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STUDY ON THE EVOLUTION OF THE FINANCIAL SUPPORT GRANTED TO THE AGRICULTURAL SECTOR IN THE PERIOD 2008-2019

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Summary: *The Common Agricultural Policy is the basis for ensuring food security, the sustainable use of natural resources and the balanced development of rural areas in the Member States of the European Union. The three paths of the CAP through which these objectives are achieved are: direct payments, market measures and rural development. In the last ten years, Romania's agricultural development has been achieved with the help of European subsidies established on the basis of the European Common Agricultural Policy. At national level, over 70% of the total funds allocated to the agricultural sector are managed by the Agency for Payments and Intervention for Agriculture, which registered over 1 million beneficiaries, with a funding of over 15 billion euros. This study aims to analyze the evolution of financial support to the agricultural sector through direct payment schemes in Pillar I, in the period 2008-2019, using statistical methods of analysis, thus creating a broader view of the situation of these support schemes.*

Keywords: *financial support, pillar I, direct payments*

JEL classification: *Q14, Q18*

INTRODUCTION

The common agricultural policy was created to provide support to European farmers to meet the needs of a market to which more than 500 million citizens have access. It mainly aims to ensure a stable supply of safe food, sustainably produced at affordable prices and a decent standard of living for farmers.

The CAP is valid for all 28 EU countries, giving Member States the flexibility to adapt certain instruments to the specific situations of each country. It is financed by two funds drawn from the European Union: the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD).

The main financing instrument for agriculture in the European Union in the 2007-2013 programming period was represented by direct payments granted through two payment schemes, namely: the single payment scheme (SPS) applied in the old Member States, and the single area payment scheme (SAPS) applied in some of the new Member States.

According to Regulation (EC) No 73/2009, farmers are required to comply with a number of rules concerning good agricultural and environmental conditions, as well as statutory management requirements relating to environmental protection, public health, animal health and welfare, all of which in order to be eligible for direct payments. Direct payments are a key element of the policy that provides income support for farmers and promotes the competitiveness, sustainability and practices of organic farming.

This topic is of interest and studied among researchers. Cionga et al., (2008) studied the importance of subsidies allocated by the CAP and concluded that these subsidies are very important for the stability of farms but also dependent on the level of specialization of the farm and the size of usable agricultural areas. According to him, large farms benefited most from the payments and aid allocated by the EU.

MATERIAL AND METHOD

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The paper aims to analyze the financial support provided to the agricultural sector in Romania through direct payment schemes granted under Pillar I.

In order to follow the evolution of the support granted through Pillar I-direct payments, the number of beneficiary farmers, the areas authorized for the payment of financial aids and the payments granted were analyzed.

The research method used is the quantitative and qualitative analysis of the statistical data provided by APIA. The processing of statistical data is performed using statistical calculation methods: minimum, maximum, average, standard deviation, coefficient of variation and the average annual rate.

RESULTS AND DISCUSSIONS

For ten years, Romania's agricultural development has been achieved with the help of European subsidies established on the basis of the Common European Agricultural Policy, through which Europe pursues food and environmental security and territorial balance. 70% of the total funds allocated to the Romanian agricultural sector are managed by the Payments and Intervention Agency (APIA). Over the last ten years, APIA has managed the applications submitted by over 1 million beneficiaries and provided them with funding of over € 15 billion [2].

Analysis of the number of beneficiaries of direct payments

Analyzing, at national level, the number of farmers who requested financial support in the period 2008-2019, it was observed that it followed a decreasing trend with an annual rate of -2.6%, reaching in 2019 a number of 844 thousand applicants, representing the minimum peak of the period. During this period, an average of 1,003 million applicants were registered, and the coefficient of variation of 10.6% indicates that the data series is relatively homogeneous.

