THE DEVELOPMENT OF AGRICULTURE IN EUROPE IN THE CONTEXT OF GRANTING REGIONAL AID

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Abstract

The aim of this present paper is to resemble the importance that agriculture plays in the sustainable management of our natural resources, as well as supporting broader elements of the rural economy and the role that state aid play in the process of agriculture development. It also contains a concrete analyze of some Member States, how they were affected by the CAP, a description of the situation until 2013 and what is going to happen in the future to ensure competitiveness and sustainability of EU agriculture. The paper also includes a contemplate how to implement the new CAP for the period from now until 2020 in order to develop the agricultural sector in the European countries. Agriculture is an integral part of the European economy and society. In terms of indirect effects, any significant cut back in European farming activity would in turn generate losses in GDP and jobs in linked economic sectors – notably within the agro-food supply chain, which relies on the EU primary agricultural sector for high quality, competitive and reliable raw material inputs, as well as in non-food sectors. The influence that EU has in this whole process, will be resembled in the following analyze.

Keywords: agriculture, Common Agricultural Policy, European funds, payment

INTRODUCTION

For more than twenty years, starting in 1992, the CAP has been through successive reforms which have increased market orientation for agriculture while providing income support and safety net mechanisms for producers, improved the integration of environmental requirements and reinforced support for rural development across the EU (Alecu,2013).

The new policy continues along this reform path, moving from product to producer support and now to a more land-based approach. This is in response to the challenges facing the sector, many of which are driven by factors that are external to agriculture (Norwood,2007).These have been identified as economic (including food security and globalization, a declining rate of productivity growth, price volatility, pressures on production costs due to high input prices and the deteriorating position of farmers in the food supply chain), environmental (relating to resource efficiency, soil and water quality and threats to habitats and biodiversity) and territorial (where rural areas are faced with demographic, economic and social developments including depopulation and relocation of businesses) (Zahiu,2006).

Since the role of the CAP is to provide a policy framework that supports and encourages producers to address these challenges while remaining coherent with other EU policies, this translates into three long-term CAP objectives: viable food production, sustainable management of natural resources and climate action and balanced territorial development.(Drummond,2013)

MATERIAL AND METHOD

The analyze of the agricultural development in the EU Member States resembles the fact that the situation is different from one country to another. The Common Agricultural Policy (CAP) is Europe's answer to the need for a decent standard of living for 12 million farmers and a stable, varied and safe food supply for its 500 million citizens (Penson,2009). It strengthens the competitiveness and sustainability of EU agriculture by providing direct payments and market measures to farmers and finances programs for the development of rural areas in the EU.

Since 2007 the CAP has invested almost EUR 10 billion2 in Romania's farming sector and rural areas with the objective of stabilizing farmers' income, modernizing and increasing the sustainability of Romanian farms and securing the supply of safe, affordable and quality food for its citizens. During recent years, direct payments have been a key safety net; particularly important in Romania where the primary sector represents 30.6% of jobs.

In 2012 Romania spent over EUR 906 million on direct payments, benefitting some 1.1 million beneficiaries, 95% of whom received a payment below EUR 1250. In 2012, the EU spent around EUR 114 million on market measures in Romania. The biggest share went to the wine and fruit and vegetables sectors. The injection of public resources into the farming and forestry sector had important multiplier effects, and played a key role to attenuate the effects of the economic crisis in Romania. Since 2007 under Romania's first post-accession Rural Development program, EU funds have helped Romania to:

-Set up more than 9 400 young farmers, with aid of more than EUR 86 million to help improve the age structure in farming,

-Modernize more than 2 000 agricultural holdings generating a total investment (public and private) of EUR 1.87 billion to help develop Romania's agricultural potential;

- Provide support to about 47 000 semi-subsistence farms to assist their restructuring and transformation into viable, market-oriented holdings;

- Invest in about 800 communes that benefitted from much-needed investments to upgrade rural infrastructure and provide access to basic services, in order to create the pre-conditions for economic growth. These investments involved: 3827.69 km of road infrastructure; 2789.06 km of water infrastructure; 4210.75 km of waste water infrastructure were built or rehabilitated.

