

TYPES OF SUPPORT AND INTERVENTION MECHANISMS UNDER THE COMMON MARKET ORGANIZATION DURING THE NEW STAGE OF THE COMMON AGRICULTURAL POLICY

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Abstract

The process of reforming the Common Agricultural Policy also included Common Market Organizations of various products or groups of agricultural products. Reform of the common organizations of agricultural markets essentially aims to simplify the mechanisms of intervention. Measures to reform the Common Agricultural Policies under Agenda 2000 have simplified further the intervention mechanisms, reducing them to: compensatory payments according to the "regional basic areas" and efficiency; removing from culture of certain agricultural areas that will be used for afforestation, developing parks and nature reserves, measures to support the internal market, settling of milk quotas, border regime and protection of the internal market; a simplified mechanism of supporting small farmers, settling an intervention price level the closest possible to world market price.

Key words:: exports, imports, rules, agricultural reform.

INTRODUCTION

The new stage of Common Agricultural Policy reform (2007 - 2013) further simplify the mechanisms of intervention by replacing severance payments and other measures of supporting internal market with a new system, based on the single farm payment scheme, together with rules or cross-compliance, financial modulating, rural development.

Simplification of the intervention mechanisms is accompanied, in a rational way, by simplifying Common Market Organizations for agricultural products. This simplification of the Common Market Organization was determined by Regulation (EC) no. 1234/2007 of establishing a common organization of agricultural markets and regarding dispositions related to certain agricultural products ("Unique CMO Regulation"). By this regulation, in practice they have established a single Common Market Organization for all agricultural products. Creating a single Common Market Organization for all agricultural products is justified by the fact that was previously created a horizontal legal framework for all direct payments which brought together a range of support systems in a single payment scheme introduced by the adoption of Regulation (EC) no. No 1782/2003

establishing common rules for the supporting schemes directly through Common Agricultural Policy of creating certain supporting schemes for farmers.

In order to regulate specific problems of each product or group of agricultural products, the basic regulations of each Common Market Organization have remained valid. This highlights the fact that the very concept of the common market organization is in constant change in order to adapt to the concrete conditions of each stage of development.

MATERIALS AND METHODS

Regulation (EC) no. 1234/2007 is divided into seven parts as follows: I - Preliminary dispositions, II - domestic market, III - trade with third countries, IV - competition rules, V - special dispositions applicable to certain sectors, VI - general dispositions and VII – implementing, transitional and final rules.

In Part I it is stipulated that the regulation establishes the Common Market Organization for primary products belonging to the following sectors: cereals, rice, sugar, dried fodder, seeds, hops, olive oil and table olives, flax and hemp, fruit and vegetables, processed fruits and vegetables, bananas, wine, live plants and floricultural products, raw tobacco, beef, milk and dairy products, pork, sheep and goat meat, eggs, poultry and other products.(DONA, I., 2000)

In Part II are covered issues related to: intervention on the market and rules regarding trade and production.

Intervention on the market sets rules for: public intervention and private storage, special intervention measures, limiting production systems and financial aid system.

- ✚ *Public intervention and private storage* - is covered in Chapter I and can be done when the situation requires it only for products originating in the European Union. The rules established by this Regulation make possible buying during public intervention or receiving aid for private storage products from the following sectors: cereals, rice, sugar, olive oil and table olives, beef and veal, milk and dairy products, pork, sheep and goat meat. Optional aid is granted under certain conditions and situations for: white sugar, olive oil, fresh frozen adult bovine meat, milk powder, sheep and goats cheese older than 6 months, pork, sheep and goat beef.

- ✚ *Special intervention measures* are covered in Chapter II and refer to: exceptional market support measures, measures in

the cereals and rice sector, measures in sugar sector and adapting the offer.

- ✚ *Limitation of production systems are regulated in Chapter III* and refers to the quota regime applicable to milk and milk products and sugar, isoglucose and inulin syrup. For these products there are a set of rules regarding the allocation and management share, exceeding quotas and procedural dispositions.
- ✚ *Financial aid system is covered in Chapter IV*, containing rules on: financial aid processing (dried fodder and flax for fiber), production refunds, financial aid for milk and milk products, financial aid for olive oil and table olives, community fund for tobacco, specific dispositions regarding financial aid for agriculture and the silk worms.

Rules on trade and production include the trade standards and the applicable conditions for the production as well as producer organizations, branch organizations and organizations of operators. (ROLLET, P., HUART, F., 1995)

- ✚ *Standards related to trade include minimum requirements* for the following products that are for sale on the market: olive oil and table olives, bananas, live plants, milk and dairy products, strawberries, eggs and poultry. Also hops products undergo certification procedures; as for the conditions suitable for production, using casein and caseinates it is regulated in the manufacture of cheese as well as methods of producing ethyl alcohol of agricultural origin.
- ✚ *Producer organizations, branch organizations and organizations of operators* are subject to Chapter II that contains rules regarding: general principles, organizations in the tobacco, olive oil and table olives sector; organizations of producers from hops sector, olive oil, table olives and the silkworm sectors; organizations of operators in olive oil and table olives sector.

Trade with third countries include: general dispositions, imports and exports. (ZAHU, L., 2005)

General dispositions point out that if there are no legal stipulations contrary to this regulation or according to it they are prohibited in trade with third countries: the levying of any charge having equivalent effect to customs duties and implementing quantitative restrictions or measures having equivalent effect.