Table no.1. The structure of the number of farmers according to the legal status they requested financial support in the period 2008-2019

Type of farmers	2008	2013	2019	Minim	Maxim	Average	Stdev	Cvar		Growth rate
	No. farmers	No. farmers	No. farmers	No. farmers	No. farmers	No. farmers	No. farmers	%	Semnf	%
Foreign citizen	72	171	183	72	197	149,6	37,4	25,0	big	8,9
Forms of simple association	1	99	10	1	99	40,4	37,4	92,6	big	23,3
Family businesses	0	523	5832	0	5832	1161,0	1703,0	146,7	big	63,4
Individual enterprises	0	4046	15521	0	16826	6655,2	6259,7	94,1	big	68,3
Individual	1114333	998808	618758	618758	1114333	900747,8	200652,1	22,3	big	-5,2
Legal entity	15966	29020	176698	15966	191384	77236,3	79550,1	103,0	big	24,4
Authorized individuals	0	16061	27468	0	31701	17016,2	13399,8	78,7	big	67,0
Total	1130372	1048728	844470	844470	1130372	1003006,3	106609,6	10,6	mijl	-2,62

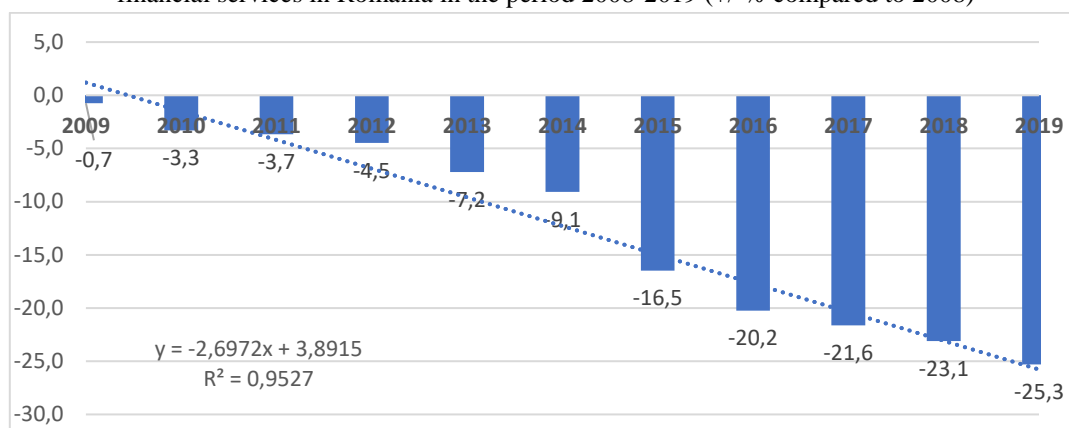
Source: data processed according to APIA

Considering the distribution of the number of farmers applying according to the legal status, it is found that most applicants are registered as individuals, their number following a decreasing trend until the end of the analyzed period, with an annual rate of -5.2% , holding a share in the total number of applicants of 98.58% (1.11 million farmers) in 2008, of 95.24% in 2013 and continuing to decrease to 73.27% in 2019.

Regarding the percentage changes in the number of farmers who applied for financial support, in figure no.1 it can be seen that compared to the reference year 2008, the next 11 years registered gradual decreases reaching - 25.3% (in 2019). Calculating the equation of the linear trend, it can be

seen that from one year to another the percentage of farmers decreased by an average of 2.69%. It is also observed that there is a very strong link between the two variables, the correlation ratio $r = 0.976$.