Since 2007 the CAP has invested more than EUR 25.13 billion in Poland's farming sector and rural areas with the objective of stabilizing farmers' income, modernizing and increasing the sustainability of Polish farms and securing the supply of safe, affordable and quality food for its citizens. During recent years, direct payments have been a key safety net; particularly important in Poland where the primary sector provides 12.6% of jobs.

For example, in 2012 Poland spent over EUR 2457 million on direct payments, benefitting more than 1.3 million beneficiaries, 64% of whom received a payment below EUR 1250. The injection of public resources into the farming and forestry sector had important multiplier effects, and played a key role in attenuating the effects of the current economic crisis in Poland's rural areas. The evolution of the Polish agro-food industry was positive, with an increase in output and much higher exports than in other economic sectors. The exports of agricultural products from Poland to other EU countries in the last ten years have been multiplied by five and Poland has continued to be a net exporter of agricultural products.

In concrete terms, since 2007 Rural Development funds have helped Poland to:

- Set up more than 23 000 young farmers, generating a total investment (public and private) of more than EUR 452 million.
- Modernize more than 37 000 agricultural holdings, generating investments of more than EUR 3.2 billion.
- Support farmers affected by flooding and other natural and climatic disasters, helping them to recover their agricultural activity.
- Invest just under EUR 1 billion in services available to rural populations, and EUR 345 million in the renewal of just under 3700 villages.

Since 2007 the CAP has invested around EUR 47.2 billion2 in Germany's farming sector and rural areas with the objective of stabilizing farmers' income, modernizing and increasing the sustainability of German farms and securing the supply of safe, affordable and quality food for its citizens. During recent years, direct payments have been a key safety net. In 2012 Germany received nearly EUR 5.3 billion of direct payments, benefitting some 328 320 beneficiaries, more than two thirds of whom received a payment falling in the range between EUR 2000 and less than EUR 50 000. In 2012, the EU spent around EUR 137.6 million on market measures in Germany.

The biggest share went to the fruit and vegetables, wine and the cereals sector as well as milk and milk products. The EU contributed to a whole range of different activities supporting agricultural production and benefitting Germany's rural areas by allowing to keep diversity in place and to transform it into a feature of economic strength, cultural richness and social cohesion. In concrete terms, since 2007 Rural Development funds have supported Germany's agriculture and forestry to:

- Support the modernization of more than 15 000 agricultural holdings, generating a total investment (public and private) of more than EUR 5 billion;
- Improve the agricultural and forestry infrastructure through more than 17 000 projects implemented, generating a total investment (public and private) of more than EUR 2 billion;
- Protect the agricultural production potential and the rural population against storm surges and flooding through investments of more than EUR 1.3 billion;
- Support the renewal and development of villages for more than 8 000 villages with an investment volume of more than EUR 2 billion.

Since 2007 the CAP has invested more than EUR 6.6 billion2 in Czech's farming sector and rural areas with the objective of stabilizing farmers' income, modernizing and increasing the sustainability of Czech farms and securing the supply of safe, affordable and quality food for its citizens. During recent years, direct payments have been a key tool for income stability, in particular in periods of growing price volatility. In 2012 the Czech Republic received over EUR 743 million on direct payments, benefitting some 26 810 beneficiaries, 74% of whom received a payment below EUR 10 000. In 2012, the EU spent around EUR 13 million on market measures in the Czech Republic. The biggest share went to the wine and fruit and vegetables sectors.

