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Research Report

Analysis of the common agricultural policy evolution and directions: A Romanian perspective

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EUROPEAN INSTITUTE OF ROMANIA

Project SPOS 2007 - STRATEGY AND POLICY STUDIES

STUDY NO. 3

ANALYSIS OF THE COMMON AGRICULTURAL POLICY EVOLUTION AND DIRECTIONS - A ROMANIAN PERSPECTIVE -

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**Bucharest
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Abbreviations and acronyms

APIA	Agency of Payments and Intervention in Agriculture
CAP	Common Agricultural Policy
CAP-HC	“Health Check” of the CAP reform
CEE	Central and Eastern Europe
CEECs	Central and East-European Countries
CMOs	Common Market Organizations
EAGGF	European Agricultural Guidance and Guarantee Fund
EEC	European Economic Community
EP	European Parliament
EU	European Union
GDP	Gross Domestic Product
IACS	Integrated Administration and Control System
MS	Member State
NMS	New Member States
NPARD	National Plan for Agriculture and Rural Development
OECD	Organization for Economic Cooperation and Development
SAPS	Single Area Payment Scheme
SPS	Single Payment Scheme
WTO	World Trade Organization

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Introduction

In more than 50 years of existence, the Common Agricultural Policy experienced a continuous change and adjustment process. Nowadays, at less than four years since its latest reform, under the pressure of changes on the world agricultural markets as well as of the new political framework as a result of EU enlargement, CAP is again facing an adjustment/improvement process, this action being called “Health Check”. Thus, after one decade of structural, legislative and institutional reforms, of economic and social restructuring for accession preparation, the Romanian agricultural sector has to face a significantly changed context, with increased interdependencies, calling for rational and efficient actions.

While approaching a theme of great actuality, the study has as main objective to improve the strategic valences of the Romanian agricultural and rural sector, by defining Romania’s position in relation to the proposals to improve CAP, this action mainly targeting the period 2008-2013.

The complexity of the approached subject called for an adequate methodology, which included both statistical analysis methods and sociologic analysis methods. The novelty and “volatility” of the subject needed a sustained documentation throughout the period of the study.

In the first chapter, the “reform dependency” of CAP is presented, which since its construction went through a continuous process of change and adjustment of its objectives and mechanisms. Chapter two, circumscribed to this context, briefly presents the proposals, expectations and options with regard to the action to improve CAP, action known under the name “Health Check” (CAP-HC). The foreseeable effects upon CAP, generated by a series of international events such as the Doha Round, the review of the EU budget or signing up the Reform Treaty are presented in chapter three. Chapter four comes next, which analyses the position that Romania could adopt during the next debates and negotiations on CAP-HC. Referring to the CAP and at the measures proposed by the Commission, the last chapter presents the opinions, perceptions and estimations of 41 specialists in the field of agriculture and rural development who we would like to thank for their valuable contribution.

Chapter 1: The Common Agricultural Policy under the pressure of change

In more than 50 years, the Common Agricultural Policy (CAP) went through a continuous adjustment and metamorphosis process, being subject to important reforms, in order to support the viability of a sector considered vital for the society and for the community at the basis of this sector, i.e. the farmers. The gradual changes were dictated by the socio-economic dynamics, by the enlargement process and by the pressures of globalization.

In time, the CAP objectives changed and extended from ensuring food security for the population and the stability of agro-food markets (objectives in the first years) to ensuring a decent living standard for the rural communities in the Member States (Table 1.1).

After two decades of implementation, “*the CAP miracle*” had remarkable effects and it was considered, at that time, a policy promoting modern agriculture. By the end of the 1980s, this policy became the victim of its own success, strongly distorting the market by stimulating intensive production beyond the market absorption power, creating significant stocks of products and strongly affecting the environment, animal welfare and food quality¹. The consequence of this policy application also resulted in significant gaps in farmers’ incomes. In that period, 80% of the budget for agriculture was absorbed by 20% of the European farmers, mainly large and most efficient farmers, to the detriment of small farmers for which the access to technology was denied (their own alternative was to abandon the land that could no longer provide the means for existence).

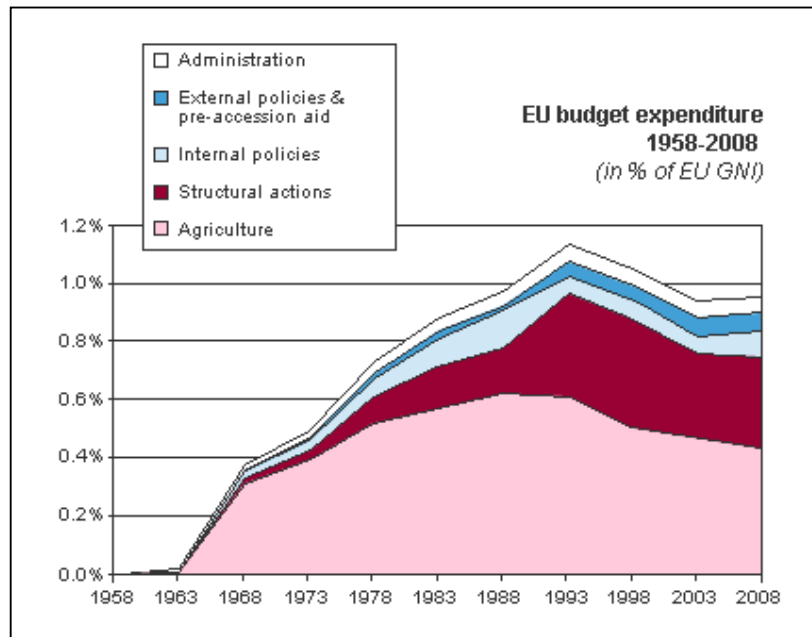
The success of CAP, shadowed by the secondary effects of its implementation, was added to the European taxpayer’s bill.

The structure of the budgetary expenses of the EU also reflected the targeted political objectives throughout the time, as well as the importance attached to the agri-food and rural sector (Figure 1.1.)

¹ In the period 1970-1980, the EU needs in cereals, beef, dairy products, poultry meat and vegetables were 100% covered by EU’s own production. Due to the technological progress, the cereal yields doubled (in France and Netherlands), while the average yields in milk and sugar increased by 50%. With the EU enlargement to 9 and then to 12 and to 15 members, each of the above-mentioned sectors continued to produce significant surplus of products for the EU solvent demand, under the background of global competitiveness increase, so that this surplus was sold with considerable budgetary efforts, expressed by export restitutions. All these were added to the distortions related to the fluctuations of national currencies inside the EU.

Figure 1.1. Dynamics of EU budgetary expenses in the period 1958-2008

(% of the GNP of EU)



Source: <http://ec.europa.eu/budget/reform/history>

With the establishment of the European Agricultural Guidance and Guarantee Fund (EAGGF) in 1962, the expenditures for agriculture began to rise significantly, so that in 1965, these already had 35.7% of the EU budget. In the year 1985, CAP expenditures had increased up to 70.8%, while this significant share was maintained throughout the period 1988-1992² (60.7% of the EU budget on the average). The need for a radical change of this policy was increasingly obvious, and the steps to reach this objective were gradually made. Starting with the year 1992, three main reforms tried to adjust CAP to the requirements of the great “players” on the agricultural world markets and to the new European political framework resulting from the enlargement of the EU to Central and Eastern Europe. The application of these reforms resulted in the decrease in the share of CAP expenditures in total budget since 1993, so that in the year 1999, these accounted for only 54% of total EU budget, while the trend of agricultural expenditures continued to decrease, to reach 44% in 2003.

The first great reform proposed by Mac Sharry in 1992 targeted only the grain sector. Although it had significant positive effects, permitting the absorption of agricultural surplus, the improvement of farmers’ incomes (due to the direct payments) and the decrease of consumer prices (supported by the EAGGF guarantee fund), in a short time it was noticed that this was not sufficient. CAP implementation in the EU Member States induced large differences between regions and producers, due to the support that was provided on unequal basis. The rich regions benefited from support to the detriment of the less-favored regions and producers. At the same time, the problem of the surplus was not solved yet, mainly in certain products (beef, cheese and milk powder). The beginning of the new negotiations with WTO again highlighted that CAP had to adjust to the requirements on the great “players” on the

² In the year 1992, CAP budget reached over 30 billion ECU

agricultural world markets (USA). This added to the new European political framework, i.e. the perspective of EU enlargement to the CEE. Under these conditions, it was obvious that CAP had to be reformed again.

In 1997, the European Commission proposed within the Agenda 2000 (completed in 1998) to intensify the reforms initiated in 1992 and to continue the adjustment of EU prices to the world prices, by replacing the price support by the direct support of farmers' incomes. The need to elaborate and implement a coherent rural development policy that should accompany the market policy as well as the desire to have an environment-friendly agriculture, more demanding with regard to product quality, also added to the reform need.

Agenda 2000 significantly reorganized the orientation of development policy instruments³ with the objective to have a more powerful agricultural and forestry sector, to improve competitiveness in the rural areas, to protect the environment and the rural heritage. As a result, the need to create a new rural development framework as main starting point in the rehabilitation of the economic and social network in the rural area became indispensable. The design and implementation of a global and coherent rural development policy became "Pillar 2" of the CAP. Together with "Pillar 1", the rural development policy became an essential part of the European agricultural development pattern.

As the enlargement of EU to the east was already obvious, and the date of accession of countries from the first wave was getting closer, in the summer of 2002 the Commission decided upon a more radical CAP reform targeting a more significant support to rural development, CMO review and modification (for cereals, durum wheat and beef) and decoupling direct payments from production and their gradual increase, as well as their simplified implementation, the possibility to adjust the national agricultural policies, production quotas based upon recent reference periods, intensification of rural development policy for stimulating the change process. Thus, in the year 2003 this was also materialized from the legislative point of view. For the future EU Member States, whose agro-food sectors needed massive restructuring, special regulations were provided, one of them referring to the direct support level (to be applied gradually in a ten-year period) and to the option regarding receiving this payment. Even though on this occasion a strict financial discipline was agreed upon, the perspective of the enlargement "cost" could not be neglected at all.

The analysis of CAP evolution confirms that this policy is reform dependent. The experience of previous reforms proved that any change followed a long-lasting and most often difficult decisional process. Maybe the external pressures from the part of the great agricultural powers, the success of the Doha Round as well as the new economic and social conditions in the EU with 27 Member States, with different economic interests and development gaps, will further complicate the decisional process with regard to the implementation of CAP – HC measures.

³ The main changes introduced were the following: multifunctional agriculture and forestry, an integrated approach to the rural economy oriented towards multi-sectoral development, monitoring simplification, transfers from the Guarantee section to the Guidance section of the EAGGF.

Table 1.1: Evolution of the Common Agricultural Policy in the period 1958- 2006

Period	Characteristics	Conjuncture	Objectives	Mechanisms	Effects
1962-1972	CAP implementation Single Pillar: Agriculture supported through EAGGF	EEC- net importer of agricultural products (80% self-sufficiency); Agriculture was extremely important: 10% of GDP and 22% of the employed population	Productivity increase in agriculture; Market stabilization; Fair incomes for farmers; Food security; Reasonable prices for consumers; CAP principles: - a common market - Community preference - financial solidarity	Trade liberalization between the Member States; Export subsidy system; Import protection; Establishment of Common Market Organizations (CMOs) for half of the agricultural products – market support for these products; System of market support guaranteed prices	Agricultural production increase by 30% in 10 years; Self-sufficiency in the main agricultural products; Increase of farmers' incomes
1973-1982	<i>Period of “prudent price policy”</i>	First two EEC enlargements; Increase of the EEC-9 importance on the agricultural world market (1/3 of the world trade)	Most objectives remained unchanged; 1979: limitation of sugar, wine, milk production;	Establishment of co-responsibility fee in milk (1977); Introduction of production quotas in sugar, wine and milk; 1979-1981 guaranteed prices under the inflation level and decrease of the real prices of agricultural products; 1981-1982 increase of support prices over the inflation rate; Stable agricultural price/input price ratio	The surplus of products increased each year; High self-sufficiency level in a wide range of agricultural products; Twofold increase of budgetary expenses for agriculture compared to 1975; EEC becomes a net exporter of agricultural products.

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Period	Characteristics	Conjuncture	Objectives	Mechanisms	Effects
1983-1991	CAP crisis years	<p>Increase of surplus in agri-food products;</p> <p>Fast increase of budgetary costs</p>	<p>Unchanged objectives for the most part:</p> <ul style="list-style-type: none"> -production limitation; -limitation of surplus increase and of budgetary costs; - increasingly slower increase of nominal support prices 	<p>Production quotas in sugar, milk, grains and oilseeds (1988);</p> <p>Set-aside scheme (20% for 5 years) in exchange for significant premia;</p> <p>Minimum guaranteed prices and establishment of maximum production levels;</p> <p>Encouraging domestic consumption through consumer subsidies</p>	<p>The fundamental CAP problems were not solved up;</p> <p>The production surplus reached extremely high levels, mainly in the case of cereals and dairy;</p> <p>CAP expenses increased by 30% in the period 1989-1991 to reach over 60% of the EEC budget;</p> <p>Decrease of farmers' real incomes and significant decline in the number of farmers</p>
1992-1999	CAP (Mac Sharry) Reform – the new approach	<p>Market control and production restriction mechanisms;</p> <p>The increase of the agricultural production surplus resulted in high storage costs;</p> <p>The decrease trend of farmers' real incomes was not stopped;</p> <p>The intensive production methods affected the</p>	<p>Greater agricultural policy orientation towards the free market;</p> <p>Decrease of pressures upon the budget</p>	<p>Decrease of guaranteed and intervention prices and granting direct compensatory payments;</p>	<p>Success in balancing the demand and supply on the common agricultural market;</p> <p>Stabilization of farmers' incomes</p>

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Period	Characteristics	Conjuncture	Objectives	Mechanisms	Effects
		environment; Low competitiveness of EEC on the agricultural world market			
1999-2001	Long-term CAP for sustainable agriculture; Agenda 2000;	<i>Internal factors:</i> getting aware of food security, environment, territorial planning ; <i>External factors:</i> Pressures in WTO negotiations; EU enlargement;	An agricultural sector that is more market oriented and more competitive; Food security and safety; Integration of environmental problems into the agricultural policy; Development of rural area economy and vitality; Simplification and decentralization strengthening;	Diminution of guaranteed prices, compensated by direct payments to farmers; Increase in the quality of agricultural products; Encouraging environment-friendly agricultural practices; Promoting an integrated approach to rural development in all the rural areas;	It improved the supply/demand balance on the common market of agricultural products and the agricultural incomes favorably developed; It established a solid basis for EU enlargement and for the negotiations within the (WTO).
2002-2003	Priority importance of CAP Pillar 2 – Rural development	Encouraging farmers to use less intensive production methods in order to reduce the impact upon the environment;	Multifunctional agriculture; Integrated and sustainable development policy of rural areas focused upon other activities than farming; Food production diversification; Transparency in the design and management of programs;	Identification and encouragement of the range of services for farmers; Flexible support to rural development, focused upon subsidiarity and decentralization; Simplified and accessible legislation;	Transition from support to agricultural production to direct support of farmers' incomes (payments decoupled from production);

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Period	Characteristics	Conjuncture	Objectives	Mechanisms	Effects
2004 – 2013	The new CAP	<p>Food safety problems;</p> <p>Environmental problems;</p> <p>WTO negotiations – the Doha Round;</p> <p>EU enlargement by 10 New Member States in 2004 and other 2 states in 2007</p>	<p>CAP – directed towards the interests of consumers and tax-payers;</p> <p>Support to and development of rural areas;</p> <p>Review of certain elements of the CMOs and their change according to market realities;</p> <p>Greater concentration on quality rather than on quantity;</p> <p>Greater market orientation</p>	<p>Decoupled subsidies;</p> <p><i>Degressive system</i> (phasing out of) guaranteed prices to farmers (2006-2012);</p> <p>Introducing the <i>modulation and cross-compliance systems</i>;</p> <p>Special regulations for the NMS referring to the direct support level (applicable on a gradual basis in a ten-year period from accession) and to the option regarding its granting;</p> <p>Single Area Payment Scheme or Single Payment Scheme</p>	<p>Full change of agriculture subsidizing modality;</p> <p>Significant transfers of funds from Pillar 1 to Pillar 2 of CAP;</p> <p>Re-orienting the support to more extensive agricultural practices;</p> <p>Domestic support less distorting for trade.</p>

Chapter 2. The future improvements of the CAP

Proposals, opinions and expectations

As presented in the previous chapter, in latest years, major reforms have tried to adjust CAP to the requirements of changes on the world agricultural markets as well as to the new political framework following EU enlargement to Central and Eastern Europe. Beginning with the year 2005, the debates referring to the agricultural policy focused upon problems related to the continuation of the reform initiated in the year 2003 and to CAP implementation improvements, action that is known under the name “Health Check”.

