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CHAPTER I

GREENING THE COMMON AGRICULTURAL POLICY. CHALLENGES AND PERSPECTIVES FOR ROMANIAN AGRICULTURE TOWARDS EUROPEAN NEW REFORMS

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ABSTRACT

Romanian agriculture has experienced major challenges and changes after the integration into European Union in 2007. The whole process of adapting the national agriculture to the EU-27 agricultural paradigm has imposed redesigning the inland financing mechanism. The new CAP reform brings both new opportunities and major constraints for Romanian agriculture. In this context, the main aim of this chapter is to present a descriptive analysis regarding the effects of greening the CAP mechanism on Romanian agriculture, during the 2014-2020 financial framework.

KEY WORDS: agriculture, direct payments, CAP, greening measures, environment, rural communities, agricultural revenues.

INTRODUCTION

Agriculture, despite being a key economic sector, with broad implications for the entire European economic system, not only for food security of the population or the high volume of human, financial and material resources mobilized, faces massive and profound paradigm shifts. European agriculture transform itself under the strong pressure of global competitiveness, on the one hand, and, on the other hand, Member States are forced to trough this sector to the requirements of ensuring a certain level of life to rural communities which are increasingly numerous. The offer of public goods, essential in preserving natural resources and preservation of cultural and rural areas, with a massive contribution to the objectives of the European Union in the field of energy and climate, is added to it.

Although through the art.39 of the Treaty of the European Union a series of imperative objectives regarding Common Agricultural Policy (CAP) creation and implementation are established, such as: increasing agricultural productivity, agricultural prices and markets' stability, and guarantees for an improved standard of living for rural population; these have not been achieved to the level projected, and, over more, the degree of agricultural market stability decreased and, as such, the possibility of achieving constant production for assuring a high level of standard of living and stability in ensuring food security for Community people.

Agriculture has a significant share in achieving functionality of European economic mechanism through its interdependence with other communi-

ty sectors. The role of agriculture is not just about providing food to the population, generating a complex of indirect effects hard to measure and control. It has impact upon environment and it is influenced by it as well. Even more, a significant decrease in the share of this sector in the global economy of the EU would produce a massive imbalance, which consists in reducing the contribution to the GDP Community, of employment of labor in upstream and downstream sectors of the industry, especially on rural communities and the environment.

Recent studies show that 'the climate change is increasingly being recognized as a serious threat to dominant modes of social organization, inspiring suggestions that capitalism itself needs to be transformed if we are to 'decarbonizes' the global economy.'²

Reconsidering CAP must take into account just the harmonization and reduction of these effects at community level. Increasing the competitiveness of European agriculture requires an integrative approach where CAP ensures the promotion of an effective both in terms of territorial balance of agricultural production systems and especially to meet environmental requirements by greener agricultural practices and incurred financial mechanism and subsidies and farm payments developed by CAP. If at first the use of direct payments represented an increase incentives for both the agricultural sector and to boost the competitiveness of farmers by making supplementary productions but also to adapt to the requirements of the Community market, by decoupling them, as a rethinking of the CAP, this currently contributes to the improvement of farmers' income and to support the achieving public goods. As noted in official documents,³ EU agriculture is nowadays in a more competitive environment with high demands, and as the world economy becomes more integrated, the trading system is increasingly liberalized, contributing to the instability in agricultural markets.

The effects of agriculture on the environment have been the subject of numerous research papers and debates worldwide. Some authors⁴ believe that agriculture has a positive contribution to environmental protection, to maintain the quality of the landscape and tourism. Contribution to revitalizing rural environment and community is evident in a number of countries and geographical areas of the world. Many programs developed by national and internation-

² Böhm, S., Misoczky, M. C., Moog, S. (2012): *Greening Capitalism? A Marxist Critique of Carbon Markets*, Organization Studies, vol. 33(11), pp. 1617-1638.

³ European Commission (2010): *Agriculture and Rural Development (2010), Promoting European Union Farm Product: A Helping Hand*, Brussels, European Commission.

⁴ Zahiu, L. (1992): *Agricultura mondială si mecanismele pietei*, Editura Arta Grafică, București.

al bodies promote maintaining populations in rural areas to ensure their welfare and make them active.

At EU-27 level, financial resources are allocated through the rural development measures to unlocking the potential of rural communities live side beyond agriculture and valorization of their specificity within multifunctional agriculture. Multifunctional agriculture may reduce the differences between different social categories and improve the way of living through education, science and technology as 'a basic concept beyond of understanding the welfare/poverty' as argues.⁵

Harnessing the resources of the agricultural holdings must take into consideration the shift from intensive to extensive system of agriculture, considering the environment. In this regard, measures to reorient financial payments under the CAP aims to greening the agricultural practices. Also, worldwide, policies are programs are implemented, containing concrete measures for the enhancement of the benefits of sustainable agriculture and especially the component to improve environmental quality and to limit its potential adverse incidents upon agricultural production and communities.

In literature^{6, 7, 8}, there are many opinions regarding the role of green agriculture in strengthening the general economic frame and rural communities in particular, the most of them underling the need of greening agricultural practices and their close to the environment.

Other authors^{4,9,10} think that human activity carried out in agriculture has negative effects: chemical pollution of soil and food, water and atmospheric pollution, soil erosion etc. Moreover, agriculture must meet the challenge of feeding a population increasingly numerous, with needs increasingly more diversified, which often conflicts with the needs of sustainable development ob-

⁵ Muresan J. D, Ivan M. V. (2009): *Education, Science and Technology: Essential Concepts for Understanding the Welfare/Poverty Binomial*, The 12th IBIMA Conference on Creating Global Economies through Innovation and Knowledge Management, Kuala Lumpur, Malaysia, pp. 513-517.

⁶ Lazar, C., Lazar, M., Dimian, G. (2010): *The implications of the global economic crisis on the Romanian sustainable development*, Calitatea Acces la Succes, vol. 11(113), pp. 140–143.

⁷ Adrian, T. R., Magdalena, T. R., Dinu, T. (2011): *Optimization of production structures in order to increase competitiveness of agricultural holdings*, Economics of agriculture, vol. LVIII, pp. 187-194.