Figure 1. Percentage changes in the number of farmers requesting support financial services in Romania in the period 2008-2019 (+/-% compared to 2008)

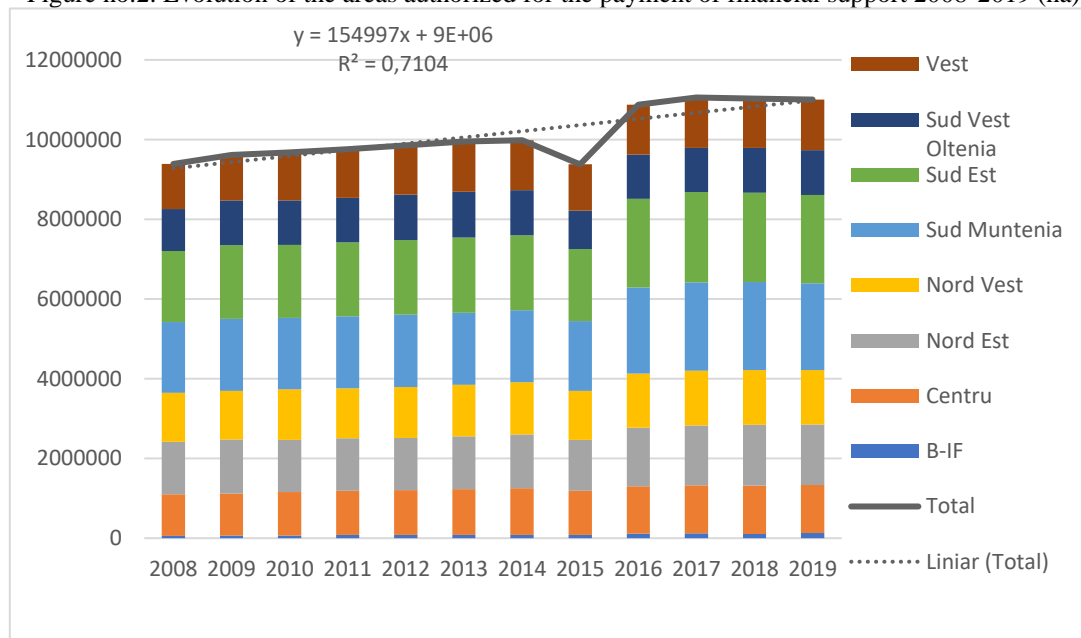


Source: data processed according to APIA

Analysis of the areas authorized for the payment of financial support

The evolution of the areas authorized for the payment of financial support from APIA in the period 2008-2019 is presented in the figure below. According to statistics, the total area that received financial support increased and as previously shown the number of applications decreased indicating the trend of land consolidation.

Figure no.2. Evolution of the areas authorized for the payment of financial support 2008-2019 (ha)



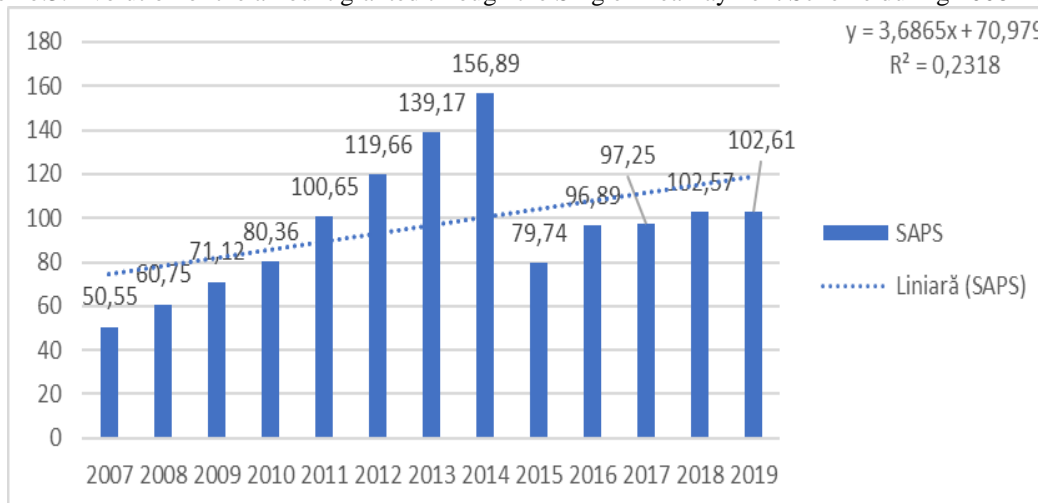
Source: data processed according to APIA

The minimum area of the period was registered in 2015, of 9.37 million ha, by 14.77% lower than in 2019 (11 million ha). The average of the analyzed period was 10.13 million ha. Calculating the equation of the evolution trend of the authorized areas during the study period, it can be seen that the level of the coefficient of x is high, respectively 154.9 thousand ha, which means that on average each year the areas authorized for the payment of financial aid increased by this value.