On November 20, 2007, EEC submitted to the public debate its position relating to the improvement of the CAP⁴. This chapter attempts to present the opinions and expectations in relation to these new changes, which will probably become operational beginning with the spring of the year 2008⁵.

2.1. Premises, objectives and directions of CAP - HC

The CAP reform of 2003/2004 was the result of the medium-term review (MTR)⁶ of the version that emerged as a result of implementing the Agenda 2000. The first declared priority of the reform was to create an agricultural sector adapted to the market economy, based upon the principle of increasing the environment protection and the animal welfare standards. Although incomplete, this targeted decoupling the direct payments from production for a series of important products. A few CMOs (tobacco, sugar, olive oil, fruit and vegetables) were not included in the initial reform, but they were changed in the next period.

In the year 2003, a new method to distribute the payments to the European farmers under the form of Single Payment Scheme (SPS) was designed. A simplified system was proposed to the New Member States: the system known under the name Single Area Payment Scheme (SAPS). The direct payments can be received by the farmers under SPS on the condition these respect a set of standards regarding environment protection and plant and animal health through the cross-compliance system. In this case, farmers have to comply with 19 legal measures⁷ and a set of standards that have in view agricultural land protection, known as the Good Agricultural and Environmental Conditions. The introduction of these standards targeted two objectives: on one hand, ensuring a minimum level of agricultural land maintenance in order to prevent land abandonment (a possible threat in the period of decoupled payments); and on the other hand, the maintenance of areas under pastures (partially to control a massive conversion to arable crop production and to maintain the environmental benefits associated to certain types of pastures).

The reform from 2003 attempted not only to lead to the increase of agricultural sector competitiveness and to encourage market-oriented production, but also to increase the

⁴ EEC Position (Communication from the Commission to the Council and the European Parliament, COM (2007) 722, Brussels, 20/11/07) was presented to public debate after this chapter was written.

⁵ The chapter is based upon the interpretation of information mainly included on the following Internet sites:<http://caphealthcheck.eu/2007>; www.euractiv.com/cap/healthcheck; and <http://commonagpolicy.blogspot.com>.

⁶ Mid-Term Review

⁷ Statutory Management Requirements (SMRs)

importance of rural development by introducing new measures and by the transfer of significant resources from Pillar 1 to pillar 2 of CAP.

At EU level, it is recognized that this reform is relatively recent and in addition, short time has passed for the adopted measures to produce structural, socio-economic and environmental influences⁸. In the context where there are no well-documented studies with regard to the evaluation of 2003 CAP reform effects; the Commission prepared a document that envisages a new agricultural policy reform. Although for a long period of time no official proposals in this respect have been made public, the Commissioner for Agriculture, in his different speeches, presented a series of aspects regarding CAP-HC. Consequently, the stakeholders could get well informed about the contents, goal and nature of these new changes.

The analysis of some of his speeches leads us to the conclusion that CAP-HC has as main objective the increase of performance level. The Commissioner for Agriculture specified that it “will not change the main CAP orientation”⁹, that “it has never been intended to make it a radical reform”¹⁰ and the measures that will be taken will have the role to reduce bureaucracy in the first place. By adopting CAP-HC, the Commission intends to improve the instruments it has at its disposal and at the same time to check up if EU agriculture is well-connected to the society expectations and needs¹¹.

CAP-HC is presented as being a first opportunity for the EU, the Member States as well as for the stakeholders to reflect upon the successes and failures of the 2003 reform because: “for CAP to continue to be a policy of the future it is necessary to evaluate its instruments, to test whether they function as they should to, to identify and to correct the problems, so that the proposed objectives are reached, as well as to be able to adapt to the new challenges”¹².

The proposals to improve CAP triggered and probably will trigger ample debates that will involve a significant number of stakeholders who will wish to present and to sustain their point of view. In this context, this chapter presents a series of opinions and expectations regarding CAP-HC expressed before submitting the official document to the public debate.

2.2. Proposals and expectations regarding CAP-HC

Single Payment Scheme

Applying a compensatory approach, the direct payment scheme is the basis of the existing CAP. By introducing the payments decoupled from production, some of the weaknesses of the old regime were improved. In principle, compared to the previous market support measures, these payments do not induce trade distortions, are more efficient in transferring the financial resources to farmers, are more transparent and represent a better platform to which other agricultural policy measures can be attached, such as cross-compliance.

⁸ Institute for European Environmental Policy (IEEP), (2007), Towards the CAP Health Check and the European Budget Review, p.7

⁹ Mariann Fischer Boel, The CAP in the European Scenario, International Forum on Agriculture and Food, Cernobbio, Italy, 20 October 2006, SPEECH/06/622.

¹⁰ Mariann Fischer Boel, The European Model of Agriculture, National Parliaments Conference, Helsinki, 12 October 2006, SPEECH/06/589.

¹¹ Ibid.

¹² Communication from the Commission to the Council and the European Parliament, COM(2007) 722, Brussels, 20/11/07; p.2

The Old Member States can opt for the historical model, for the regional model or for a mixed scheme. Both models give the European farmers the possibility to choose what they want to produce. The regional model is easily justified, as it promotes a much fairer distribution of payments, based upon an objective criterion. The twelve New Member States that joined the European Union in 2004 and 2007 will probably want to continue the Flat Rate Area Payment Scheme.

There are opinions proposing the decrease of direct payments for the large-sized farms, and this measure will very strongly affect Germany, Netherlands, Great Britain, Italy and Spain (Table 2.1).

Table 2.1. Estimating the effects of introducing the measure to reduce direct payments in relation to the size of the support received in EU-24¹³

Country	Number of affected farms	Share	Savings (million €)	Share
Austria	60	<0.1%	3.4	0.5%
Belgium	95	0.2%	<1	0.1%
Cyprus	0	0	0	0
Czech Republic	540	2.9%	4.4	2.1%
Denmark	680	1.3%	14.4	1.6%
Estonia	10	<0.1%	<1	<0.1%
Finland	20	<0.1%	<1	<0.1%
France	3560	0.8%	16.4	0.2%
Germany	5310	1.6%	269.9	5.4%
Great Britain	6100	3.8%	78.5	2.3%
Greece	50	<0.1%	1.0	<0.1%
Hungary	380	0.2%	5.0	1.6%
Ireland	310	0.2%	1.6	0.1%
Italy	2290	0.2%	62.5	1.7%
Latvia	0	0	0	0
Lithuania	10	<0.1%	<1	<0.1%
Luxemburg	0	0	0	0

¹³ The estimations were made based on the following scenarios of direct payments decrease: a) 100000- 200000 euro/farm, - diminution by 10%; b) 200000 - 300000 euro/farm, - diminution by 25%; c) over 300000 euro/farm, - diminution by 45%.

Malta	0	0	0	0
Netherlands	140	0.1%	23.5	4.3%
Poland	100	<0.1%	2.3	0.3%
Portugal	590	0.3%	6.0	1.1%
Slovakia	170	1.4%	1.4	1.7%
Slovenia	0	0	0	0
Spain	2720	0.3%	55.7	1.2%
Sweden	370	0.6%	6.6	1.1%
EU-25	23500	0.32%	554.3	1.71%

Source: www.farmsubsidy.org, calculations made by Jack Thurston

The adoption of this model will determine a significant redistribution of payments from the large-sized to the small-sized farms and will counteract the concentration of significant payments to a small number of farms. This last proposal might produce lively debates due to the strong opposition from the part of Germany and Great Britain.

There are discussions about the possible removal of small-sized farms (both in monetary and area terms) from the direct payments in order to promote a greater administrative efficiency.

The direct payments will continue to be received on the condition of respecting the cross-compliance principle. The discussions also focus on standards in environment protection, in animal health and welfare that will have to be respected by all farmers, whether they receive direct payments or not. Cross-compliance is regarded as a measure that will create controversies and it is expected that some Member States exercise pressures in order to reduce its impact and to simplify the process that is at present considered as too laborious from the administrative point of view¹⁴. For example, a strong resistance is expected to any proposal to enlarge the SMR list and even of the list regarding the GAEC. The General Environment Directorate and a series of NGOs activating in the field will certainly make pressures for including more provisions on environment protection, such as the water use regulations. At the same time, proposals are expected to control/regulate the way in which the Member States establish the cross-compliance standards to as be sure that the environment protection priorities are respected¹⁵. In its report from 2007, the Commission initiated a proposal to improve the control and penalties with regard to the cross-compliance measure¹⁶.

Decoupling of payments was a key-objective of the MTR and an objective that the Commission is willing to reach now. It is well-known that the consolidation of SPS at

¹⁴ The simplification action regarding a series of aspects related to the control and penalties regarding the non-respect of standards are under elaboration.

¹⁵ Farmer, M. et al, (2007) Cross Compliance: Practice, Lessons and Recommendations, Deliverable 24, SSPE-CT-2005-022727

¹⁶ Report of the Commission to the Council on the Application of the System of Cross Compliance COM (2007)147, 29.03.2007

EU level is envisaged in order to put an end to the criticism regarding the maintenance of coupled payments, considered to be the remains previous to the 2003 reform.

The reduction of the number of coupled payments that can be retained by a Member State is expected. The elimination of this option with regard to arable crops – measure that is currently applied only in Spain and France – is expected to lead to an increase in the grain price. In the regions where the production level is low, but this production has a social and environmental importance, the Commission has the possibility to maintain certain partially coupled payments.

There is a strong trend in favor of maintaining the coupled payments in the case of the suckling cattle system due to the environmental benefits of this production system (compared to the intensive systems). The Directorate General for Agriculture suggested maintaining this totally coupled payment as cattle grazing play an important role in landscape and biodiversity management. However, there are voices that suggest that the support to this specific production system could be made under Pillar 2.

There are many debates with regard to the continuation or abandonment of the direct payment system. The first question should be linked to its compensatory nature. This approach needs a critical examination. In the case of direct payments to the farmers from the NMS, even though the compensatory logic is somehow inconsistent, it is clear that in the absence of these payments, in these states significant inequalities and market distortions could exist. In the second place, the attention should focus upon the social equity problem, the extent to which the system generates inequities inside and outside EU agriculture. Capping payments raises many problems referring to the benefits that this could have upon environment management and to what extent these could be contingent. In the third place, the extent to which the direct payments system can be considered as having a distorting effect upon trade should be taken into consideration.

As an alternative to these problems, it can be argued that the direct payments scheme provides compensations for the European producers, as they are subject to certain constraints (through regulations and quasi-regulations) that are greater than in the case of US farmers, for example. Mainly, the argumentation is based on the fact that the direct payments are received by farmers so that they can produce multifunctional goods and services, to respect the standards with regard to animal welfare as well as to surmount other difficulties that are not regulated by the market. It is true that while the main interest of Europe is to protect certain socio-cultural and environmental attributes of agriculture, this could appear as a form of payments “re-coupling” for supporting the objectives of this type. The measurement of the number and quality of supplied goods and cost evaluation represent significant challenges. Furthermore, the negotiation of payments “re-coupling” for special and environmental purposes could prove to be difficult, at least because providing support for promoting farming on small area (social objective) clearly contravenes to WTO regulations. The payments “re-coupling” tendency suggests a greater convergence between the two CAP Pillars without taking into consideration the fact that these will or will not remain independent in the future.

The analysis of advantages and disadvantages of different payment schemes that have been already implemented could not be carried out, and their impact was not evaluated either. In the debates at EU level, the possibility appeared to support a

“multi-variant” approach to decoupling direct payments that would permit the design and implementation of the system depending on the specific objectives of each Member State. This approach, which should reflect the national objectives and priorities, would weaken the EU motivation to support the direct payments scheme. For some experts, this debate generates worries with regard to the “renationalization” of the agricultural policy.

Since its approval, cross-compliance was the target of various criticisms. The farmers’ organizations often complain about bureaucracy, about the burden of additional costs and the inequity of double penalization. Other criticism refers to the fact that cross-compliance, as conceived nowadays, has a low contribution to the improvement of environmental, food safety and animal welfare standards. In reality, even though the effects are significant, they cannot be easily measured.

The existing debates seem to move towards a discussion pleading for the increase in the number of standards, although this approach raises a couple of problems. Cross-compliance should include basic measures and uniform standards that can be easily applied throughout EU, under different agricultural and environmental conditions. The specialists consider that an increase in the number of standards that must be respected could further hinder the implementation, which would lead to “a dilution” of the targeted effects¹⁷. It is expected that the governments of the Member States will propose and support a minimalist approach to cross-compliance to protect farmers in case new requirements are added.

In conclusion, although there are common approaches on the efficiency of the instruments, in the future it is necessary to organize wider debates on the benefits of adding future standards under the cross-compliance umbrella. The enlargement of the number of requirements can be acceptable as long as most CAP funds are distributed under Pillar 1, an argument that is often presented as “greening PAC”. This distribution under Pillar 1 in reality helps Pillar 2 to be spared from too many objectives to reach¹⁸. Yet the use of direct payments as a modality to “reward” farmers for reaching certain environment protection, animal welfare etc. objectives, is considered the weak part of the current system, as the single payment is calculated on the basis of the “historical model” and not related to the cost of obtaining these results.