⁸ Giurcă, D., Alexandri, C., Rusu, M. (2012): *Reforma Politicii Agricole Comune în contextual perspective bugetare post-2013*, Studii de Strategie și Politici (SPOS 2011), Studiul nr. 1, Institutul European din România, București.

⁹ Chambon, N., Fernandes, S. (2010): *How to Reform CAP to improve agriculture's contribution to the Europe 2020 Strategy?*, Notre Europe.

¹⁰ Wijkman, A., Rockstrom, J. (2013): *Falimentarea naturii: negarealimitelor planetei*, EdituraCompania, Bucuresti, p. 93.

jectives. The economic crisis is a favorable instrument in further deepening the economic imbalances¹¹ including agricultural sector.

Food security of the population is a major challenge to climate change because agriculture is the sector of the economy that contributes most to climate change. It is estimated that approximately one third of emissions of greenhouse gases comes from agriculture. At the same time, agriculture is the sector most affected by climate change. We can say that the relationship agriculture – climate change is a two-way path: agriculture contributes to global warming and climate change affects agriculture.

Agriculture is the largest contributor to climate change, chemical pollution through the use of nitrogen and phosphorus, to the loss of biodiversity. It is the largest consumer of water. The effects of agriculture on the environment are emissions of greenhouse gases, chemical soil pollution, soil erosion, deforestation. From the perspective of environmental requirements and achieve sustainable management of natural resources, the CAP is called to correct some of the imbalances existing in previous practices based on this policy, through the following measures:¹²

- Ensuring sustainable agricultural production practices and environmentally friendly to ensure the provision of environmental public goods, since many of the public benefits from agriculture are not remunerated by a proper and normal operation of the markets;
- Encourage the adoption of new technologies that allow both the development of competitive organic products, but also to ensure the improvement of agricultural production processes, stimulating the emergence of new patterns of demand in the context of the emerging bio-economy;
- Develop action plans to mitigate the effects of climate change and combating the negative effects induced by agricultural practices unfriendly to the environment.

The pressure of agriculture on the environment increased as the intensification of agricultural systems through the widespread use of pesticides and fertilizers, mechanization and the intensive exploitation of animals. Also, in reverse, climate change affects agriculture. Considering these, it is well recognized the need for a common policy to regulate aspects of the single European market, however, for policy areas such as the environment and rural development any policy must take account of the local circumstances: a one-size-fits-all approach will fail to deliver the desired outcomes.

¹¹ Haralambie, G. (2010): *Effect of the current crisis on global economy*, Ovidius University Annals of Economics Sciences Series, vol. X (2), pp. 330-335.

¹² European Commission (2010): *Agriculture and Rural Development (2010), Promoting European Union Farm Product: A Helping Hand*, Brussels, European Commission.

Agricultural production is threatened by pollution incidence of polluting sources such as:^{13, 14, 15}

- increasing the concentration of carbon dioxide increases the greenhouse effect and affect plant metabolism;
- increase of the earth's ozone layer, which reduces yields per hectare;
- soil pollution by noxious chemicals and physical agents, which decreases food quality and increased risk of serious illness;
- the global climate change, which can have serious consequences for vegetation and rainfall periods;
- industrial accidents that caused heavy pollution of soil and water resources in the long term.

Climate change affects differently the regions of the world. In the temperate zone, on short term, crop yields due to a warmer and wetter climate will increase. On medium term, however, it is possible that average yields to decline due to crop diseases. Some regions may be able to obtain short-term benefits due to carbon fertilization, because high levels of carbon dioxide are beneficial for plants, in particular cereals: wheat, rye, oats and barley, when grown in the temperate regions.

Countries that have so far been the major cause of climate change will be affected only marginally or not at all, except Australia and South West of the United States, which are threatened by extreme weather. In poor areas of the world, whose contribution to climate change is negligible, agriculture will be seriously affected. As noticed in official documents of European Union,¹⁶ the future CAP should no longer be a policy that addresses the activity of a small, albeit essential, segment of the EU economy, but one that impacts on more than half of the EU territory and all of EU consumers, and is of strategic importance for food security and safety, the environment, climate change and territorial balance. From this perspective, the effects of CAP reform and especially its sharp shift to the green component will impose a financial mechanism to

¹³ European Commission (2011): *Commission Staff Working Paper Impact Assessment, Common Agricultural Policy towards 2020*, SEC (2011) 1153 final/2, Brussels.

¹⁴ European Commission (2011b): *Common Agricultural Policy towards 2020, Commission staff working papers*, Executive summary of the impact assessment, SEC(2011)1154 final, Brussels.

¹⁵ European Parliament (2012): *Draft report on the proposal for a regulation of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy*, 2012, www.europarl.europa.eu/sides/getDoc.do?pubRef=//EP//TEXT+COMPARL+PE-474.052+01+NOT+XML+V0//PL

¹⁶ European Commission (2011): *Legal proposals for the CAP after 2013*, http://ec.europa.eu/agriculture/cap-post-2013/legal-roposals/index_en.htm

support relocation by allocating additional financial resources and balancing the two pillars of the CAP as a major impact on the agricultural sector it has on the economy, as a whole.

In essence, CAP has to contribute significantly to the achievement of a functional coexistence of local, regional and community components, which leads to (European Parliament, 2007):

- defining a strong agricultural sector that generates high levels of added value, by the nature of production obtained and its high level of processing, giving it a strong position in global agricultural market;
- an agriculture open not only to local and regional markets, especially linking to the global market;
- and the last but not least, as it is found in (European Parliament resolution of 8 July 2010 on the future of the CAP after 2013 (2009/ 2236 (INI) an agriculture oriented to the local markets, which takes into account small-scale farmers with limited incomes who, if they had to abandon farming, would face difficulties to find a job outside the agricultural sector, because of their age, qualifications or lifestyle choices, especially in times of economic downturn and high unemployment.

