators in associations and others who have a contract to deliver production to a food producer.

The eligible conditions to give sums in the payment scheme according to the surface, for energetic cultures are the ones from 7th article, 1st alignment. Farmers that ask for payment according to the surface don't have the right to receive other national direct complementary payments in the vegetal sector for the same surfaces.

The payment scheme, divided for sugar represent direct payment in the schemes of community support and consists in granting a sum according to the surface starting with 2007, for the sugar beet culture, destined to sugar production.

The financing source for already made payments in the direct payment scheme separated for sugar is ensured from European fund for agricultural granting.

The payment beneficiaries in the direct payment, separated for physical and legal persons who exploit the field and ask for payment as owners, tenants, lessees, administrators and others who have a contract to deliver sugar production with an economical operator who processes sugar beet according to actual regulations.

The annual sum of direct payments, of unique payments according to the surface, of national direct complementary payments in the vegetal sector, of payments for energetic cultures and separated sugar payments are granted through the Government decision, proposed by the Ministry of Agriculture, Woods and Rural Development, in the limit of the sums given from the state budget and maximum sums granted for Romania with this destination by the European Committee.

The annual direct complementary payment in the zoo-technical field is approved through a Government decision, asked for the Ministry of Agriculture, Woods and Rural Development according to the granted sums from the state budget and maximum sums given to Romania with this destination by the European Committee. The sum written in the maximum limits approved for national direct complementary payments in the zoo-technical area in totally constituted by funds from the state budget.

The National Complementary payments are given according to the seeded surface, for each animal, according to the European model.

The complementary payments are given for the most important agricultural cultures in Romania, such as:

- for the 1st group (wheat, rye, barley, two rowed barley, oats, sunflower, corn, rape, beans) there will be granted 30 euro/ hectare/ year.
- For the 2nd group (sugar beet, soy, hop, rice, tobacco, flax, hemp), there will be given 216 euro/ hectare/ year.

There are also given national complementary payments for animals in farms that produce for the market, such as:

- Milk cows (about 170 euro/ animal head, payment conditioned by the delivered milk quality)
- For small bulls (about 200 euro/ animal head, if the bull has over 500 kilos)
- For adult bovines given to the butchery (about 120 euro / animal head)
- For sheep and goats (about 1 euro/ animal head)

The National Complementary Payments come to farmers through the Agency of Payment and Intervention in Agriculture. They can be increased according to budget resources and agricultural producers.

Conditions for a farmer to benefit of financial support

In order to benefit of direct payment for the hectare, the farmer must have an open

account to receive European money. During winter the agricultural field must be covered by autumn cultures. The farmer shouldn't grow sunflower on the same surface for two years in a row. It must be said that setting fire on the fields and vegetal remains is allowed only with the approval of the authorities for environmental protection.

Direct payment beneficiaries in the unique payment scheme can be physical and legal persons who exploit the field for which they ask payment as owners, tenants, lessees, administrator associates and others.

The tenant doesn't have direct payment for the rented field.

In order to have financial support, farmers must show at the Agency of Payment and Intervention in Agriculture between March, 3rd- May, 15th 2008, during working days, including Saturdays, to file only one request as asked by the authorities.

Farmers who field a support request for 2007 will receive an invitation having the appointment to file the requests at the local/ district APIA centres. This appointment must be respected in order to avoid crowd in APIA centres.

Farmers- physical persons will file only one request for support on the APIA local centre that he inhabits and legal persons will file only one request at the local APIA centre that they have social residence.

The request forms according to the surface together with physical block maps are at local APIA centres (for farmers who own a field larger than 50 hectares).

When filling the request, farmers must show the ID (copy and original), copy of the certificate given by the bank 5where they have an active account.

The filling period for the support request is between March, 3rd- May, 15th, 2008 (without penalties) and May, 16th- June 9th, 2008 (with 1% penalties for each working day delay).

Starting with June, 10th, 2008 the support requests filed by the farmer at the APIA centre are no longer accepted for payment in the 2008- 2009 campaign, but will be received by the APIA official and registered in the annual book of filling the payment requests for support schemes according to the surface.

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