Market measures

In the context of globalization and EU enlargement to 27 Member States, the Commission considers that the old CAP instruments, i.e. quota system, public interventions, price support and refunds should be re-evaluated.

The examination of the intervention system on the cereal market is under way. Its review should have in view the biofuel market that is fast growing, and the impact that this market could have on cereal demand. The Commission intends to extend the maize intervention pattern to other cereals as well. This will permit the Commission to react in crisis, and it will give farmers the possibility to receive market price signals. The maintenance of a single intervention mechanism, namely in the case of bread wheat will provide a “safety net” but it will leave the sector of the other cereals to be confronted with the market conditions.

¹⁷ Ibid.

¹⁸ Ibid.

In the arable crops sector, the key-proposal will probably be the removal of the measure targeting the set-aside of land resources. The high prices in grains and oilseeds, together with the low yields, the increasing global demand and the fast growth of the energy crops sector will probably erase the need for this measure.

While on one hand the farmers' organizations have already approved the implementation of this measure, on the other hand the organizations involved in environment protection raised a series of objections¹⁹. These organizations consider that this measure provides a series of benefits to the environment, as it maintains a habitat favorable for the agricultural biodiversity, the improvement of water quality (by a low application rate of pesticides and fertilizers) and by decreasing the soil erosion risk (increases the soil coverage and in this way the carbon sequestration process). The EU Commissioner for Agriculture declared that in the process of decision-making with regard to CAP- HC²⁰, it would take into consideration the point of view of these NGOs. The Directorate General for the Environment, which will probably exercise a certain influence upon the debates on this subject, could come with arguments for maintaining a 2-4% set-aside rate. The Commission may also consider creating the framework for maintaining the benefits invoked by the NGOs by voluntary measures: the proposals made so far suggests the consolidation of support types existing under the rural development measures. A series of models that have been successfully implemented in certain countries should be more carefully investigated.

The Commission will propose the removal of milk quota beginning with 2015. The way to this will be facilitated by transition measures (for example, a gradual increase of the Member States quota before this date). The measure will give the possibility to milk production to move between Member States and regions, which was not possible in the past. The comments are that we shall experience the increase of production on the large farms, on one hand, and milk production concentration in certain regions on the other hand. There are worries that a significant decrease of the sector in the less-favored areas will take place, with significant social and environmental implications. Under the CAP-HC proposals, the Commission recognized that retaining a minimum milk production level in the mountain areas is a necessity. There are also opinions that suggest that this problem should be placed under the umbrella of Pillar 2 or of the provisions from Art. 69 of the European Commission Regulation no.1782/2003 (the article could be amended to permit directing the financial support to certain production areas and not to the whole sector). The conclusion that is drawn is that the economic and social impact produced by this restructuring should be taken into consideration together with the evaluation of measures that will be necessary to attenuate the adverse effects.

2.3. Horizon 2013 – new challenges

The CAP improvement proposals will produce minimum changes in the first stage, while reforms that are more complex will be implemented after 2013. CAP-HC will not be a singular process, but it will be influenced and it will influence in its turn other political actions, such as the launching and approval of budget (2008-2009), ratification of the EU Reform Treaty (2009), etc.

¹⁹ Agra Facts 70-07. 05.09.07

²⁰ Commission Proposes to set at Zero the Set Aside Rate for autumn 2007 and spring 2008 Sowing. IP/07-1329, Brussels

Risk management

The change in the way of providing single payments and promoting decoupled payments will certainly affect many farmers, who will ask for “safety nets”, having also in view that in the future the intervention measures and export subsidies will be also diminished. As a reaction to these new challenges, new risk management systems should be introduced in order to protect farmers. On the medium term, subsidizing the insurance of crops might be an option²¹. In this time, the Member States will be encouraged to use the available measures under Pillar 2.

Pillar 2 versus Pillar 1?

In a recent speech, the Commissioner for Agriculture stated that Pillar 2 most likely will represent the future of CAP, yet her opinion is that this can be consolidated by obligatory modulation²². The CAP-HC proposals pave the way for the increase in the obligatory modulation level from 5% to 13% in the period 2008-2013 (by 2% annual growth rate). The estimates reveal that this annual growth will determine a transfer of about 500-600 million euro/year to Pillar 2²³. Although voluntary modulation was not mentioned so far, it is not clear whether the Commission will support the voluntary modulation that Great Britain is currently using in order to transfer large amounts to Pillar 2.

An important number of ministers of agriculture, among which those from France, Ireland and Spain declared their favorable position with regard to the consolidation of Pillar 1, thus opposing to a high obligatory modulation rate. Other Member States, such as Denmark and Great Britain also expressed their support for this measure.

The wish to continue to separate the two CAP pillars, although their objectives are convergent, could generate a critical analysis of a scenario that is in favor of a radical change in CAP architecture after 2013. The relative simplicity and the great number of mechanisms and levers created for almost all types of farmers obviously create certain advantages for Pillar 1 that could recommend it to be “re-coupled” to new objectives. Many Member States “are attached” to Pillar 1 symbolism and would feel much more comfortable with a reform that retains this structure based upon full funding from the EU even in the case of a radical change of policy. As Pillar 1 is addressed to almost all EU farmers, it could represent a good “vehicle” for the implementation of the EU policy objectives, such as sustainability.

An argument against this would be that the clear objectives that were established in the case of Pillar 2 are not found in the case of Pillar 1, mainly with regard to environment protection. The programming discipline is lacking, as well as the previous assessment of needs, a monitoring and evaluation system, periodical examination, national contribution to costs and other attributes having in view a more structured approach²⁴. It is true that Pillar 1 has its roots in a historical rationale that is less tuned with the future agenda. Moreover, this is mainly directed to the farmers, unlike Pillar 2, which in principle at least, is addressed to the whole rural community. Another argument in favor of Pillar 2 is that it envisages both agriculture and forestry

²¹ Communication from the Commission to the Council on the Risk and Crisis Management in Agriculture, COM (2005)74.09.03.05

²² Comments of Mariann Fischer Boel at the Conference organized by the Land Use Policy Group, UK, September 2007

²³ Agra Facts 74-07, 18.09.07

²⁴ Agra Facts 70-07, 05.09.07

development in a period where the climate changes require an integrated land use approach.

In the past, many governments were not in favor of a fast increase of funds dedicated to Pillar 2. In these conditions, it is not clear to what extent these will support the development of this pillar in the future. If the administrative procedures remain complicated, (main impediment in the use of this model on a large scale), proposals will be necessary targeting the implementation simplification, yet without overlooking the maintenance of the clarity of objectives and of a grouped approach to problems.

Climate changes, biofuels and water management

Other problems related to long-term CAP evolution refer to the attenuation of climate changes effects, promoting biofuels and water resources management. The Commissioner for Agriculture expressed the intention to examine the climate changes that are recognized as being one of the most pressing challenges that have to be considered by the European agricultural sector. The CAP-HC proposals examine the way in which CAP could take into consideration these complex areas, but after the year 2013. One of the options would be to introduce the measures that have in view the attenuation of the climate changes effects and water management under the cross-compliance measures that will have to be revised anyhow. Another alternative would be to supplement the rural development funds so that this Pillar could support these measures.

2.4. Reasons for the future CAP support

CAP-HC approval and the European budget review will certainly generate many debates that will outline the frame for the future CAP reform. Significant CAP changes are expected after the end of the current fiscal year. A white paper sheet represents the financial projection for the period 2014-2020 at present and there is no guarantee that the historical models will represent a precedent for the future financial allocations.

CAP will be in competition with other stakeholders that can be in favor of allocating larger amounts to environment protection, innovative research, job creation and competitiveness increase, considering that these could represent main objectives to be financially supported from the EU funds. It is estimated that the funds dedicated to CAP will experience a decreasing trend. It is almost a real fact that the total CAP budget will be reduced in real terms in 2013, as long as the European agricultural sector continues its historical path towards a stronger market orientation. A significant change is foreseen in the allocation of funds from Pillar 1 to Pillar 2 (by higher modulation rates and by the co-financing rates of the Member States). There is neither information nor estimations on the future value of this decrease. In this context, it is expected that the agricultural incomes, the viability of agricultural activities from different sectors as well as the size and intensity of production will be affected. On the other hand, the social and environmental objectives will be affected at least to a similar extent. Yet the impact upon the viability and competitiveness of the agricultural activities will be differentiated, and the marginal small-sized farms will certainly be much more vulnerable.

It is well-known that many debates on the intervention in agriculture in the developed countries, such as those from the EU, are based upon the social and environmental benefits of certain production forms. If the farmers, who are most often associated

with these benefits, are in a future process of decline, and the land is converted to arable crops, the goal of agricultural support will be under question. It seems unwise to presuppose that in the future CAP will provide support for all the categories of producers, as it happens now.

Furthermore, the long-lasting tradition of agricultural production support at European level and leaving the responsibility of forestry at the discretion of Member States (except for certain low aids provided under Pillar 2) seems to be a less adequate attitude in a world where carbon sequestration is an increasingly important concern. It seems that at EU level there is no desire to introduce the CAP subsidies pattern for the forestry sector, but rather the concern to achieve a connection between the forestry and agricultural sectors and to have an integrated approach to the land use issue.

For the period after 2013, CAP will have to present solid arguments regarding four key-elements: the exceptionality case of agriculture, which should justify receiving a significant part of the European public funds; existence of clear objectives for the future CAP or for a common rural policy; critical examination of the fact that the new measures and the measures already in place have in view reaching these objectives; the necessary funds for the support to these measures are found in the future CAP.

The case for the agrarian “exceptionalism” is based upon a number of discussions, out of which many are found under the heading “public goods”. In this case, one of the most frequent arguments, related to these problems, brought to discussion, is food security. The production support is meant to protect consumers and food industry from market dependence in a world where uncertainty is growing. Thus, the food must not be compared to other goods, food is an essential good and an insurance for food security is a similar measure as in the case of other insurance forms. The power of this argument depends to a great extent upon the market dependence risks and the respective goods: for example, the grain supply security is much more important than that for beef or wine. Furthermore, security can be reached in a variety of modalities: for example, by retaining a minimum amount of grains in strategic warehouses. If the markets become unreliable and volatile due to weather, for example, which is less foreseeable, the security of supply will become a legitimate objective.

As a result of its territorial importance, the European agriculture has a social and environmental characteristic that is disproportionate with regard to land use, environment, animal welfare, public health and the rural living standard. This leads to both positive externalities (such as attenuation of climate changes) and to negative externalities (loss of biodiversity, water pollution and greenhouse gas emissions). Certain systems in agriculture, and here the farming systems valuable for the environment should be mentioned²⁵ as well as those included in the Natura 2000 sites, are beneficial for the biodiversity and they have many positive associated externalities in relation to soil, water and landscape. The marginal land, the uncultivated land, the hedges, the semi-natural land plots and those under forestry vegetation are important in the intensification of functional connectivity in the landscapes with intensive agriculture, providing important habitats, feeding places and ecological belts that should facilitate the development of species. Agriculture and forestry together can significantly contribute to the attenuation of climate changes by enhancing carbon sequestration. The argument of “public goods” for “agricultural exceptionality” is a strong one if the focus is laid on those sectors and land uses that generate such goods.

²⁵ High nature value farming system

The social and environmental objectives are united but they do not mean the same thing. As regards the socio-cultural interests, one of the objectives is to support certain zones and sectors from the restructuring impact, mainly where cultural heritage is rooted in the production conditions. The farmers are often part of this cultural heritage and if they are replaced by a more competitive structure this will represent a socio-cultural loss rather than an economic loss. In this context, a considerable challenge will exist in the future in the coherent defining of the social objectives so that these may capture the interests and preferences of the public without degenerating into an absence of social, political and economic reconciliation. The experience gained with LEADER and with other rural development measures needs to be replicated.

The environmental objectives probably have a higher compatibility level with the WTO logic if they are not unilaterally directed. A set of implications targets agriculture, while the other extends to the rural landscape. The former set includes the values attached to the production systems and practices that by themselves have beneficial effects upon the environment, such as the landscapes cultivated traditionally, the pastures rich in species, organic farming and agriculture based upon certain permanent crops. These represent in fact the “union of production” of public and private goods and the intervention should target their security as the market presents inadequate incentives.

Another proposal envisages the approach to the sustainable management of rural areas by other players than the farmers. These activities currently target the forested land, the natural reservations, the new forms of carbon sequestration from the atmosphere, the swamps, the land areas for recreation purposes, or even abandoned land. These benefits can be defined in different ways but they can be seldom regulated as such. Out of this reason, the environmental objectives are partially of agricultural and partially of rural nature, revealing the focus on Pillar 2 rather than on Pillar 1.

More and more comments question whether a centralized policy such as CAP is adequate for a permanently changing reality and consider that the economic efficiency arguments do not support the current distribution of responsibilities between EU and the Member States. Thus, it is estimated that the responsibility with regard to financing and administration of direct payments at EU level would come into conflict with the subsidiarity principle. As regards the rural development policies, the centralism and disproportionate interventionism can determine higher transaction costs and non-alignment of the regulations with the national and regional priorities. According to the approach modality, many rural development measures are of local nature in terms of approached problems, public preferences for the goods behind them, and types of measures that have been developed. These arguments, also supported by the historical polarization in the distribution of the Pillar 2 budget, determined a series of commenters to state that it is the Member States that should be responsible of the design, implementation and funding of the rural development measures.

There is a stronger tendency that targets the extension of CAP objectives so that a larger number of problems could be circumscribed to Pillar 2. Agriculture and forestry remain at the center of the policy, but with a weaker focus upon the production of goods. In the debates targeting the 2013 horizon, much more attention should be paid to the needs of the rural areas and to the expectations of these zones from the rest of the society. The rural policy is a set of related problems and interests

that should not be lost in the regional policy, which has a much more diffuse character.

It can be concluded that the proposals expected to be adopted under CAP -HC are not “spectacular” but, as it could be seen in this chapter, they generated important discussions and adopting positions. The positions adopted by the different governments and stakeholders had in view, on one hand, their own agendas, and on the other hand the importance assigned to the economic, social and environmental objectives, that outline the long-term tendencies of the Common Agricultural Policy.

Chapter 3. Broader political context – foreseeable pressures in the direction of CAP reforming

As in the transition period the agricultural policy evolution in the countries from Central and Eastern Europe was influenced by the international background, this influence cannot be overlooked either after the accession to the EU. There were four main forms of international influence during the transition period²⁶: the changes in the financial system in relation to agriculture; evolution of the international trade system; OECD and World Bank role in influencing the debate on the agricultural policies; EU key-role in influencing the evolution of the CEECs. While until the accession, EU had the most important impact upon the institutional capacity building in the candidate countries, with the accession the EU Agenda became in a way also their agenda. Romania's agenda will respond to the globalization pressures together with the other member states.