Returning to the need of reconsidering the CAP in the light of greening farming practices at Community level, some options were not satisfactory for all Member States. Greening European agriculture requires a shift from the old agricultural practices oriented to high production yields, driven by financial allocations system and allocated massive subsidies to farmers to achieve a multifunctional agriculture, to agricultural practices that tend to have a much reduced role than in the past. As it is shown in numerous studies^{17, 18, 19} the policy instruments in reconsidering the CAP reforms plays major roles in achieving the best goals, but sometimes the effects are doubtfully.

From this perspective, as was natural, there are a number of disagreements, sometimes insurmountable, between the old EU member states and the new member states, conflicts due to a slight incompatibility between these systems and agricultural practices. In Table 1.1, three scenarios of reforming CAP are presented, considering the main components of intervention used in applying this policy: market instruments, direct payments and rural development.

¹⁷ Gelauff, G., Grillo, I., Lejour, A. (2008): *Subsidiarity and Economic Reform in Europe*, Heidelberg: Springer – Verlag, Berlin.

¹⁸ Grant, W. (2010): *Policy instruments in the Common Agricultural Policy*, West European Politics, vol. 33(1), pp. 22–38.

¹⁹ PBL Note (2012): *Greening the CAP. An analysis of the effects of the European Commission's proposals for the Common Agricultural Policy 2014-2020*, PBL Netherlands Environmental Assessment Agency.

Table 1.1. Outline of main policy options by scenario and policy instrument

Scenario	Market instruments (Council Regulation (EC) No 1234/2007)	Direct Payments (Council Regulation (EC) No 73/2009)	Rural Development (Council Regulation (EC) No 1698/2005)
Adjustment: Emphasizing the CAP's achievements and addressing major shortcomings	Streamlining and simplification of existing instruments Improving farmers' cooperation within competition rules.	Redistribution; enhanced cross compliance	Moderate increase in budget; used for competitiveness / innovation or environment
Integration: Improving the targeting of the CAP to its objectives	Streamlining and simplification of existing instruments Focus on food chain and improved bargaining power of farmers	Redistribution; new direct payment architecture; «greening» Enhanced cross compliance; capping; small farmer scheme; young farmer scheme	Redistribution between Member States Innovation, climate change and environment as guiding principles; Reinforced strategic targeting and common strategic framework with other funds
Re-focus: Limiting the scope of CAP interventions to environmental aspects	Abolished	Phased-out	Substantially increased funding; focus on climate change and environment

Source: Authors own adaptation based on European Commission, Common Agricultural Policy towards 2020, Commission staff working papers, 2011, p. 45.

The proposed measures contribute significantly to redesign the framework and means of intervention used in the consolidation and harmonization of CAP at Community level, especially in terms of its adaptation to environmental demands. Creating a green agricultural policy that promotes sustainable production practices and environmental friendly practices, beyond that is a sine qua non requirement of the new CAP; it will generate dissonant effects for European farmers. Moving from a largely intensive agricultural production, to an ecological one, the system will require a large financial support. As noticed in Table 1.1, the policy options for greening the CAP component is combined with the mechanism of cross compliance and focus on climate change and environment.

Rethinking the direct payment system practiced in the CAP should contribute significantly to the improvement of the European agricultural sector, providing a functional shift towards environmentally responsible farming, and

also to provide adequate income levels for farmers, who intend to implement measures of greening the agricultural production.

Giving up some agricultural practices less environmentally friendly and promoting organic production must be compensated by at least comparative levels of farmers' income. In this regard, direct payments as proposed by the European Parliament should follow some principles, such as:²⁰

- providing basic decoupled direct payments, for improving effects in aid for basic income, which should ensure a uniform level of financial support mandatory for all European farmers;
- introducing a "green" element compulsory in direct payments to ensure sustainable growth of the environmental performance of the CAP;
- promote sustainable development of agriculture in areas with specific natural constraints by introducing additional financial help if farmers' income in the form of a payment per area, to supplement the aid given under the second pillar hill;
- provision of further voluntary coupled support for those regions or farmers with high economic or social significance;
- vitality of rural areas by applying a simple and specific schemes for small farmers that contribute to the competitiveness of these areas;
- simplifying cross compliance rules.

As seen in some official Britain documents,²¹ the principal purpose of the CAP is to support food production and, in the long term, the goal for the CAP must be delivering sustainable food production. In developing these proposals the Commission appears not to have considered food security and how "greening" will interact with efficient farm production. In our view the Commission has missed the opportunity to encourage sustainable intensification of food production. Limits captured in this finding further need for integrative approaches in terms of promoting a process of greening agricultural policies that take into account the effects on farmers income and production systems in the EU.

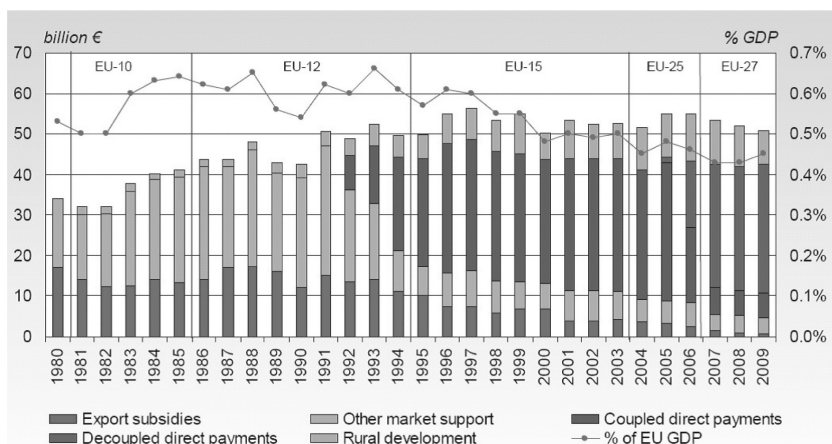
Efficient production from an environmentally approach must ensure adequate gain for farmers who are forced to quit a part of their productions obtained by using, in the past, an intensive system of production. A correlation between the level of losses imposed by the application of such systems, farmers will to apply environmentally friendly production methods and the expected gain later must be realized. It is therefore relevant to observe the evolution of CAP payments in the EU, at least in the last 20 years, largely highlighting

²⁰ European Commission (2010): *Agriculture and Rural Development (2010), Promoting European Union Farm Product: A Helping Hand*, Brussels, European Commission.