Imports: rules related to: import licenses, import duties and levies (the calculation of import duties on cereals, husked rice, husked basmati rice, milled rice, broken rice, additional import duties, suspension of import duties for sugar and implementing rules), the management of import quotas (tariff quotas, tariff quotas opening, tariff quotas for bananas, including implementing rules) and special dispositions for certain products: special dispositions applicable to imports of cereals and rice (variety mixtures of cereal imports, imports of cereals and rice blends, mixtures of rice imports and the applicability of tariff classification), the preferential arrangements for sugar imports (the necessary traditional sugar supply for refining, guaranteed price, commitments according to the protocol regarding sugar and implementing rules); special dispositions for the hemp importation, special dispositions for the hops importation. (MALASSIS, L., 1979)

Exports: rules related to: export licenses (for cereals, rice, sugar, olive oil and table olives, beef and veal, milk and dairy products, pork, mutton and goat meat, eggs, poultry, agricultural ethanol alcohol); export refunds (for cereals, rice, sugar, beef and veal, milk and dairy products, pork, eggs and poultry), the distribution of export refunds, determining export refunds, export refunds on malt in storage, adaptation of export refunds (for cereals, granting of export refunds, export refunds for live animals in beef and veal sector), export limits and implementing rules; the management of export quotas on milk and milk products sector (managing tariff quotas opened by third countries), special import treatment in third countries (certificates for products benefiting for special treatment imports from a third country; special dispositions for live plants (minimum export prices) and outward processing (suspension system of outward processing).

Competition rules - includes rules applicable to undertakings and rules on financial state aid.

The special dispositions applicable to certain sectors include regulations regarding: promotional sampling on milk and milk products sector; reporting on certain sectors, recording contracts in hops sector, domestic price distortions, disruptions caused by quotations or prices on the international market; conditions on measures to be imposed in case of disturbances and implementing rules and communications on ethanol alcohol sector.

General dispositions - regulation contains dispositions related to: financial arrangements, emergencies, exchange of information between Member States; clause regarding fraud, checks and administrative penalties and their reporting.

RESULTS AND DISCUSSIONS

As we have seen, Regulation (EC) no. 1234/2007 created a general framework common to all Common Market Organizations and set up a unique Common Market Organization for all products or product groups. As a result, a need to establish common regulations followed, for direct support schemes for farmers. The consequence was the approval of Regulation (EC) no. 73/2009 establishing common rules for all direct supporting schemes for farmers under the Common Agricultural Policy and establishing certain support systems for farmers. (LESOURD, M., 1997)

This regulation is structured on titles as follows:

- ✚ In Title I - Applying field - states that Regulation no. 73/2009 sets: the rules governing direct payments, the unique farm payment scheme, the unique area payment scheme, support schemes for farmers producing rice, potato starch, protein crops, nuts, seeds, cotton, sugar, fruit and vegetables, sheep meat, beef and veal, a framework for the new Member States to complement direct payments.
- ✚ Title II - General dispositions regarding direct payments, contains regulations related to: cross compliance, modulation and financial discipline, farmers counseling system, the integrated system of administration and control and other general dispositions.
- ✚ Title III - Single payment scheme - sets up a series of rules related to: general implementation, regional and partial implementation, application inside the new Member States that have applied to the single area payment scheme, the integration of coupled support into the single payment and specific support.
- ✚ Title IV - Other aid schemes - schemes governing Community support schemes (specific payment for rice crops, aid for starch potato growers, the protein plant crop bonus, payment on area for fruits having hard hull, specific payment for cotton crops, aid for seeds, aid for sugar beet and sugar cane producers, transitional payments for berry type fruits, transitional payments for fruits and vegetables, bonuses for sheep and goat sectors, payments for beef and veal meat) and national aid (national aid for fruits having hard hull: almonds, hazelnuts, walnuts, pistachios and locusts).
- ✚ Title V - Implementation of direct payments in new Member States shall establish rules on the introduction of direct

payments in new Member States as follows: the new Member States other than Romania and Bulgaria will introduce direct payments up to 60% in 2009, 70% in 2010, 80% in 2011, 90% in 2012 and 100% from 2013. Romania and Bulgaria will introduce direct payments in 2009 up to 35%, 40% in 2010, 50% in 2011, 60% in 2012, 70% in 2013, 80% in 2014, 90% in 2015 and 100% from 2016.

- ✚ Title VI - Financial transfers governs financial transfers for restructuring regions producing cotton, tobacco, as well as transfers to the EAFRD.
- ✚ Title VII - Rules for implementing and final dispositions include provisions on enforcement, compliance with payment rights, applications for the outermost regions, state aid, transmit information to the Commission, the management of direct payments and transitional and final provisions .

CONCLUSIONS

Romania, as EU member state is obliged to apply these schemes and market intervention mechanisms under the agricultural common market organizations. Since 2007, the following forms of support have been applied in Romania: direct payments under the single area payment scheme (SAPS) and additional aid for sugar beet and energy crops.

Market measures are:

- ✚ intervention measures;
- ✚ storage - intervention stocks (state intervention).
- ✚ operable market measures in 2007, other than the intervention, were: community aid for supplying milk in schools, support for vineyards restructuring and conversion, processing aid for flax and hemp for fiber.

In order to finance these forms of support EU funds are used, also funds from the national budget and co-financing funds from beneficiaries.

Romania needs to make the most of these community funds to access and use them to restructure agricultural sector and to make it compatible with the European Union and competitive to face competition in the Community and world market. This requires a consistent and coherent national policy in order to stimulate the formation of optimal size commercial farms, increase average yields and overall production, modernize the processing capacities and not least the establishment of producer groups. All these have to aim to the formation and consolidation of food chains that have a decisive role in national agricultural market functioning.

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