3.1. EU budget review

A document named "Reforming the Budget, Changing Europe" was presented in September, opening a series of public consultations that will close in April 2008. The document takes into consideration the political changes that Europe is facing and whether these are adequately reflected in the budgetary priorities. A number of fundamental problems were brought to discussion about the value added of EU expenditures, about budget efficiency and transparency. The document presented to the public opens the way to strong debates on the fundamental rationale regarding the EU expenses and finally regarding the amount allocated to CAP. While the Directorate General for Budget initiated the consultations, in this stage it is not known whether the Directorate General for Agriculture will get directly involved in the debates. Following the consultations, the Commission will report the results in late 2008 or early 2009, at the time when the Treaty is signed and the College of Commissioners is changed. A change in the structure of expenditures in EU is expected, and consequently an influence of the priorities included in the multiannual financial framework for the period after 2013. It is almost certain that the budget review will not lead to an early general review of the European budget before 2013. The initiative of France and Germany in the year 2002, which was next supported by other EU Member States, fixed the ceiling for CAP Pillar 1 until the year 2013. Signals exist that the negotiations on the budget will be very tight, despite many months of careful preparation, and the agreement on the final version of the budget can be reached in the last minutes of discussions, as it happened in December 2005.

Box 3.1. EU and CAP budget in the year 2007

In 2007, the total budget amounted to 126.5 billion euro, which is equivalent to about 2% of the public expenses of the Member States;

Out of the six budgetary lines, the largest share is allocated to sustainable growth (43.3% of total budget) and to natural resources (44.5% of the total budget);

²⁶ W. Grant –The international dimension of the transition process in CEECs: how does the international framework influence the domestic institution-building process?, in K. Froberg and P. Weingarten (ed.) – The Significance of Politics and Institutions for the Design and Formation of Agricultural Policies, Kiel, 1999

CAP, which includes the expenditures for agriculture and the direct aids and the rural development, are under the budgetary line of natural resources, together with the environment;

In the budgetary line of natural resources, CAP sums up about 43.6% of the EU budget and the environment 0.2%;

EU spends 55.1 billion euro on CAP in 2007;

About 77% of this amount goes to Pillar 1, and the remaining 23% to Pillar 2.

The national co-financing further enhances the value of Pillar 2. Pillar 1 is not co-financed.

In 2007, the total budget amounted to 126.5 billion euro, which is equivalent to about 2% of the public expenses.

Source: EU Budget 2007, (EC, 2006)

It is obvious that CAP absorbs the largest part of the EU expenditures, and this is likely to result in stormy debates during the budget review process and the subsequent negotiations for the post 2013 financial framework. The European Commission is aware of the fact that there will be a lot of criticism with regard to the budgetary lines level.

Certainly, a number of subjects on EU CAP expenditures will emerge during the discussions/debates. During the negotiations that will follow, it is obvious that the pressure will be probably exercised upon the significant decrease or even removal of the direct aids to farmers. The subsequent redistribution of funds that are now allocated to direct aids (about 42 billion euro per year) is less certain. It is unlikely that these funds will be merely transferred to the rural development expenditures. In this respect, a net diminution of the entire CAP budget is almost certain. This raises problems if the public interest is promoted by a more liberal market based upon an approach with limited levers to agricultural activities. A scenario would be that the EU budget could decrease by the reduction of the contribution by each Member State. Another credible scenario would be that these funds will be directed to competitiveness and cohesion increase, in order to support innovation, research and job creation, according to the Lisbon Agenda²⁷.

Having a good financial management as main objective, the discussions between the Member States with regard to the size and orientation of the future EU budget will have a crucial role. It is well-known that in the past a key-delimiter of the position of a Member State with regard to CAP expenses was whether this was a net contributor or a net beneficiary of the overall EU budget and what was the percentage of money that returned to it under the form of CAP payments. A number of contributor Member States are willing to reduce their input to the EU budget, which is why they would like to maintain under a certain level their GDP contribution to EU. Such a point of view seems to be in disagreement with the principle of redistribution to the poorest Member States, often quoted as an example of EU “value-added”. The most often quoted example is the recent accession of Bulgaria and Romania and the possible accession of the candidate countries (Turkey, Croatia and Macedonia), indicating that the EU budget can rather become over solicited if the net contributors are willing to reduce their contribution. That is why the “renationalization” of agricultural

²⁷ Review of the EU Sustainable Development Strategy (EU SDS) – Renewed Strategy, June 2006, Brussels

expenditures is the favorite option of certain Member States. The Directorate General for Agriculture strongly opposed to this, for fear this would undermine the key-principles of CAP.

3.2. The EU Reform Treaty

The chiefs of state agreed upon a plan representing the negotiation basis for the EU Reform Treaty in June 2007. This reflects the decision of the Member States to go beyond the institutional deadlock created by the failure of the Constitutional Treaty of 2004 and the desire to modernize a number of aspects of the EU “political machinery”. The Member States agreed to ratify the Reform Treaty in time for the European elections of June 2009. For some Member States, such as Ireland, a referendum is asked for in agreement with its constitutional requirements. The ratification process will be probably full of conflicts from the political point of view and many Member States will have to make efforts in order to persuade their people of the Reform Treaty benefits. Solving up the problems related to the Treaty ratification has the potential to bring considerable implications for CAP and for the budget review. In the first place, it is expected to absorb the energy of certain Member States and to deviate the interest, at least temporarily, from the great problems regarding the budget review. Ensuring the conditions for the approval of the Treaty is the first EU priority, and it will certainly distract the Member States from other activities.

Even though CAP-HC will be completed until the Treaty is ratified, the Treaty implications for the future decisions that will be made are significant. The most influent element is the extension of the European Parliament powers in the debate referring to the adoption of the new elements of the agricultural legislation. With the Treaty enforcement, the approval of most agricultural laws and regulations will be subject to the co-decision procedure. Co-decision means that the European Parliament will have to vote in favor of the legislation under debate so that this can become legal. At present, majority of votes applies the alternative consultation procedure in the case of agricultural legislation: EP has to specify its opinion, before the legislation is adopted. Yet, the opposition from the part of the European parliament with regard to a certain legislative issue does not prevent the Council to adopt it in the future. That is why, in the absence of the co-decision power, the main EP influence resides in its ability to prolong the adoption of legislation by repeated postponement of its position specification.

Another significant change is related to the equilibrium between the EU legislation accepted by the co-decision procedure on one hand, and those measures accepted through the implementation committees of the representatives of the Member States, on the other hand. Despite the recent reform of the system, EP has still a low influence upon legislation enforcement. The Treaty will better define the circumstances in which these committees could approve the implementation of regulations or decisions. The effect of this measure could mean that a higher share of CAP-specific legislation will have to go through a complete legislative process, giving the EP the possibility to postpone the controversial measures of CAP until the Treaty is enforced.

This change will significantly influence the legislative process, mainly slowing down legislation adoption. As regards agriculture, voluntary modulation is nowadays perceived as a “litigious” problem. In November 2006, EP voted against the Commission proposal, after a period when it delayed to specify its position.

Modulation will be a hot subject in CAP and we must think that EP will have a strong influence upon an eventual proposal. This means that the Directorate General for Agriculture will want to use the consultation procedure very well before this disappears and it will want to impose the whole CAP package before the ratification of the Treaty. However, with regard to its role, EP can opt for the delay in expressing its position in relation to the legislation on CAP until the Treaty is ratified. This action could delay the CAP adoption program.

3.3. Doha Round and the agricultural policy reform in OECD vision

The need to reform the agricultural policies of the OECD Member States was officially recognized even since 1987, and the main reforming direction was to make it possible for the market to influence production orientation, through the gradual agricultural support diminution. That is why the recommendation was to support farmers through income support and not by guaranteed prices or other production-related measures. The policy reform principles, established in 1998, proposed a greater market influence, but also the protection of natural resources and strengthening food security worldwide.

Concretely, in OECD vision, the reform had to focus upon the decrease of the producer support and protection, the main recommendation being to provide decoupled support. The experience of reform processes in the last ten years shows that the difficulty in reforming the agricultural policy is generated by the complex links between farmers and politicians in defining the sectoral policies, signifying both the farmers' fear of change, with exaggerated estimations of the negative effects, and the politicians' overestimated dependence upon the farmers' votes. OECD recommendation for getting on the reform path is the consultation and communication with all stakeholders, with the presentation of arguments behind the proposals, and with providing decoupled compensatory measures on a limited period. The reform results reveal that it is difficult to lower the support level and it is easier to modify its structure, in the direction of using less distorting support forms.

In Romania, as the latest World Bank report suggests, it seems that agriculture still can bring a significant contribution to the general economic growth. The way in which Romania's internal agenda referring to the role of agriculture in the economic development is defined will inevitably influence the positions adopted during the CAP reform negotiations.

Box 3.2. Agriculture role in the development of world economies

Agriculture has certain characteristics that make it a unique development instrument, bringing its contribution in several ways:

-as economic activity, economic growth source, supplier of investment opportunities for the private sector and the first influence factor of the branches related to agriculture;

-as a way of existence, income source for the rural population (in higher or lower percentages), employment source and basis for the rural communities;

-as supplier of environmental services, through the impact that it can have upon the use of natural resources (water, soil, weather changes);

Agriculture contribution is different from one country to another, depending on the way in which agriculture contributes to economic growth, on one hand, and to poverty alleviation, on the other hand. Thus, three types of rural worlds are defined:

-countries based upon agriculture, where agriculture is the main source of growth, with an average contribution to GDP of 32% and most poor people in the rural area (70 %);

-countries under transformation, with a contribution of agriculture to GDP of only 7 %, but with the largest part of poor people (82 %) in the rural area;

-urbanized countries, with agriculture under 5 % of GDP and with a higher share of poverty in the urban areas.

In using agriculture for development, each country has to formulate its own agenda:

-the countries in the first group, trying to obtain economic growth and food security;

-the countries in the second group, trying to reduce the disparities between the urban and rural areas and to alleviate rural poverty;

-the countries in the third group, have as objective the connection of small farmers to the modern world markets and providing well-paid employment possibilities.

Source: World Development Report 2008: Agriculture for Development

The global trend to reduce the trade barriers to agricultural products is a factor that favors the reforms, which is also valid for EU, and the 2003 CAP reform proves this. Yet the EU tariff protection level is still considered high and out of this reason, it determines a higher level of prices on the EU internal market compared to the world prices, also resulting in world trade distortions. Romania had a privileged situation during the Doha Round negotiations, to a large extent as a result of the Uruguay Round results, but once the EU accession negotiations were completed, it fully adopted the EU position.

A possible successful completion of the Doha Round negotiations would bring certain radical changes for the EU farmers with regard to the decrease in the level of agricultural market protection (according to the stage of negotiations in September 2007): an average decrease by about 50% of customs tariffs for the agricultural products, 70% decrease of subsidies that distort the agricultural trade; the removal of all export subsidies by 2013.

The Commission's position²⁸ is that a possible agreement within the Doha Round can be reached only by equilibrium inside the agricultural section of negotiations, as well as between the agricultural, services and industrial goods sections.

Upon Romania, the consequences of a successful Doha Round might be heterogeneous. Taking into consideration the relative low support received by the farmers from the national budget until the accession (and to a large extent through payments decoupled from production) as well as the support from the EU budget after the accession (decoupled for the most part) that starts from 25% of the level of direct payments in the Old Member States (to be gradually increased in the next years), the shock of decreasing the distorting subsidies would be easily absorbed. However, tariff protection decrease could negatively influence the agricultural production evolution, as long as Romania's most competitive exports consist of agricultural products with a low processing level, with low value-added, that will probably enter the competition with the products of developing countries whose access on the EU market will be liberalized. Yet as regards imports, the situation could be similar with that before the accession, when the domestic market was rather protected by the deficient transport

²⁸ Why does Doha Matter? Memo (September 17, 2007)

and commercial infrastructure that represented technical barriers to the imported products.

It is expected that reaching a Doha agreement will have a low influence upon EU internal policy on the short term. It is considered that this will not speed up the reform process, but it will not slow it down either. Even though an agreement exists that will lead to a greater market exposure, giving up export subsidies and the future decoupling of CAP payments, the pressure for a more substantial CAP reform is expected to be minimum, as EU adopted certain measures in this respect: it has already made public that it intends to eliminate the export subsidies by 2013; the decoupling was partially introduced, as part of the 2003 CAP reform, etc. A decrease of tariffs could have a much more significant impact upon beef production under extensive system, leading to an inflow of beef from Brazil and Argentina and a decrease of the number of animals in the EU. The farmers from the marginal areas are likely to be most affected, and if it is desired to avoid the decline in the sector of beef produced under extensive system, certain types of support will be needed.

Chapter 4. Analysis of CAP improvement measures.

A Romanian vision

4.1. What about the adequacy of the current CAP for Romania's agriculture

The expected evolution of the Romanian agriculture and rural area under the impact of CAP implementation starts from two realities that are rather independent: on one hand, Romania's situation with its well-known gaps compared to EU-15 countries, in agriculture in particular, impacting the rural areas; on the other hand, the main tendencies and driving forces that will shape the European agriculture in the next ten years.

As regards the Romanian rural economy, it can be stated that: i) the rural area is dominated by agriculture and has a deficient (transport, communication, social and commercial) infrastructure; ii) in agriculture, an extremely high percentage of technologies are obsolete, resulting in low technical and economic performances; iii) the Romanian farmers have a low level of incomes, they are often very poor, and this low welfare is reflected upon the entire rural area.

Each of these three aspects acts in correlation with the other two, creating a true vicious circle of underdevelopment in the Romanian agriculture and rural areas. Probably the most adequate modality to get out of this vicious circle is the action of making investments in public infrastructure, which could lead to rural area modernization. Under this background, it is expected that the support to private investments on family farms, or even on those organized under corporative principles, will benefit from the synergy between the economic development of the agricultural sector and the rural modernization.

One of the great merits of CAP is that under it agriculture acquires an explicit role in promoting the rural development objectives, this being possible because CAP responds to the needs of a farming system in which the family farm prevails. This aspect is not necessarily positive for the polarized agriculture of Romania, where more than 3 million out of the 4.2 million agricultural holdings have an economic size less than 1 ESU²⁹; it is these farms (subsistence farms) that are generally excluded from receiving direct payments, although they cover about one quarter of Romania's agricultural land. At the opposite pole, by providing direct payments for the large-sized farms, some of them operating thousands of hectares leased in on concession basis from the state sector or leased in from the small private farmers, cannot contribute to reaching the objective of support to farmers' incomes.

Even though for the moment the Romanian farmers do not have a direct perception of CAP implementation, the expectations in relation to the stabilization of policies and providing financial support for investments, as well as for the transitory measures, have created a positive attitude in relation to CAP from the side of farmers and the large public. Yet, the evolution of European markets made no market intervention necessary in the first nine months of 2007, under the background of increasing prices for the agricultural products. The direct payments are to be effected by the end of 2007; this delay is due to the need to solve up certain problems in relation to IACS,

²⁹ European Size Unit, equal to 1200 euro, represents the measure unit of the farm economic size

while the approval of the National Rural Development Program by the EC is also expected for the end of the year.