²¹ House of Commons Environment, Food and Rural Affairs Committee (2010): *Greening the Common Agricultural Policy, First Report of Session 2012–13*, House of Commons London: The Stationery Office Limited, Incorporating HC 1654-i to-iv, Session 2010–12, p. 25.

paradigm shift that occurred in the agricultural European sector. In Figure 1.1, the evolution of CAP expenditure (in constant prices of 2007), in the period 1980-2009, is presented.

Figure 1.1. The Evolution of CAP Expenditure during 1980-2009
(Constant Prices of 2007)



Source: based on European Commission (2011), Common Agricultural Policy towards 2020, SEC (2011) 1153 final/2.

As can be seen from Figure 1.1, agricultural market support measures and export subsidies have owned significant shares in the period from 1980 to 1993, and, after that, the CAP reoriented direct payments and mechanisms to support agricultural production, which thus began to hold significant shares in European agricultural budget.

ROMANIA AND MEASURES OF GREENING THE COMMON AGRICULTURAL POLICY

Romania's integration in the European economic area imposed the need of rethinking integrally the national economic system, which must therefore adapt to the demands of a competitive economic environment, which is in constant change and search for its own identity. Although based on the principles of economic liberalism, faced with high demands of a market economy, agriculture has become a sounding system for the entire philosophy of European construction. Under the circumstances, the Romanian agriculture should not only to adapt to new conditions of European policy, but to develop its own path of development, which combines the national specificity with the European re-

quirements in the field. Romanian agriculture, being strong dependent on the financial allocations of CAP, swings between domestic capitalization, to the extent that it is still possible, and to adapt to agricultural policy measures.

Greening the CAP puts pressure on the agricultural sectors of the New EU Member States, which are forced to adapt themselves to a system largely unfavorable to them. Conditioning financial payments to the environment-friendly farming practices will increase further discrepancies in the European agricultural sector. Farmers in the Old Member States already have a competitive advantage over New Member States. Massive financial support that they have received for more than 50 years is now paying off. European agriculture now polarize around the Old Member States, strongly capitalized farmers, who will continue to resist competition from the field, while in the newly integrated countries, farmers will have increasingly less financial measures for financing agriculture. In Table 1.2 an overview of the financial assignments of Member States, which will receive a direct payment under 90% of the EU average and among which Romania is part, is presented.

Table 1.2. Member states that will benefit of a direct payment under 90% of the EU average

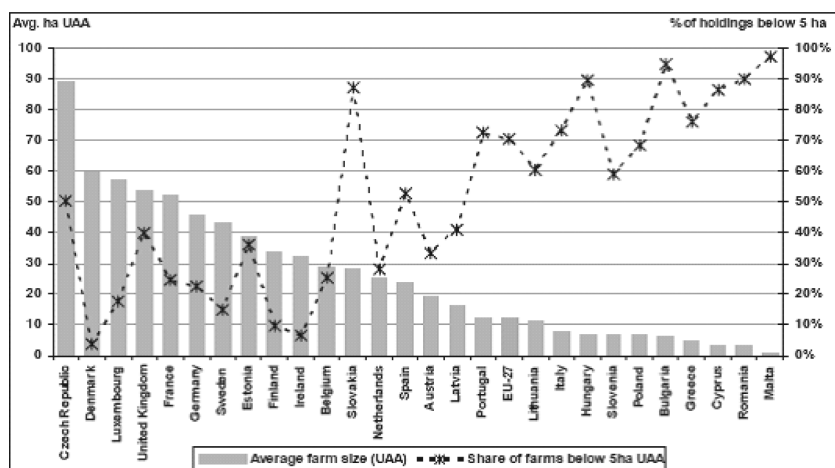
Member states that will benefit of direct payment reallocation	Eligible area (ha)	Current direct payment (EUR)	The sum of direct payment that are not increased (mil. EUR)	The future direct payment (EUR)	The total future sum of direct payment (mil. EUR)
Bulgaria*	3.492.383	233,2	814,42	236,46	825,81
Estonia	865.061	116,9	101,13	158,90	137,46
Spain	21.027.315	229,0	4.815,26	233,66	4.913,24
Latvia	1.546.362	94,7	146,44	144,13	222,88
Lithuania	2.640.799	143,8	379,75	176,86	467,05
Poland	14.150.577	215,1	3.043,79	224,40	3.175,39
Portugal	2.917.979	194,0	566,09	210,33	613,74
Romania*	9.720.864	183,2	1.780,86	202,80	1.971,39
Slovakia	1.876.009	205,6	38,57	218,06	409,08
Sweden	3.053.508	235,0	717,57	237,66	725,70
United Kingdom	15.941.629	229,0	3.650,63	233,66	3.724,92
Total	57.592.748	-	16.940,91	-	17.676,70
The difference needed to be compensated each year				789,80 mil. EUR	

* In the case of Romania and Bulgaria, the integral value of direct payments will be achieved in 2016.

Source: Authors own adaptation based on European Commission, Common Agricultural Policy towards 2020, Impact Assessment, Brussels, 2011.

Since Romania, according to EU Commission calculations, has a financial allocation under the level of it has initially, this requires a balancing of the CAP direct payments between European countries, so much so that to diminish the gap between these states. In Romania it would take therefore a transfer of 789,796,105 EUR/year in the 11 states with above average European financial allocations, even after achieving convergence procedure, the total financial allocation is 7.5 billion EUR, more than in the previous budget, standing at 12.4 billion EUR. This situation becomes alarming if we consider the number and structure of agricultural holdings which, in the case of Romania, further reduces the possibility of absorption of EU allowances. Figure 1.2 presents the distribution of average farm size and farms below 5 ha of Utilized Agricultural Area in the EU-27 Member States.

Figure 1.2. The average farm size and farms below 5 ha UAA in EU-27



Source: based on European Commission (2011), Common Agricultural Policy towards 2020, SEC (2011) 1153 final/2, p. 64.