Single Area Payment Scheme Analysis (SAPS)

SAPS has been implemented since 2007, in order to practice a competitive, sustainable and market-oriented agriculture. During the analyzed period, the amount of SAPS had an increasing trend until 2014, reaching 156.89 euro / ha, then decreased sharply in 2015 (79.74 euro / ha). In the last 5 years it has gradually increased, registering in 2019, the value of 102.61 euro / ha.

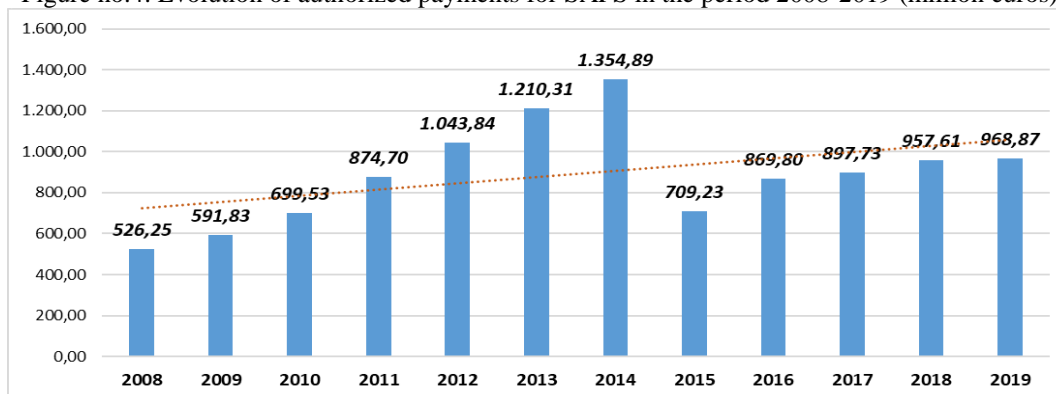
Figure no.3. Evolution of the amount granted through the Single Area Payment Scheme during 2008-2019



Source: APIA processed data

In the case of the evolution of authorized payments, for the Single Area Payment Scheme (SAPS) it is observed in figure no. 4 that they followed an increasing trend in the period 2008-2014, following that in 2015 to register a sudden decrease.

Figure no.4. Evolution of authorized payments for SAPS in the period 2008-2019 (million euros)



Source: APIA data

The maximum value of the authorized amount for SAPS registered for the period under study was reached in 2014 (1,354.89 million euros), which was 28.3% higher than in 2019 (968.87 million euros) . The average annual rate recorded during this period was 5.70%.

CONCLUSIONS

The development of the agricultural sector in Romania was achieved with the help of European subsidies established on the basis of the Common Agricultural Policy. Through the CAP, the U.E. aims at the stability of food and environmental security as well as a territorial balance.

At national level, approximately 70% of the total funds allocated to the Romanian agricultural sector are managed by APIA.

Analyzing both the number of grant applicants and the total beneficiary areas, it was observed that the evolution is reversed, if the number of applicants decreased during the period 2008-2019, the areas increased as a result of the land merger.

The most requested payment scheme is the Single Area Payment Scheme, which was implemented in 2007, contributing to the practice of a competitive, sustainable and market-oriented agriculture.

The lowest value of the amount authorized for SAPS was registered in 2015, being also the year with the lowest amount per hectare.

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