The critical factors shaping the rural area evolution at EU overall level in the next 10-15 years would be the following: i) the rural demographic patterns; ii) the agricultural technologies; iii) the agricultural markets; iv) the natural and social constraints to land use.

Although the subsistence economy, found on a large scale in rural Romania, creates a certain isolation from the overall tendencies of the world economy, their influence should be taken into consideration, mainly because the free movement of people in the Schengen Area (since 2004) gave the possibility of structural adjustments of the labor force in the rural area even before Romania joined the EU. Furthermore, the advanced technology imports on the large farms perhaps will show their beneficial results in the next years.

The pressure of the European agricultural markets will be seen as Romania joined the EU, although the increase of agricultural prices in the EU in 2007 seems to be present in Romania as well, even though the national currency (RON) appreciation versus Euro has limited this trend to a certain extent. The same as the expected price increases in certain products (sugar, pork), as a result of the tendency in prices to get closer to the Single Market prices, were somehow shadowed by the recent evolutions of certain prices whose increase was not expected (wheat, milk and dairy products).

4.2. Romania's preliminary position with regard to the EEC proposals to improve the CAP

As mentioned in chapter two, at the end of November EEC submitted to the public debate its position referring to the "health check" of the CAP. This chapter intends to investigate punctually the position that Romania might adopt in the future debates and negotiations for CAP modification.

Simplifying the Single Payment Scheme

It is obvious that on short term the introduction of direct payments had to compensate the removal of national subsidies that were expected to stop with the accession, both from budgetary reasons and for not creating confusion between the different support schemes provided to farmers. In 2007, Romania maximized the possibility to provide subsidies under the form of state aids, benefiting from its transitory situation, but forced by the expected delay of direct payments funded by the EU and mainly by the difficult situation created in certain regions because of the prolonged drought.

The recent European Commission warning³⁰ referring to the inadequate operation of the (IACS) reveals that we are very close to the situation of the diminution of direct payments by 25 %³¹. A large part of the difficulties in the management of the direct payments reside in Romania's situation, with an exaggerated large number of small and very small-sized farms, each of them consisting of several parcels. The problems of the APIA focus the attention back on older problems related to land management,

³⁰ October 10, 2007

³¹ The difficult current situation is due to some delays in setting into operation of certain control software modules, as well as to the effective control. An impartial analysis would reveal that in reality the delays have been propagated even since 2003-2004, when the APIA, established with delay, did not concentrate its material and human resources on reaching the objectives for which it had been established. The situation also continued in 2005, and only in 2006, the preparations were speeded up to a certain extent.

cadastre situation, agricultural land sale-purchase, as well as to land laws enforcement. Furthermore, the existence of informal arrangements between the landowners and the land operators creates additional confusion.

Anyhow, the application of the upper eligibility threshold for the direct payments (under the SAPS variant, for which Romania had opted), i.e. 1 ha, was welcome, even though it eliminated more than 2 million possible beneficiaries, and thus diminished their number to 1.3 million. Even in this situation, the management of a system that works with so many beneficiaries involves high costs and presents a high inconsistency risk.

The Commission's position with regard to the simplification of SPS after 2013 proposes the Member States to adjust their support scheme to the national requirements, and they can opt for a flat rate, based upon the value of payments provided in the period 2009-2013; it encourages the NMS to continue SAPS application until 2013. The rationale of these proposals is based upon the experience and difficulty of SPS in the Old Member States and avoiding the support scheme change for a short period (2011-2013) in the case if the EU New Member States.

Having in view the current and foreseeable situation of SAPS administration – with 1.3 million potential beneficiaries, the most reasonable approach on the medium term would be to continue SAPS in the period 2011-2013 as well, a change for a short period of time would not be justified. As the direct payments received by the small farmers have an obvious income support impact, mainly in the situation when many of these are semi-subsistence farmers, maintaining these payments can be important for keeping the agricultural land in good conditions from the environmental point of view. Probably on longer term, this will not be so important for the farmers specialized in different crops, who can gain more from the sale of production on the market, as well as for the large farmers, whose incomes should not be supported through direct payments.

On the long term, as SAPS is implemented, Romania may not want to shift to the classical SPS variant, which is more complicated. Other NMS may be in the same situation as well, and this option can be changed if SPS is simplified and it is received as a flat rate payment.

Cross-compliance system application

The Commission's position related to the application of cross-compliance standards is that these represent important CAP instruments and they will remain essential instruments in the future as well. The experience of their implementation in the Member States signaled out the simplification need to practically reflect the society needs. The analysis of the implementation costs of the GAEC and of SMR versus the obtained benefits could facilitate their amendment/adjustment through: i) the removal of provisions that are not relevant for reaching the cross-compliance specific objectives; ii) change of certain standards for reaching the goal for which they have been introduced and to meet the society needs.

The application of the cross-compliance principle and mainly the control that should certify the respect of the good agricultural land environmental conditions (Box 4.1)³² will certainly be a weak point in the implementation of direct payments in Romania.

Box 4.1. Good Agricultural and Environmental Conditions in Romania

³² Established by the Common Order no. 791/1381/2006

I. Standards for soil erosion prevention:

- *Over the winter, the arable land should be covered by winter crops and/or remain untilled after harvesting on at least 20 % of the farm total arable land;*
- *Soil works on arable land with a slope higher than 12%, cultivated with row crops, are carried out along the contour lines;*
- *The terraces existing on the agricultural land on January 1, 2007 are maintained.*

II. Standards for maintaining the optimum contents of organic matter in soil, through the application of adequate agricultural practices:

- *Sunflower is not cultivated on the same area more than 2 years consecutively;*
- *Burning the stubble and vegetal waste on the arable land is permitted only with the agreement of the competent authority for environment protection.*

III. Standards for maintaining soil structure:

- *Soil works on arable land with a slope higher than 12%, cultivated with row crops, are carried out along the contour lines.*

IV. Standards for preserving a minimum level of soil maintenance:

- *Over-grazing on permanent pastures is not permitted;*
- *Burning permanent pastures is permitted only with the agreement of the competent authority for environment protection;*
- *Cutting the lonely trees and/or of groups of trees on the arable land is not permitted;*
- *Preventing the establishment of undesired vegetation installation on arable land, mainly on the land that is no longer operated for production purposes.*

V. Standards for maintaining the existing area under permanent pastures:

- *Maintaining the area under permanent pastures at national level that existed on January 1, 2007.*

The GAECs are obligatory for all the agricultural land users who apply for SAPS support and for all the agricultural parcels on the farm, regardless of the fact that the farmer has applied for financial support for all the parcels or only for part of them. Having in view the feasibility of the control of these standards application, it is recommended that Romania should be firm on the greatest simplification possible of the cross-compliance system, opting, if the case, for maintaining more complex standards in the regions where certain specific needs are identified.

Holding up the partially coupled payments

The policy of decoupling the support from production targeted the freedom of farmers' connection to the market signals as well as the simplification of the system and the diminution of administrative costs (mainly in the case of arable crops). From certain economic reasons, certain coupled support measures remained in place and now, with this review, their relevance in the present context is questioned: if their application is still necessary, which are the sensitive sectors and how long should they be applied? The Commission's position with regard to maintaining certain coupled

support measures suggests a regional approach, based upon the analysis of the potential risks of full decoupling, in each case in part. For example, it is considered necessary to maintain certain coupled measures (for beef production under extensive system) in the areas where the production level is low but the activity should be maintained due to its economic, social and environmental importance in the respective regions.

Through the option made – to apply the single area payment scheme (50 euro/ha and its phasing in to 200 euro/ha) and the foreseeable extension of this system until 2013, Romania also has the possibility to provide complementary national direct payments from the national budget (Table 4.1). It can be considered that the choice of this type of complementary support topping up the EU support reflects a part of the national agricultural policy characteristic. Its effects will be seen only after a few years.

Probably until 2013 by this type of support, we shall experience farm restructuring in the direction of increase in farm size, mainly in the case of farms that are at semi-subsistence limit. This tendency will be also maintained in the livestock sector, which has potential for beef cattle.

Table 4.1. Value of complementary national direct payments

Specification	Value
Wheat, barley, oats, rye, maize, sunflower, rapeseed, pulses	30 euro /ha
Sugar beet, soy bean, hops, rice, tobacco, flax linseed and hemp	216 euro/ha
Dairy cows (complying with quality standards)	224 euro/head
Fattening young bulls (> 500 kg)	224 euro/head
Beef cattle	64 euro/head
Sheep and goats	13 euro/head
Dairy cows and young bulls from the less-favored mountain areas	45 euro/head

Source: according to current legislation, evaluation in euro at an exchange rate of 3.2 RON

Romania should be open to the option of maintaining certain coupled measures for fattening cattle under extensive system in the mountain areas³³ after 2013, in case it opts for a simplified single payment scheme on longer term. The decision on this

³³ It is estimated that about 1.3 million small farmers (1-2 cows) are in the mountain areas and their main activity is livestock rising.

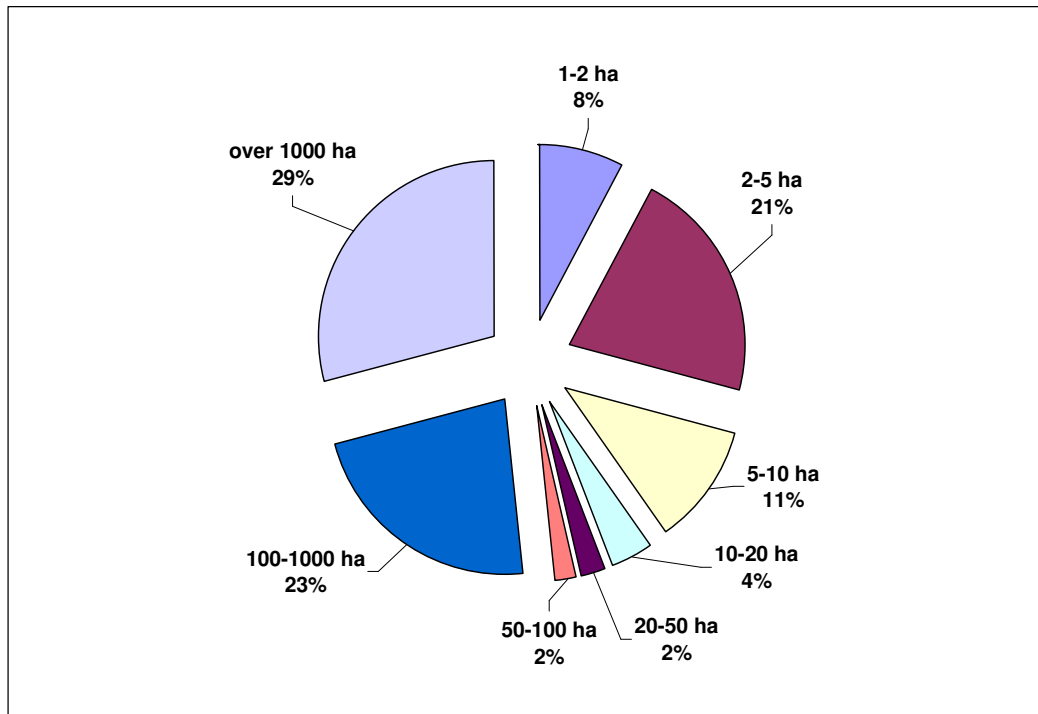
support modality and the regions where it will be applied should be based upon an impact analysis.

Upper and lower limits in support levels

The problem of direct payments distribution among the Member States and farmers is not a novelty, as this is a subject that has been debated for a long time, generating different opinion trends within EU. In this respect, the Commission suggests that with the CAP-HC review, the possibility to introduce new minimum and maximum limits should be considered for the eligibility for support. The steps made in this respect are cautious enough, taking into consideration this delicate issue and the resistance to such an approach from the part of the Member States. As regards the establishment of a maximum level of support/farm, the Commission considers that a solution would be the gradual diminution of the maximum support level/farm, e.g. over 100.000 euro/farm by 10%, over 200.000 euro by 25%, over 300.000 euro by 45%, but this measure should take into consideration the fact that these farms must have their economic sustainability ensured. As regards the introduction of a minimum annual support limit/farm, the Commission takes into consideration two variants, i.e. the establishment of a minimum annual support or a minimum area. The Commission suggests that the introduction of these limits should be cautiously approached, so that the establishment of an upper limit should not lead to widening the gaps between the large and the small farmers, and the establishment of minimum limit should not affect the farms that are oriented to commercial production. The Commission proposes that the “savings” obtained by setting these limits should be at the disposal of the Member State and used according to its needs for the new challenges.

Romania must come with very strong arguments in favor of its decision with regard to this option on long term, taking into consideration the polarized structure of agriculture at the present moment. Under the hypothesis that the structure of eligible farmers to receive direct payments will feature the same polarization in 2013 as well (Figure 4.1), some rough estimations can be made referring to the distribution of direct payments.

Figure 4.1. Structure of the agricultural land of eligible beneficiaries for direct payments by size categories



Source: calculations based on the General Agricultural Census 2002, NIS, 2004

If we were to analyze the value of support that a farmer can receive in the year 2007, we can state that 8% of the beneficiaries (600.000) can receive 80 euro/farm (EU and national support) in the case the farmer cultivates cereals, and 29% of these (1700 farmers) could receive over 80000 euro /farm in the year 2007, while in the year 2013 they could receive over 200000 euro/farm. If we take into consideration the data published by MAFRD referring to the large producers with farms over 5000 ha³⁴ (38 farms that operate 383 thousand hectares), it can be considered that the amount that they can receive as direct support ranges from 2.5 million euro/farm maximum value to 400 thousand euro/farm minimum value, only this group of producers having an absorption potential of over 76 million euro in 2007 and over 137 million euro direct payments in 2013.

Out of this reason, the support to the proposal of the Commission to apply certain eligibility limits should be considered on long term, and Romania's position must be well-substantiated in order to obtain maximum efficiency in the application of these measures. In the case of the lower eligibility limit, the support should not only serve as complementary social aid in the rural area without having the expected efficiency in supporting farmers' incomes; for the upper limit in the case of large-sized farms, we consider that a decrease of direct support to a farm that has a great absorption potential for direct payments should not become a useless expense for supporting corporative farms that even in the absence of this support are competitive.