Significant proportion of small farms in Romanian agriculture can contribute, on the one hand, to improve the quality of the rural environment, providing some of the revenue that the state cannot accomplish, by its functions. Small farms are thus vectors of social protection for rural communities. Small Romanian farmers will benefit of reduced financial allocations compared to the European average and will have fewer opportunities to develop their work, if they cannot combine the two sources of funding from SPS and grants for rural development and multifunctional agriculture.

Measures of greening direct payments under Pillar I of the CAP spark a wide debate in the literature. One of the more informed opinion said that a large extent²² ‘CAP’ greening ‘component could become a sort of super policy of cross compliance.’ On the other hand, the working documents of the British authorities, after extensive debate on European agricultural policy greening approach, reach the situation where²³ ‘we recommend that future agri-environment schemes should include measures to incentives farmers to manage their EFAs for biodiversity and other environmental benefits, for example through sowing pollen and nectar seed mixes or through locating their EFAs so as to create a coherent network’.

The current financing measures under Pillar I have owned significant shares in the general budget of the CAP and in particular addressed to directly supporting farms by direct payment per holding. With the new philosophy of CAP and review the payment and agricultural subsidies, the green component was imposed as a need. In these conditions, an approximation of direct payments for environmental requirements by imposing restrictions that 30% of the total direct payments to be granted only to the extent that farms meet environmental standards was imposed.

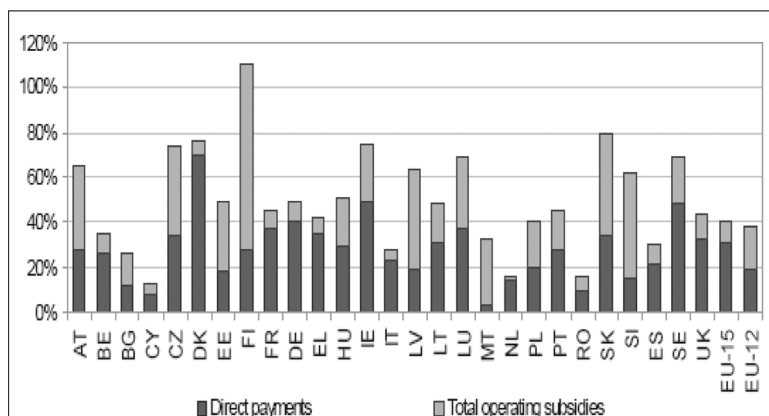
Traditional agricultural practices and promoting organic agriculture on farm and rural landscape protection measures and promoting traditional rural values were stimulated. In these conditions, as observed in literature²⁴ the effects of greening the policy will generate ‘lower agricultural income for each euro spent, compared to SPS’, because the income support pay to farmers through CAP will be considerably less than in 2009-2013. Given these considerations, in Figure 1.3 is presented the level of total operating subsidies and direct payments as a percentage of agricultural factor income, average 2007-2009.

²² Tangermann, S. (2011): *Direct payments in the CAP post 2013*, European Parliament’s Committee on Agriculture and Rural Development, Brussels, January, p. 23.

²³ House of Commons Environment, Food and Rural Affairs Committee (2010): *Greening the Common Agricultural Policy, First Report of Session 2012–13*, House of Commons London: The Stationery Office Limited, Incorporating HC 1654-i to-iv, Session 2010–12, p. 25.

²⁴ Tangermann, S. (2011): *Direct payments in the CAP post 2013*, European Parliament’s Committee on Agriculture and Rural Development, Brussels, January, p. 23.

Figure 1.3. Level of direct payments and total operating subsidies as a percentage of agricultural factor income (avg. 2007-2009)



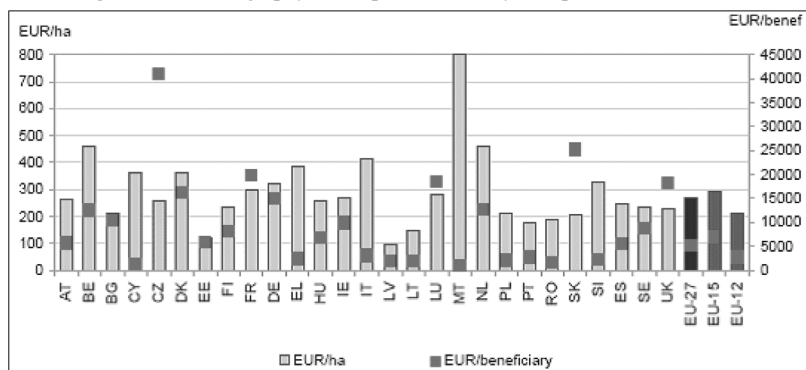
Source: adapted from European Commission (2011), Common Agricultural Policy towards 2020, SEC (2011) 1153 final/2.

As results from the data presented in the chart above, it is clear that the total operating subsidies in agricultural factor income registered a stable level over the period 2007-2009, both in terms of direct payments and the total operating subsidies for EU-12 and EU-15, but with wide variations between Member States. The total operating subsidies is very high in those states which have a relatively small agricultural area, but which have active policies to support small farms, for instance: Finland, Lithuania, Latvia and Czech Republic. Instead, they are high levels of direct payments for countries with a strong agricultural sector, such as France, Germany or the UK. In Romania the share of these two components is relatively low, despite the important agricultural area from which they benefit.

As results from the data presented in Figure 1.4, it can be noticed a non-equivalent distribution of payments per hectare between old and new Member States underling serious differences and functional deficiencies of European agricultural system components and in its way of working, which emphasizes differences in productivity of the EU economy sector. As seen in European documents,²⁵ on one hand, ‘while the volume of support reflects, at least partly, objective criteria, it does not reflect the fact that farm structures and production patterns have changed since the reference periods’, and, on the other hand, ‘the large number of small beneficiaries adds considerably to the administrative burden and require support that is better targeted to their needs’.

²⁵ European Court of Auditors (2011): *Special Report No 5/2011: Single payment scheme (SPS): issues to be addressed to improve its sound financial management*, <http://eca.europa.eu/portal/pls/portal/docs/1/8096819.PDF>

Figure 1.4. Average payments per beneficiary and per hectare, in 2008



Source: based on European Commission (2011), Common Agricultural Policy towards 2020, SEC (2011) 1153 final/2, p. 29.