Since 2007 under Czech Rural Development program, EU funds have helped the Czech Republic to:

- modernize and improve overall performance of more than 1 500 agricultural holdings by generating a total investment of EUR 858 million.
- create almost 1 500 new jobs.
- set-up approximately 1 400 young farmers, with total investment of EUR 76 million to help improve the age structure in farming.
- invest in about 750 municipalities that benefitted from investments to upgrade rural infrastructure (basic water infrastructure, local roads, public spaces). In particular, access to water has improved for more than 17 000 inhabitants thanks to projects for building or reconstructing water supply. Also, the number of inhabitants connected to sewerage systems with wastewater treatment plant increased by 16%.

Since 2007 the CAP has invested more than EUR 70 billion3 in France's farming sector and rural areas with the objective of stabilizing farmers' income, modernizing and increasing the sustainability of French farms and securing the supply of safe, affordable and quality food for its citizens.

During recent years, direct payments have been a key safety net for the French farmers.
In 2012 France received over EUR 7.9 billion on direct payments, benefitting some 366 000 beneficiaries, 29% of whom received a payment below EUR 5.000. In 2012, the EU spent around EUR 732 million on market measures in France. The biggest share went to the wine and fruit and vegetables sectors.
During the programming period 2007-2013, the French strategy for EU support on rural development was focused on four key objectives:
- To maintain and improve competitiveness in agriculture, forestry and the agro-food sector;
- To protect the environment and manage sustainably its natural resources;
-To improve the quality of life in rural areas and encourage diversification of the rural economy;
-To create local capacity for employment and diversification in rural areas through the Leader approach.

Figure 1

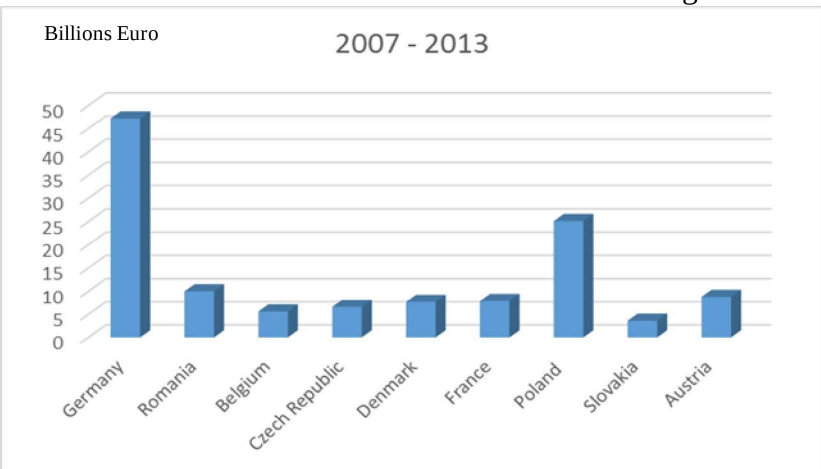

Fig. 1.European funds granted in 2007-2013

Past reforms have led to step changes in the CAP and this one is no exception. It represents another milestone in the CAP's history placing the joint provision of public and private goods at the core of policy. Farmers should be rewarded for the services they deliver to the wider public, such as landscapes, farmland biodiversity, climate stability even though they have no market value. Therefore, a new policy instrument of the first pillar (greening) is directed to the provision of environmental public goods, which constitutes a major change in the policy framework. The new CAP design is also more efficient, targeted and coherent. It is based on a more holistic approach to policy support through the maintenance of the existing two pillar structure but in a more targeted, integrated and complementary way. Both pillars of the CAP are aimed at meeting all three CAP objectives more effectively, with better targeted instruments of the first pillar complemented by regionally tailor-made and voluntary measures of the second pillar.

It also took place in the framework of the discussions on the overall EU budgetary framework for 2014-2020, the Multiannual Financial Framework (MFF), which provides for the funds at the disposal of the EU including the CAP. After intensive negotiations, in 2013 a deal was secured both on the CAP and the MFF. The new CAP 2014-2020 agreed by the Council and the European Parliament retains most of the essential objectives and approaches proposed by the Commission, albeit with a lower budget than proposed by the Commission.