³⁴ <http://www.maap.ro/pages/page.php?self=01&sub=0104&art=0401&var=010401&lang=2>

Cereal intervention

Considering the production and consumption forecasts at EU level, it is expected that Romania will not get immediately integrated on the Single Market due to the deficiencies of commercial and transport infrastructure, which may generate certain surplus risks on the local market, mainly in the case of grains. Production dependence upon the weather conditions and the modest average yields compared to those in the EU (2728 kg/ha in 2000-2007) and the support through direct payments and complementary national direct payments (85 euro/ha for 2007) much under the level of support received by EU-15 will not bring spectacular productivity changes and there will be no surplus risks in the next years. On the basis of hypotheses formulated by EC in the year 2007 for Romania and Bulgaria, the following evolution of the main markets is expected in the period 2007-2013: i) maintaining the wheat production at 7.1 million tons; increase of maize production from 11.1 to 12.8 million tons and of feed grain production from 13.4 to 15.1 million tons.

Even if maize intervention, which could present the highest structural surplus risk, will be phased out until its elimination in 2009, in Romania there will be no case for a medium-term intervention, as almost half of the area under maize belongs to the farms with less than 5 ha, which produce mainly for self-consumption. The farms with over 50 ha, which produce for the market, and might benefit from intervention procurements, operate about one quarter of the area under maize.

Wheat situation is different, where the large farms (over 50 ha) that produce for the market operate more than half of the cultivated area, which could create a potential surplus in the favorable years. Yet, considering the wheat market dynamics in the last years and the current market situation, with prices much over the intervention level³⁵, it is less probable that this mechanism will be used in the next years and at this product. For exemplification, the wheat market dynamics in the last years is presented in table 4.2; it can be noticed that Romania was a net wheat exporter only in four years out of a six-year period, and the price (in this case the export price) decreased under the EU intervention price only in two years of the investigated period.

Table 4.2. Wheat market dynamics

	UM	2000	2001	2002	2003	2004	2005	2006
Domestic production	000 t	4430	7725	4412	2496	7771	7389	5526
Import	000 t	189	296	121	1.724	841	159	78
Import price	euro/t	134	141	102	141	161	116	132
Human consumption	000 t	3770	3866	3852	3778	2983	3673	
Export	000 t	112	405	265	13	26	259	905
Export price	euro/t	114	110	98	209	149	96	104

³⁵ The intervention price is 101.31 euro/ton to which a monthly increase of 0.46 euro/ton is added (from November to June inclusively) as well as price corrections for the quality, according to the Commission Regulation no. 824/2000.

Trade balance	000 t	-78	109	144	-1.711	-816	100	827
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Source: processing of foreign trade data supplied by MARD and the Population's Consumption Availabilities, NIS, 2007

Under the hypothesis that starting with 2008 (we cannot take into consideration the year 2007 as it was a year with extreme weather conditions) spectacular productivity evolutions could take place in the grain sector, the market price would decrease and intervention would be needed, according to the acquisition procedures, in the case when in a certain region productions are obtained that exceed the local demand and the market price decrease under the intervention level, those who are eligible for such a measure should supply a homogeneous lot of at least 100 tons of wheat, of an adequate quality, proved by physical and technological analyses. Under these conditions, the potential beneficiaries of the measure could be only the farmers who produce for the market (lower limit of at least 50 ha) and the depositors qualified to store these quantities and are able to maintain the grain quality during the storage period. It is possible that APIA will not have its functional structures in place in 2008, a similar situation to that in 2007, and these mechanisms will be applied with difficulty, and they will not reach their goal.

Taking all these into consideration, Romania should be flexible enough in sustaining its position referring to the extension of the intervention system reforming pattern applied in the case of maize and other cereals and be in favor of an intervention system for bread wheat, and use this position in order to obtain equivalent concessions from the part of the negotiating partners.

On medium and long term, as the internal administrative difficulties will be surmounted, and under the hypothesis of maintaining high prices for cereals and oilseeds (OECD -FAO, 2007), it is expected that the reaction of large and very large-sized farms from Romania will not be delayed, these increasing their areas under wheat, sunflower, rapeseed, and diminishing their areas under feed grains (that will enter under strong competition with the products outside the EU).

On long term (after 2015), the historical tendency of agricultural price decrease (for cereals included) will continue, being accompanied by the increase of productivity, as a result of the investments supported by the rural development programs (in the case of family farms) or directly initiated by the large corporative farms. Thus, under the background of world market liberalization, the slow decrease of prices will not affect the farmers' incomes.

Set-aside abolition

The obligatory set-aside measure was used as an instrument for the limitation of the surplus of cereal production. With the introduction of the support decoupled from production, this measure can no longer serve its initial purpose. At the same time, on longer term, one of the main driving forces of changes in the production structure will be the increase in the utilization of crops for biofuel production (wheat and rapeseed) that will increase the prices of vegetal products and, through the feed costs, even of the prices of animal products. The farmers will be tempted to use their land to cultivate crops to be used for biofuel production.

The commission's proposal in this respect is to eliminate this instrument, but at the same time to maintain the beneficial effects of its utilization upon the natural

environment. Thus, by using certain rural development instruments, the implementation of this type of measure could continue, adapted eventually, only in the zones where environment protection is necessary. At the same time, the removal of this instrument, but its replacement by afforestation measures or mechanisms that are directly linked to the climate changes effects, the adaptation to the renewable energy policies, etc., may represent another alternative.

Having in view the current situation of Romania's agriculture in the transition period and the fact that, due to the precarious economic situation in agriculture, this was practiced mainly under an extensive system, a large part of the agricultural land remained uncultivated, which confers Romania a different status compared to the other Member States with regard to the potential for maintaining the biodiversity (much more consistent compared to the other Member States) as well as the lower soil and water pollution.

Romania should support the abolition of this instrument and its replacement by rural development measures specific to the regions needs. In exchange for this position, Romania should obtain equivalent concessions from the part of the negotiation partners.

“Paving the way” for the abolition of the dairy quota after 2015

As in the case of the other market measures, the introduction of milk production quotas had as objective the limitation of the surplus of production and preventing the creation of stocks. This measure is no longer of present interest, given the evolution of markets after 2003. The demand for products with low processing level (fresh milk, low fat or whole milk powder and butter) is stagnant or even decreasing; the domestic and foreign demand for highly processed dairy products is increasing, mainly for cheese and fresh dairy products.

The maintenance of this supply limiting system after 2015 could widen the difference between the efficient farmers and the less competitive ones from the less-favored areas, mainly from mountain areas, as well as between the sectors of agriculture that suffered major reforms and had the possibility to receive true market signals.

In order to prepare the sector for the abolition of this instrument after 2015, the Commission proposed a gradual increase of quotas on medium term (until 2015), which will create the opportunity of sector consolidation and competitiveness increase. The decision upon quota gradual increase and then the possible removal of this mechanism should be based upon specific impact analyses (at MS and regional level). The foreseeable beneficial effect of quota elimination upon sector competitiveness might not have the same intensity at zonal level. In the mountain areas, the effect could be an opposite one, and the Commission proposed to introduce specific rural development measures in these areas so as to support production (eventually the production of dairy products, with high value-added) and in this respect the provisions of Art. 69 of the Commission Regulation no.1782/2003 should be followed, which could be amended in this respect.

The milk and dairy sector from Romania is characterized by a modest competitiveness compared to the European level, on one hand due to farm structure (1.2 million farms out of which the largest part own 1-2 cow heads) and on the other hand to the processing sector, which is still in transition.

The milk quota allocated to Romania amounts to about three million tons (much under the production potential), out of which 1.2 million tons are allocated to

processing, and 1.8 million tons for direct sales (Table 4.3). The ratio between the two components of quota is rather queer compared to the structure of EU quotas, but it can be modified on Romania's demand, in conformity with the farmers' requests, on the condition of preserving the allocated national quota level. The milk quota is provided to farmers only once, on a free of charge basis³⁶ and these can use it as they will; they can sell it, hire it, bequeath it or request its conversion from direct sales to processing and inversely.

Table 4.3. Milk quota allocation for Romania

Specification	Tons
National allocation – delivered to processing, out of which:	1,093,000
- reserve	21,860
Available for allocation	1,071,140
Allocation demand (28.02.2007)	1,022,607
- available to allocate	4.5%
Reserve for farm enlargement and for new investments	68,985
Average quota/farm	4.00
National allocation – direct sales, out of which:	1,964,000
- reserve (2%)	39,280
Available for allocation	1,924,720
Allocation demand:	2,186,431
Deduction	-13.6%
Allocation (15.03.2007)	1,924,720
Average quota/farm	3.09

Source: calculation based on <http://www.infolapte.ro/>

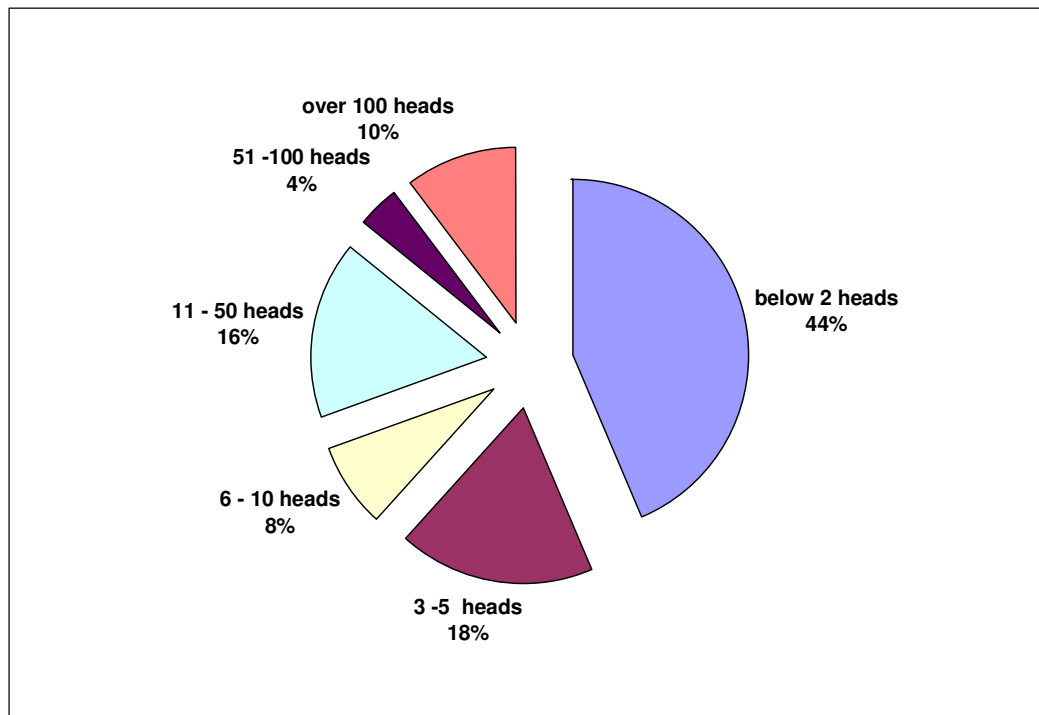
The quota for milk delivered to processing was allocated to a number of 250,493 farms. The structure of raw milk suppliers is presented in Figure 4.2 and it can be noticed that the main potential suppliers are the small farms (44% farms with 2 cows at most and 18% with 3 – 5 cows).

³⁶ Any farmer can request a milk quota who obtains, by milking the cows he has, a milk production that he wants to sell to the dairy processing factories and/or directly to consumers (on the market, at farm gate or to neighbors) and who proves he did that in the reference period (1 April 2005 – 31 March 2006), for the milk or dairy products he produced.

The quota for direct sales was allocated to a number of 622,504 holdings (farms/physical entities) after applying a deduction by 13.6% of the amount initially asked for. In the case of direct sales the structure features similar fragmentation, 67% of the allocated amount is represented by households with a quota of 5000 kg, which corresponds to a farm with 1–2 cows.

The Romanian milk producers, mainly the very small-sized ones, are not prepared to work with the quota system. Probably the situation presented above will not be the same in the next years, and if we look back to what happened after the introduction of this mechanism in EU³⁷ we can estimate that the number of farmers will decrease and the number of farms with a greater number of dairy cow heads will increase: gradually, the farmers with one, two or three cows will give up the milk quota, as complying with the delivered milk quality requirements will become compulsory, and in order to meet the quality standards modern milk collection equipment is needed, and this investment is not justified on a farm with 1-2 dairy cows.

Figure 4.2. Structure of farms that asked for milk quota for milk delivered to processing



Source: calculation based on <http://www.infolapte.ro/>

At the same time, the proportion between the delivery to processing and direct sales, which is almost equal due to sector specificity, will undergo significant changes in time. From the data, provided by the Direction of Milk Quota Administration it results that many farmers are interested in the conversion of direct sales milk quota into processing delivery quota (almost 22,000 farms shifted from direct sales to delivery to

³⁷ The number of farms decreased by 72% and the number of dairy cows by 40%.

processing quotas), while only 27 producers opted for the conversion of direct sales quota to processing quota.

Another problem that could be raised by this fragmented structure of the sector is related to the possibility of not obtaining the allocated quantity (not in terms of quantity but of quality). Non-obtaining at least 70% of the individual quota for two years successively entails the diminution of quota by the non-obtained amount, which goes to the national reserve. In the case when the milk quota is exceeded, Romania will have to pay penalties for each 100 kg exceeded quantity.

The emergence of a milk quota market is also expected, but its functionality will not reach the optimum parameters on the short term, due to the lack of information and experience in this respect. On the short term, the small producers will be probably chased by the farmers who made investments but have no milk quota yet, and on medium term, by the large producers.

Considering this situation, the quota system implementation in Romania could oblige the restructuring of the sector and it could contribute to the consolidation of its competitiveness in time. It would be also a wise decision from Romania's part to support the Commission's proposal for a gradual increase of quotas, as the production potential is significant, and the investments that will be made require such an increase.

Under the hypothesis that Romania will opt for a 3% annual growth, by the year 2015, this will give farmers the possibility of conversion to a quantity of 3.872 thousand tons (by 815.5 thousand tons more than the present milk quota), which would represent 67% of the milk production expected to be obtained in the year 2007. The obtaining of this quota will very much depend upon the sector reaction to the new challenges related to the introduction of this measure. The implementation experience will provide reasons in the future for carrying out specific analysis even at regional level, which can substantiate the introduction of adequate measures after the abolition of quotas. These measures should encourage the obtaining of quality products, with high value-added, i.e. products with denomination of origin. For the producers from the mountain areas, high-risk category, and additional support measures should be introduced through the Rural Development Program.

Other supply control measures

As in the case of the other supply control measures, the Commission proposes to investigate the opportunity of maintaining certain market measures for the small sectors, namely dry fodder, starch, flax linseed and hemp. The decision on the abolition or partial maintenance of certain coupled measures for these products will be made after the analysis of their effectiveness.

Through the complementary national direct payments, Romania provides substantial support to these products (216 Euro/ha), and the political decision to support these sectors probably had in view production stimulation-recovery, but the effects of this support can be measured only in the next years.

Managing risk

The evolution of economic and environmental conditions and the expected change of CAP-HC induce two types of risk to farmers: market risks, due to prices, and production risks, due to the weather and sanitary conditions.

A most significant support decoupling tendency will permit the farmers to adjust their vision and actions with regard to price risks (for example by redirecting the production to more profitable crops). The Commission's opinion is that the introduction of a common risk management instrument is not suitable for such an objective.