Based on these findings, applying into practical business the greening measures of CAP will generate, for all European countries, a reduction in financial support to farmers, with different effects. The fact is that the significant decreases of farmers' income will lead to reconsidering the agricultural practices that will be felt directly and immediately in reducing the level of production and a rise in the price of agricultural products. Most of the Member States will face a significant loss of financial allocations in agriculture, regardless of which option they apply. However, the high requirements imposed by greening the CAP amplifies the existing risk that some countries, such as Romania, to do not use the full amounts allocated and, thus, to deepen the gaps between their agricultural systems and the European agricultural model. Table 1.3 presents the results for the estimation of direct payments in the context of "greening" the Pillar I of the CAP by the European Commission.

As can be seen from the data presented in Table 1.3, the procedure of greening direct payments of Pillar I of the CAP will generate negative results overall performance, for most of the EU-27, with very few exceptions: Ireland, Latvia, Estonia, France, Hungary and Lithuania. Applying any of the variants of greening the payments for Romania will generate predominantly negative effects, except for variants 3 and 5. The biggest loss is recorded in the case of the second variant, the amount is reduced by -3.5% and the highest gain of 3.3% belongs to the fifth application. For the rest of the simulated alternatives, the loss varies in the range of -2.7% to -4.4% for the first embodiment and in the case of the second embodiment applied. Greening direct payments is a potentially ambiguous measure, given that environmental measures are generally supported by the CAP Pillar II.²⁶

²⁶ Andrei, J., Dusmanescu, D. (2012): *Some Romanian experience in achieving the best Common Agricultural Policy results. How much has the agricultural sector has beneficiate?*, Proceedings of the International Scientific Meeting

Table 1.3. Direct payment estimation in the context of “greening” CAP Pillar I

Country	FNVA/AWU (€/AWU)	FNVA/AWU-comparisonwiththeBasisin2020				
	MFF EUR per AWU	MFFDP distribution	MFFDP distribution	MFFDP distribution	MFFDP distribution	Min90% andobj. crit.
	Basis	1	2	3	4	5
		30% DP, 70%diver, 5% set-as, 70% GC, PP, OF	30% DP, 50%diver, 5% set-as, 70% GC, PP, OF	30% DP, 70%diver, 10% set-as, 70% GC, PP, OF	25% DP, 70%diver, 5% set-as, 70% GC, PP, OF	30% DP, 70%diver, 5% set-as, 70% GC, PP, OF
Belgium	61,583	-5.1%	-5.9%	-5.7%	-5.1%	-7.2%
Bulgaria	9,470	-2.8%	-4.0%	-1.4%	-2.8%	-1.8%
Czech RP.	23,372	-4.5%	-4.2%	1.0%	-4.5%	-4.5%
Denmark	71,177	-3.1%	-4.3%	-4.9%	-3.1%	-6.2%
Germany	44,364	-4.8%	-5.9%	-3.5%	-4.8%	-6.2%
Spain	29,192	-1.8%	-2.0%	-0.3%	-1.8%	-1.6%
Estonia	24,949	-3.2%	-3.1%	1.0%	-3.2%	19.3%
France	38,466	-2.9%	-2.9%	0.1%	-2.9%	-4.0%
Hungary	27,795	-2.6%	-3.6%	1.1%	-2.6%	-2.6%
Ireland	27,237	-2.7%	-1.9%	0.8%	-2.7%	-2.7%
Italy	35,189	-0.5%	-0.6%	0.1%	-0.5%	-2.4%
Austria	32,384	-2.3%	-2.5%	-0.9%	-2.3%	-2.3%
Poland	12,991	-3.5%	-3.8%	-1.3%	-3.5%	-1.4%
Portugal	11,357	-3.6%	-4.8%	-3.6%	-3.6%	2.1%
Romania	4,882	-2.7%	-4.4%	0.0%	-2.7%	3.3%
Finland	28,456	-1.9%	-2.2%	0.9%	-1.9%	-1.3%
Sweden	43,959	-4.0%	-4.4%	-1.1%	-4.0%	-3.1%
Slovakia	20,563	-2.3%	-1.9%	3.2%	-2.3%	3.8%
UK	50,363	-4.8%	-5.1%	-2.9%	-4.8%	-3.3%
EU-27	23,717	-2.8%	-3.2%	-1.4%	-2.8%	-2.8%

Where: FNVA= Farm net value added; AWU = annual work unit; DP = direct payment; diver = diversification; GC = green component; PP = permanent pasture; OF = organic farming; set-aside = the areas cultivated in non-profit scope.

Source: Authors own adaptation based on European Commission, Common Agricultural Policy towards 2020, Impact Assessment, Brussels, 2011.

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Another opinion expressed in this respect by a group of French authors²⁷ argues that changing the orientation of the budget and environmental payments is unconvincing. First, Pillar I has a limited budget and finances a wide range of heterogeneous measures that are not environmentally friendly. In this context, the CAP greening measures will limited even more recent development of the agricultural sector in the countries integrated in EU-27, which are subject to particularly radical transformation of agricultural development financing process. Against this background, Romania might contradict European estimates, and could turn into a potential recipient of state financial allocations for greening of direct payments, given that a large part of national agricultural area can be allocated to organic farming and achievement environmental requirements. If we consider the fact that in the last time Romanian farmers were affected by a complex process of underfunding and massive de-capitalization of holdings, thus involuntarily forced to maintain ecological label land without recognizing the potential positive effects. In Table 1.4 is highlighted the impact of “greening” the CAP on various sectors of agriculture in the Member States.