Figure 2

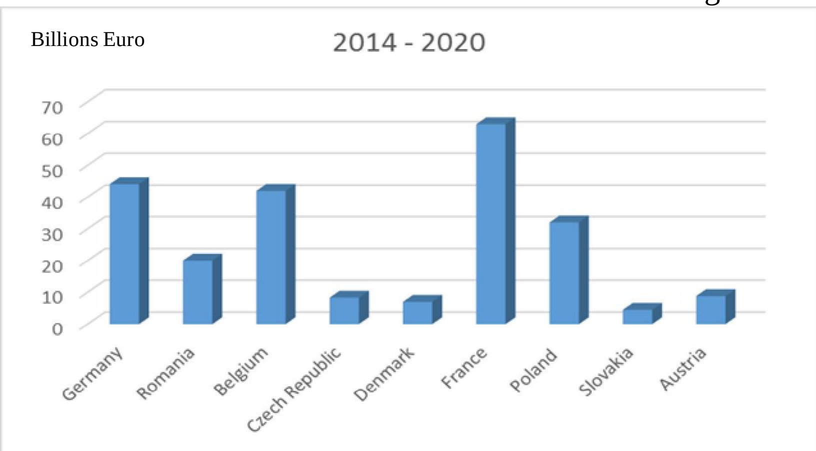

Fig. 2. European fund for the future period 2014-2020

RESULTS AND DISCUSSION

The European system of price support and import barriers has in the past distorted trade patterns, often to the disadvantage of developing countries. In particular, EU farmers have been heavily subsidized (until recently) to grow sugar beet, whereas free trade would dictate that sugar would be imported from countries which can grow it at lower cost. Europe is not unique in subsidizing farmers and distorting markets (Dornean,2013). One of the key objectives would be reaching a deal on reduction or elimination of agricultural subsidies in order to benefit developing world farmers (Barry,2011). The successive elements of CAP reform in the last 20 years have significantly changed the Common Agriculture Policy into a relatively modern policy. Farmers have become much more market-oriented and the trade-distorting effects of the subsidies are relatively limited. But the steady annual decline of 3-5 percent in farm numbers has not changed. The priorities for the CAP and the driving forces for reform have evolved in

recent years. In the context of Europe's economic crisis and a large share of EU spending directed towards the CAP, serious questions are being raised about the reasons for the current levels of spending, the efficiency and the extent to which it provides genuine EU added-value.(Won K.,2005).
For the next EU Financial Perspectives for 2014-2020, in a context where EU states will certainly not be willing to increase the overall size of the budget, it is clear that it would like to dedicate a much smaller share of the budget to the CAP, suggesting that EU funding for issues such as research and development provide better EU added-value.(Popescu,2013).

CONCLUSIONS

The common agricultural policy (CAP) dates back to the early days of European integration, when Member States made a commitment to restructuring and increasing food production, which had been damaged as a result of the Second World War. Today, the CAP still has a pivotal role in the European Union, not just because farmland and forests account for more than 90 % of land within the EU, but also because it has become an essential mechanism for facing new challenges in terms of food quality, environmental protection and trade. The reform was a key moment in the CAP's development, adapting the policy to meet the new requirements of farmers, consumers and the planet. This approach continues to form the basis of the future development of the common agricultural policy of an enlarged Union present on the world stage. The recent enlargements of the European Union have had the effect of increasing the significance of agriculture and have resulted in new economic and social challenges for the common agricultural policy (CAP). The new Member States have huge agricultural potential in terms of human resources and providing further farmland. However, this potential has yet to be fully realized. There is a considerable socioeconomic divide between the old and the new Member States in the agricultural sector. Through its intervention, the EU aims to prepare candidate countries for implementing the CAP, specifically by adapting their infrastructure and reducing the disparities between Member States upon their accession.

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