The Member States are encouraged to use rural development measures for risk management specific measures, as each MS has specific conditions with regard to exposure to risk.

At the same time, the Commission suggests as feasible the possibility to use a part of the amounts coming from modulation for this purpose, as these can be included in the green box to the measures that do not produce distortions and are permitted by WTO. The Commission suggests the analysis of the need to introduce some additional measures or the adjustment of certain market mechanisms for risk management on longer term.

Romania can opt for the use of a part of the rural development funds for the introduction of risk management mechanisms in agriculture.

Climate changes, bio-energy, water management and biodiversity

The new challenges for EU agriculture will be materialized in finding certain solutions for the attenuation of effects determined by climate changes, the opportunity of biofuel production and the improvement of water management and biodiversity. The Commission proposes the use of rural development measures by providing certain "incentives" for this purpose. Other measures that can lead to reaching these objectives could be the following: i) application of cross-compliance principle – through adjustment and simplification; ii) stimulating the development of a new generation of biofuels through the development of research and innovation and through rural development measures; analysis of the current support efficiency for the energy crops in the context of introducing new stimulating measures for biomass production.

Strengthening the Pillar 2

Pillar 2 of CAP is indispensable for rural development in Romania. In the NPARD, the authorities proposed the allocation of the most important part of Pillar 2 funds to Axis 1 (42.2 %); this axis has as objectives the increase of competitiveness and it can facilitate the structural changes. It is obvious that the decision-makers rely on the capacity of agriculture to induce development in the rural areas. Having in view the current situation of rural areas, this option is a natural one, mainly as in the menu of measures under Axis 1, the measures specially introduced for the NMS can be also found, among which Measure 141 (support to semi-subsistence farms), with 15 % of the allocations under Axis 1, and Measure 142 (establishment of producers' groups), with 5 % of funds.

It is true that the measures with the largest allocations are those directly related to investments in the primary production or in processing: Measure 121 (modernization of agricultural holdings), with 17 % of allocation and Measure 123 (adding value to agricultural products), with 27 % of the allocation. Although the preference for these two classical agricultural support measures can be brought to discussion, it is possible that the option is a good one, and the results of this orientation to production are to be seen by the end of the programming period (2013). This option was also certainly determined by the success of similar measures from the Program SAPARD, and the

period of structural changes expected after the accession will increase the demand for this type of support. The fact that now the investments in the processing and production sectors will be directed, according to the program, to the smaller-sized farms and processors, represent a challenge for the success of the respective measures, taking into consideration their low financial power, which could induce delays in the operation of investments. Maybe the facilitation of obtaining the necessary guarantees for credits or even of credits (as it was the case in 2005-2006) will facilitate the absorption of these funds.

As regards the measures under Axis 2, it is worth mentioning that Romania opted for the minimum imposed by the regulation, this level (25%) being divided almost equally (about 30%) between the three main measures (payments for the mountain areas, payments for the areas with handicap and agro-environmental payments). While the payments for the areas with handicap or the mountain areas can be easily directed to beneficiaries (on the condition APIA operates well), the attraction of as many as possible farmers to the organic farming, through the payments for land re-conversion, represent an opportunity for the Romanian agriculture, taking into consideration the fact that certain initiatives to introduce the organic farming practice have been already successful.

As regards Axis 3 (with 26% of the funds from the programming period), Measure 322 (village renovation) has the largest allocation share (62% of total Axis 3), and it is almost unanimously considered as insufficient, taking into consideration the low development level of the Romanian countryside. On longer term, this axis is expected to absorb the largest part of the rural development funds allocated to Romania, with the connection to the EU rural development trends.

4.3. Romania's position. Moderate or a radical reform?

Although it joined the EU in 2007, Romania had got involved in the discussions referring to the CAP reform before this moment, since the emergence of the first coherent positions. The first of these positions was the UK vision³⁸, launched for debates at the end of 2005. On the short term, the most important result of that debate was the form in which a compromise was reached for the 2007-2013 budgeting period. In the shift of the focus from Pillar 1 to Pillar 2, Romania received a significant financial support for the Rural Development Program, proportionately with the development gap compared to the Old Member States and even to most New Member States.

The French response to the UK's vision is quite asymmetrical, under the form of a memorandum³⁹ rather dedicated to the problem of CAP implementation than to a future reform. Maybe this made the document be endorsed by 18 states (among which Romania, at the time it had no EU membership). The core message was maintaining the Community character of the agricultural policy that remained at the center of the European project, according to the vision of the signing parties.

The moment when the two great proposals were launched reveals the importance of the conditions on the international agricultural markets and the forecasts regarding their evolutions, as well as the general political, economic and social context, at EU level and at the level of each Member State, in particular at the level of large states. The case of France is relevant for the dynamics of position versus CAP reform.

³⁸ A vision for the Common Agricultural Policy (HM Treasury, DEFRA, 2005)

³⁹ Memorandum on the implementation and the future of the reformed CAP (March 21, 2006, MAP)

As Romania is the seventh state among the EU Member States as regards its size, with an agricultural sector that is very important for the national economy, it became an important player in the negotiations for the CAP reform. From this position, Romania will probably have to get associated either to the moderate reform advocates, led by France, or to the radical reform advocates, led by the United Kingdom, and to give up the ideal situation of punctual negotiating with a group of states or the other, by turns.

The position of the United Kingdom

The United Kingdom vision on the future European agricultural and rural development policy has at its core a new CAP, adapted to the modern requirements of the international economic environment, which assumes a lower regulation and a lower support to agriculture. The natural result of these tendencies is the change of the production patterns in EU, and the new CAP should not target the maintenance of these production patterns. The main change for the EU, as it was identified in the UK analysis, referred to the removal of distortions created by the intervention mechanisms in the agricultural sector, the proposal being to treat agriculture in a similar manner with the other economic branches. As a result, in 10-15 years, the farmers should make the business decisions based on the market signals and consumers' requirements, rather than based on signals referring to subsidies. In the UK vision, a sustainable CAP would be characterized by: i) creation of a neutral economic environment of action for the agricultural sector, similar to the other economic sectors; ii) agriculture integration into the EU competition policy, together with the other sectors; iii) setting as goals of the EU agricultural policy environment preservation and sustainable rural development promotion; iv) on longer term, application of non-distorting measures for the agricultural production; v) import tariffs for agricultural products progressively in line with the tariffs from the other sectors; vi) elimination of price support, export restitutions and of other producer or consumer subsidies; vii) the social benefits provided to farmers will be available on the same bases as for the other members of the society; viii) the EU agricultural expenditures will be based upon the current Pillar 2 and will permit a decrease of total expenditures for agriculture.

The modality proposed to implement this ambitious program, radical in the changes it proposes on the long term, is a gradual one that should give time to farmers to adjust their "business" and go through the transition period without facing difficulties. Although the most important thing for the success of reform implementation is the information of farmers on the agricultural policy trajectory, the state can provide support to transition through instruments such as: ensuring an efficient land market operation, providing training to farmers in order to adapt to the new conditions and also for abandoning the sector where it is the case, providing compensatory payments on limited periods to farmers who have income losses.

In Romania, which was not an EU Member State at the moment when the UK vision was launched, there were no official positions with regard to this document. Yet, a detailed analysis by the academic sector⁴⁰ reached the conclusion that the proposed radical changes will produce different effects by countries, but overall in the EU, the rural economy, also benefiting from the structural changes of the radical reform, will benefit from re-directing the support from agriculture to rural development. As regards Romania's situation in the given context, it is estimated that the pressures for

⁴⁰Alexandri, C. (coord.) - Integrarea europeană a piețelor agricole românești, Editura Terra Nostra, Iași, 2006, pp.20-28

competitiveness increase will eventually lead to the adoption of certain radical reform measures.

In the attempt to support a fundamental CAP reform, the United Kingdom tries to identify common positions with the different Member States interested in the reform. Thus, in April 2007, a Communiqué of the Italian and British positions was issued⁴¹ in which certain shared approaches of the two governments are presented, referring to: i) CAP simplification, that should lead to the diminution of farmers' tasks; ii) giving up the set-aside obligation and milk quota; iii) establishing a minimum level for receiving direct payments; iv) agricultural activity getting in line with the WTO requirements; v) measures for increasing the competitiveness of the agri-food products; vi) widening the trade relations between EU and the rest of the world; vii) recognition of agriculture functions in environment protection; viii) role of Pillar 2 in general and of agro-environmental measures; ix) supporting the biofuel use initiatives.

The position of France

The French memorandum, signed by 12 states⁴², to which Romania and Bulgaria also got associated, seemed to be a document that supported the position of the net beneficiary countries of European funds for agriculture. Yet, the debate on the respective document resulted in the support from other four states⁴³, which indicates the validity of proposals. It is true that the proposals mainly target the short and medium term, but the ways the problems are approached rather imply the long-term vision. The general line of the memorandum is given by the need to simplify the CAP administrative management, which is also recognized by the states that do not support the memorandum, as well as by the recognition of the pertinence of the complementary measures, meant to prevent and control the agricultural crises, an approach that might not be agreed upon by the promoters of the radical reform.

The Memorandum is trying to respond to the challenges at global and EU level, leading to the structuring of EU strategy with regard to the world trade, around three main ideas: adopting accompanying measures that should maintain the competitiveness of the European products, ensuring an adequate level of Community preference and maintaining the agricultural policy at the core of the EU political design, categorically refusing any CAP re-nationalization.

Concretely, the position of the Memorandum supporters refers to the following CAP aspects: i) trust in CAP reforming capacity (experiences of 1992 and 2003); ii) challenges for the agricultural policy (food security, Community preference, taking into consideration society expectations); iii) identification of responses to the exposure of producers to the world markets; iv) administrative simplification; v) carrying out evaluations of the administrative tasks simplification; vi) setting accurate targets for simplification; vii) systematic examination of legislation for simplification purposes; viii) priorities of CAP review process: cross-compliance, control, decision-making procedures, adaptation to the new technologies, simplification of supply organization mechanisms; ix) decoupling, completed with new instruments (for income protection); x) consolidation of support under "de minimis" formula; xi) improving the management of safeguarding clauses; xii) optional establishment of

⁴¹ Communiqué on Italian and British shared positions on the future of European agricultural policy (19 April 2007, DEFRA)

⁴² Cyprus, Spain, France, Greece, Hungary, Ireland, Italy, Lithuania, Luxemburg, Poland, Portugal, Slovenia

⁴³ Germany, Belgium, Finland, Austria

insurance schemes for weather, economic or even health risks; xiii) introducing specific instruments for certain sectors (wine, fruit and vegetables); xiv) using the mechanisms negotiated with WTO until the expiry of negotiated period; xv) initiation of communication strategy that should promote CAP among citizens and consumers, as well as in third countries.

The last elections in France and the new orientation of the domestic and international policy promoted by President Sarkozy recently produced a shift in the policy of France, to a greater openness to a reform that would ensure a new political framework for the European agriculture. Estimating that CAP “re-reforming” is indispensable, the French president’s declarations were received with much surprise and hope by the EC.

Chapter 5. Opinions and perceptions regarding CAP – a case study

The research on the stakeholders' opinion and perception in the direction of CAP reforming represents a constant concern both at EU level and at the level of certain EU Member States, the proof being the many articles, books, conferences and web pages on this subject. In this context, the research team considered it opportune and useful to implement an opinion poll among the specialists⁴⁴ who work in agriculture and rural development to see their opinions and estimations with regard to CAP, the changes that are expected on the medium and longer term in this field and which are the influences upon Romania.

5.1. Methodology

The characteristics of the approached thematic, resulting from the previous chapters, determined the choice of the interview as investigation method for information collection. The survey was implemented in the period 12-18 November 2007. The questionnaire was applied via electronic mail; this method makes it possible to eliminate the effects of the influence of survey operators, to reduce the interview effect and increase the concentration in formulating the answers, yet it induces certain vulnerability in the process of data aggregation as it raises problems with regard to investigation representativeness⁴⁵.

As working instrument, a mixed questionnaire was used that comprised a set of closed questions (questions permitting only one answer of two or more pre-established answers) that alternated with a set of open questions (questions that had in view the argumentation/motivation of expressed opinions). The questionnaire of special type, addressing only one theme (the Common Agricultural Policy), was adapted to the investigated players, using simple and univocal, easy to understand terms. Its structure included: contact data, general information about CAP, direct payment scheme, market mechanisms, rural development and future challenges regarding CAP.

The participation rate was 62%: 66 questionnaires were delivered and 41 completed questionnaires were returned (Annex 1). The activity field of respondents was the following: research - 32%; administration (MAFRD, DARD, ANCA) – 27%; education – 27%; private companies – 10%; other fields – 4%. The gender structure of respondents reveals 61% men and 39% women, and the territorial distribution is the following: 61% Muntenia; 18% Transylvania; 14% Moldova; 7% other situation.

5.2. CAP under the imperative of change

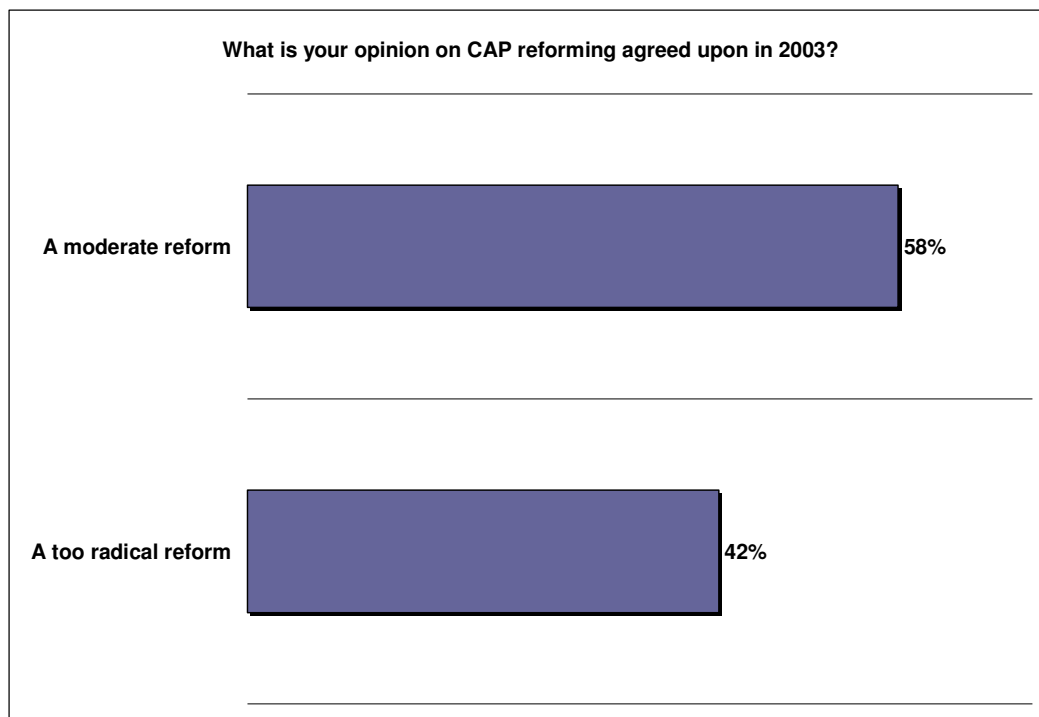
At priority objective level, CAP reform of 2003 tried to ensure a better convergence between the expectations of farmers, consumers, public authorities on one hand, and the economic, social results and environment protection, on the other hand. Let us see what is the specialists' opinion who answered the questionnaire on this subject.