Table 1.4. Analysis of the impact of “greening” CAP upon agricultural sectors of EU member states

	FNVA/ AWL (€/UAL)*	FNVA/AWL – compared to base 2020				
	80% DP distributed	80% DP distributed	80% DP distributed	80% DP distributed	80% DP distributed	80%-120% tunnel
	Base	1	2	3	4	5
		30% DP, 70% diver, 5% set- aside, 70% GC, PP, OF	30% DP, 70% diver, 5% set- aside, 70% GC, PP, OF	30% DP, 70% diver, 5% set- aside, 70% GC, PP, OF	30% DP, 70% diver, 5% set- aside, 70% GC, PP, OF	30% DP, 70% diver, 5% set- aside, 70% GC, PP, OF
Crops	24.612	-1,5%	-2,5%	3,3%	-1,5%	-1,4%
Horticulture	36.121	-1,0%	-1,6%	-2,3%	-1,1%	-1,1%
Wine	35.005	-0,4%	-0,4%	0,1%	-0,4%	-0,6%

²⁷ Bureau, J. C, Mahé, L. P. (2008): *CAP reform beyond 2013: An idea for a longer view*, Notre Europe, Study, no. 64, p. 49.

	FNVA/ AWL (€/UAL)*	FNVA/AWL – compared to base 2020				
	80% DP distributed	80% DP distributed	80% DP distributed	80% DP distributed	80% DP distributed	80%-120% tunnel
	Base	1	2	3	4	5
		30% DP, 70% diver, 5% set- aside, 70% GC, PP, OF	30% DP, 70% diver, 5% set- aside, 70% GC, PP, OF	30% DP, 70% diver, 5% set- aside, 70% GC, PP, OF	30% DP, 70% diver, 5% set- aside, 70% GC, PP, OF	30% DP, 70% diver, 5% set- aside, 70% GC, PP, OF
Other permanent crops	20.938	-0,8%	-0,9%	-0,8%	-0,8%	-1,4%
Milk	25.939	7,2%	6,8%	6,6%	7,1%	7,3%
Other pas- tures	22.501	-2,0%	-1,6%	0,4%	-1,9%	-2,2%
Granivo- rous	23.397	-12,1%	-17,3%	-27,5%	-12,1%	-12,1%
Mix	14.511	-2,8%	-3,5%	-1,0%	-2,8%	-2,1%
Total	23.326	-0,7%	-1,3%	0,5%	-0,7%	-0,7%

* FNVA= Farm net value added; AWU = annual work unit; DP = direct payment; diver = diversification; GC = green component; PP = permanent pasture; OF = organic farming; set-aside = the areas cultivated in non-profit scope.

Source: adaptation after European Commission (2011).

The process of greening the CAP aims to reduce the direct support for European farmers and to establish a new direction of achieving agricultural policies in member states. In this context, the mainstream of the new CAP philosophy, which consists in the need of increasing the ecological component of agricultural production, doubled by the multifunctional approach of agriculture, will deepen the instability of rural communities, reducing their financial security and standard of living of people. As results in other research,²⁸ if in the

²⁸ Andrei, J., Dusmanescu, D. (2012): *Some Romanian experience in achieving the best Common Agricultural Policy results. How much has the agricultural sector has beneficiee?*, Proceedings of the International Scientific Meeting

past, CAP reforms used to have only short term objectives, in order to answer the endogenous challenges, like agricultural surpluses, because of its complexity, the new financial framework holds the new orientation of CAP towards market and rural development.

Applying these measures of greening CAP creates premises for strong discriminations between member states EU-27. The current gaps will deepen in the context of reducing financial support for direct payments, and farmers will need to shift to the new change in CAP philosophy. The New Member States will not benefit of supplementary financial measures, but, in a contrary, these allocations are reduced to the maximum limit of greening of 30% of the direct payments. The bulk of European states will not benefit of the premises of favorable corrections of gaps in agricultural sectors, but will face measures that will deepen even more their dependence on agricultural imports from the community. They will transform themselves into satellites of an agricultural policy more discriminative. In the new context, CAP aims to realize a process of reorientation and translation to the direct support of agricultural production to the rural development of rural community, in the light of a massive dependency financial allocation of EU funds. The ecological component of CAP gains an important share in agricultural community, with higher implications on European agricultural model.

EUROPEAN FARMS AND MEASURES OF GREENING THE COMMON AGRICULTURAL POLICY

Greening the Common Agricultural Policy has direct and inevitable repercussions on agricultural production structures, equally shaping their economic behavior. As Brouwer and Silvis argue in their study,²⁹ between agriculture and environment exists direct constraints, both being influenced one by another, with a straight outcome on farmers revenues and behavior. The income effect over the farmers' budget will be significant, even if they will choose to fully greening agricultural production. Conditioning farmers through financial constraints to achieve green practices will undoubtedly result in a redistribution of the farmers' budget. As noted in the Commission's analysis³⁰ for EU-27, the various options of greening would result in a decrease in the average income

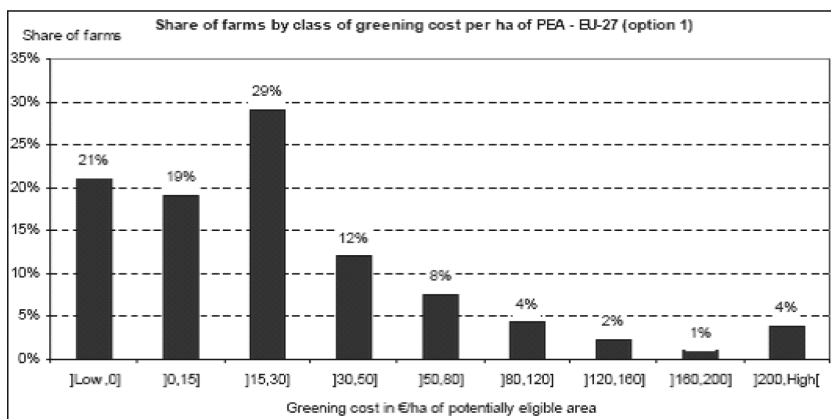
„Sustainable agriculture and rural development in terms of the Republic of Serbia strategic goals realization within the Danube region – preservation of rural values”, Tara, Serbia, December 6-8th, pp. 801-819.

²⁹ Brouwer, F., Silvis, H. (2010): *Rural Areas and the Environment*, In: Oskam, A., Meester, G., Silvis, H. (eds.), *EU Policy for Agriculture, Food and Rural Areas*, Wageningen: Wageningen Academic Publishers.

³⁰ European Commission (2011): *Commission Staff Working Paper Impact Assessment, Common Agricultural Policy towards 2020*, SEC (2011) 1153 final/2, Brussels.

ranging from -3.2% and -1.4%. Figure 1.5 is shown the distribution of farms according to greening costs.

Figure 1.5. The distribution of farms according to greening costs

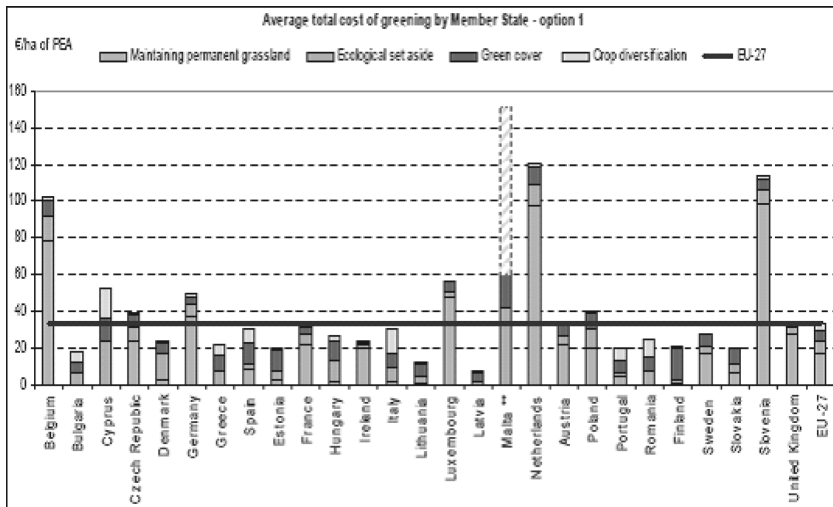


Source: based on European Commission (2011), Common Agricultural Policy towards 2020, SEC (2011) 1153 final/2, p. 58.

In this context, the highest costs arising from the implementation of green measures are being felt in small and very small farms (19%-21%) and also in the case of farms of 15-30 ha (29%). They overlap over a discount up to 5% of grain production. Also in the same document of analysis of the Commission³¹ stands out a „reduction of the domestic cereal and oilseed production that would generate some price increase (+2% for cereals and unchanged for oilseeds), with production in the animal sector expected to decline slightly (from 0% and -1.5%) whereas producer prices would increase by about +1%.“ In these conditions becomes more appropriate the question whether the effects of CAP greening measures transposed in reducing of the agricultural production will generate subsequently benefits for the environment and communities or will only pursue a pressure reduction of European agricultural market generated by agricultural overproduction and lack of markets. In Figure 1.6 is shown the evolution of the CAP greening costs for each Member State.

³¹ European Commission (2011): *Commission Staff Working Paper Impact Assessment, Common Agricultural Policy towards 2020*, SEC (2011) 1153 final/2, Brussels

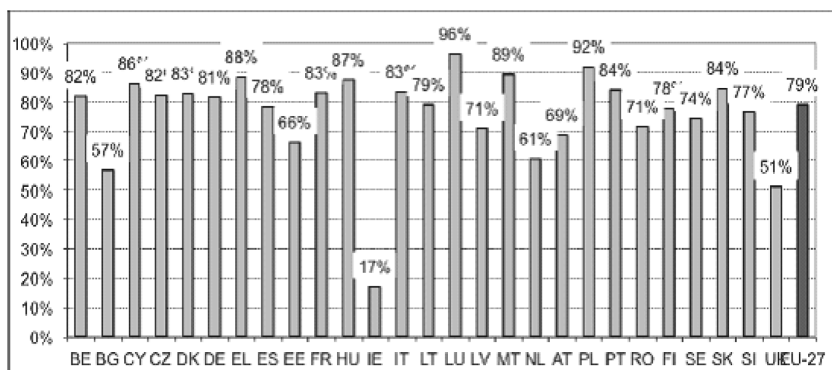
Figure 1.6. Average total cost of greening per Member State in EU-27



Source: based on European Commission (2011), Common Agricultural Policy towards 2020, SEC (2011) 1153 final/2, p. 56.

From the data presented in the figure above, it can thereby be seen an uneven distribution of the costs concerning the greening measures of CAP in the Member States. In the case of Romania is distinguished a roughly equivalent proportion between green measures. So, are noteworthy the findings according to which the clause 5 of Council Regulation (EC) No. 73/2009 of 19 January 2009, the abolition, in accordance with this Regulation, of compulsory set aside within the single payment scheme could in certain cases have adverse effects on the environment, in particular as regards certain landscape features. Considering Option 1 on greening the CAP, it is clear from the available data from Figure 1.6 that the cost per hectare varies in the margin 30-40 EUR/ha in the EU-27, only a few states recording levels above the margin, as in the case: Germany, Belgium, Sweden or Holland. The application of these measures will require a reorientation of European farmers to ecological systems but with much diminished productivity from those used previously. In Figure 1.7 are shown the effects for farms bearing the costs of greening measures.

Figure 1.7. Share of farms bearing the costs of greening measures



Source: based on European Commission (2011), Common Agricultural Policy towards 2020, SEC (2011)1153 final/2, p. 56.

In Romania, the share of farms bearing the costs of greening measures is of about 71%, comparable to that of Latvia, but being under EU-27 average of 70%. The effects of greening the CAP are thereby difficult to commensurate to the extent that they generate both a reduction in production but also additional costs of adaptation to new requirements. Mainstreaming measures adopted under the new CAP reform is needed more than ever, given that the developments in the European agricultural sector are heading more towards environmental concepts than for compliance and improvement of environmentally friendly agricultural practices. Romanian agriculture is so in front of some massive transformation of European agriculture sector which, if it fails to manage them properly, will deepen more the gap towards national agricultural model. Poorly capitalized, with many farms but very fragmented, the national agricultural sector will either have to adapt to the new European demanding, not at all favorable, or to move to a bigger decline in yields, both situations agreeing in small measure with the hopes of its revitalization along with EU integration.

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