Most interviewed subjects (58%) consider that this reform was a moderate one, because: it maintained the intervention forms on the market; it favored the perpetuation of public inferences in the market mechanism; it did not succeed in eliminating the lack of efficiency of the sector; in budgetary terms the share of Pillar 2 remained modest; the socio-political aspects were placed first and the New Member States were provided certain facilities.

⁴⁴ According to DEX, the specialist is a specialized person, prepared to work in a certain field.

⁴⁵ Zamfir, C., Vlăsceanu, L., (coord.) (1993), *Dicționar de sociologie*, Editura Babel, București

Figure 5.1. Opinions on reforming the Common Agricultural Policy



“...the socio-political aspects were placed before those targeting the increase in competitiveness of European agriculture. A moderate reform was obtained, yet largely useless. The competitiveness gap compared to US agriculture was maintained, in fact widened, under the conditions of the bureaucratic increase of the policy management costs.”

The effort was obvious in the direction of a greater orientation of producers to market, with a greater focus on environment protection and rural development.

A significant part (42%) of the interviewed subjects considers that the CAP reform of 2003 was a radical one. The arguments in favor of this opinion are mostly related to the modality in which reference is made to the Central and Eastern European Countries (CEECs).

“...it was radical for the CEECs, which have an agriculture that is structured in such a way that makes it different from other economic business.”

“For Romania it was a much too radical reform as this benefited from financial support to rural development (SAPARD) only for a short time. At the same time, the financial support to farmers is conditioned by the quality, ecologic and food safety standards. Yet reaching these standards needs time and significant investments. Under the conditions of insufficient own capital for co-financing these investments, Romania needs time and measures for farm capitalization. Many mechanisms are necessary for facilitating young people’s access to credits...otherwise these young people will leave Romania for other countries.”

Considering the long-term objectives that can be targeted through CAP, 6 in 10 respondents consider that rural area sustainable development can be the only way by

which balance can be reached between the social, economic and environmental requirements (Figure 5.2). Most supporters of this objective consider that only “rural area sustainable development can include the other two”.

There is also a high share, i.e. 56%, advocating the competitiveness of agro-food products. These estimate that at present, under the conditions of an increased globalization trend, competitiveness should represent a priority objective of CAP.

“It is difficult to decide among the three objectives; yet I believe that among the long-term objectives, competitiveness has priority under the globalization conditions.”

“In the context of globalization, the efforts should be firstly directed upon the competitiveness of agro-food products, in which the European Union has quite a bad situation, and Romania even worse.”

A great number of respondents opt for the simultaneous existence of two main objectives that should be targeted by CAP, namely the competitiveness of agro-food products together with the sustainable development of rural areas.

“...the sustainable development of rural areas could lead to the diversification of economic activities and to environment protection and the increase of agro-food products competitiveness could determine the decrease of dependence upon the common agricultural policy.”

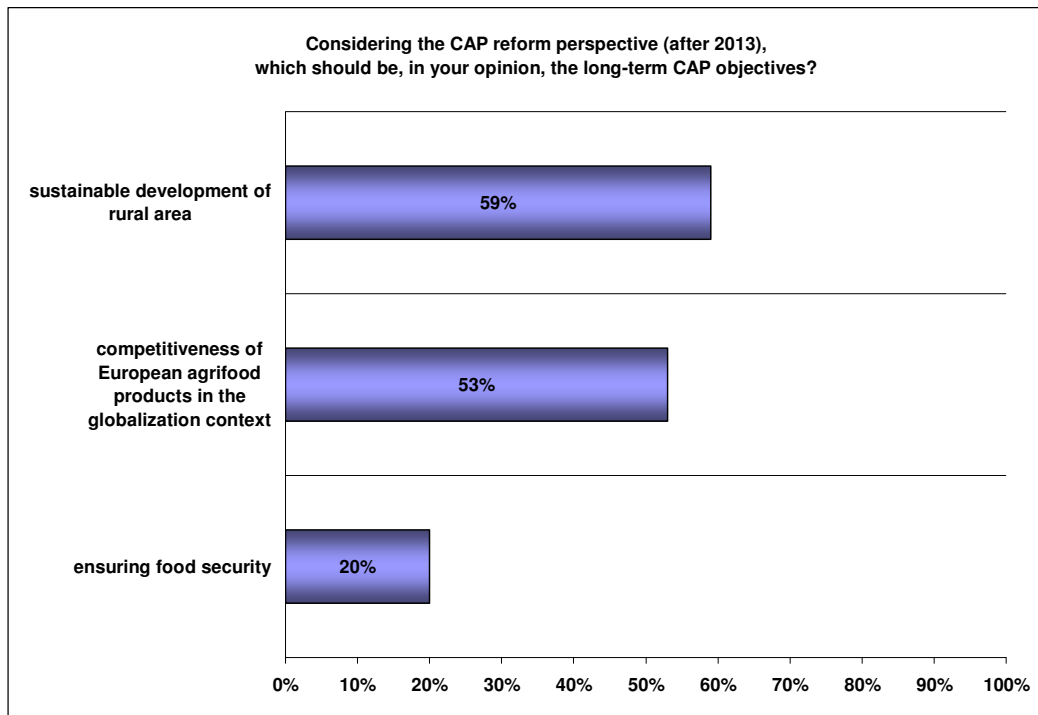


Figure 5.2. Opinions on the long-term CAP objectives

(the question with multiple answers)

Almost 60% of subjects consider globalization as the most important pressure upon CAP because this policy is not fully connected to the world economy yet (Figure 5.3).

“Although the current system connected the European farmer to the market signals, it is still based upon a protection level and domestic support measures that protect him from the world market pressures and the previous multilateral agreements within WTO are almost over. The number of commercial partners from WTO increased, and important partners such as China, Russia and Ukraine begin to play an important role on the world market, and the US agricultural policy evolves to other support forms.”

There are also points of view according to which the future can no longer be based upon agriculture, even though in agriculture the environmental and animal health standards are respected, it remains a sector lacking performance.

“The European farmers are used to subsidies, they are less competitive, and out of this reason giving up the subsidies, even their decoupling and conditioning upon the respect of environmental standards, make the farmer move away from the technological and commercial problems to bureaucratic problems/actions.”

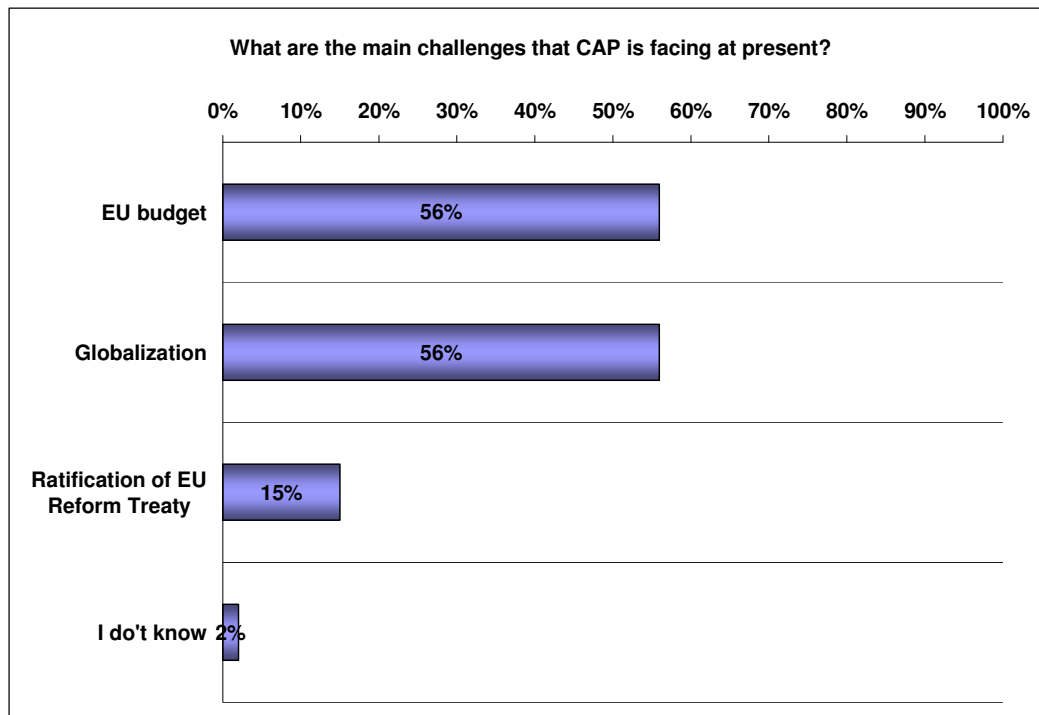


Figure 5.3. Perception of challenges upon CAP

(the question with multiple answers)

The debates on the approval of EU budget are perceived as having the same importance as the globalization for the European agriculture (56%). The different interests, mainly between the net contributors and the net beneficiaries as well as between the Old and the New Member States will lead to *“confrontations for different interests.”*

Starting from the long-term objectives, a natural question is related to how CAP should look like in the future. There is a variety of aspects considered by the 32 specialists (78%) who answered this question (Table 5.1).

- ♦ 31% think that CAP should be more flexible: to respond very fast to the challenges and pressures that appear, to give the Member States the possibility to transfer the funds between the two pillars depending on the national needs;
- ♦ 31% hope that the future CAP will be more equitable: to eliminate the discriminating treatment between the different categories of agricultural producers; to eliminate the discriminating treatment between the agricultural producers and other players in the rural area; to provide a fair treatment between the countries (old and new member states);
- ♦ 28% would like an efficient agricultural policy: to have clear objectives; to allocate the financial resources in agreement with the priority objectives;
- ♦ 28% expect more environment-friendly measures;
- ♦ 25% rely on CAP simplification, which presupposes a policy easier to apply, less bureaucratic and easier to administrate.

Table 5.1. Considerations on the prevailing characteristics of CAP

How would you prefer CAP to look like in the future?	Share of respondents (%)
Efficient	28
Simple	25
Fair	31
Flexible	31
More environment-friendly	28
Innovating	9
Other characteristics	9

** question with multiple answers*

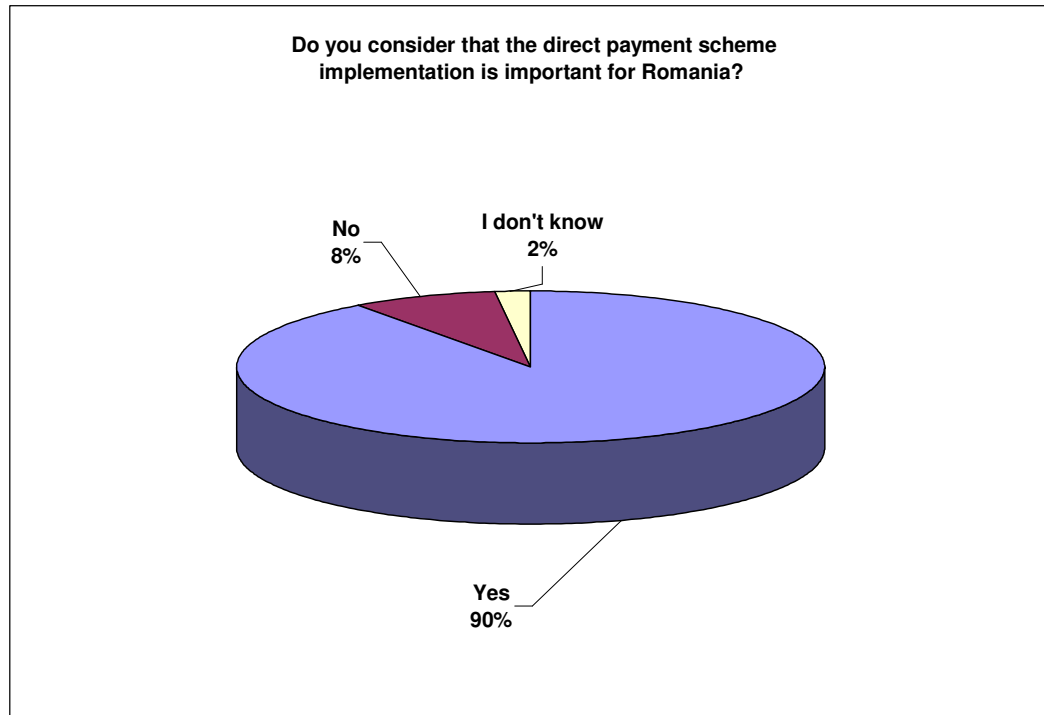
In the category “Other opinions”, the option to change the name of CAP was expressed in the first place: “*CAP should no longer be named CAP. The term agriculture should be eluded; to have a structure based upon rural economy...*”

5.3. Opinions and perceptions regarding the CAP-HC

Direct payment scheme

Even though at one year from the accession, Romania’s experience in the implementation of direct payment system is practically non-existing, 9 out of 10 respondents consider that this system is beneficial for Romania (Figure 5.4).

Figure 5.4. Opinions on the importance of implementing direct payments for Romania



Yet it is recognized, more or less explicitly, that these payments would not support competitiveness, and for most of the small-sized farms from Romania, they would rather have a social role.

“In the absence of a market of agricultural products, any direct payment turns into social support for farmers. Finally they lead to the improvement of a critical situation of a certain social category.”

“The direct payments represent an important financial measure with minimum economic effects, yet socially important.”

“...the direct payments?...these are in fact, payments for the Romanian farmers’ psychological comfort.”

It is revealed that besides its social role, this system of payments has the role to educate and make the Romanian farmers knowledgeable with regard to the respect of environmental and animal health standards in order to receive subsidies. The introduction of these payments, as it was seen, represents a genuine challenge from the institutional point of view.

“The direct payment system will change the existing subsidizing pattern, will introduce for the first time a transparent and credible administration and control system and will get the farmers more responsible of the sustainable use of resources.”

Those who do not believe in the importance of this scheme (8%) bring as arguments its lack of efficiency *“the scheme is not efficient under its present form: for the small farms it is an inefficient type social protection, while the large farms do not need this support”* and the fact that the present level of payments is low *„compared to what is allocated in the EU Old Member States.”*

As regard the option for a certain support scheme, the opinions largely converge to SAPS (40%) (Table 5.2.). This option is supported by the following reasons: it is a simple, easier to apply scheme by an administration that is less experimented in the application of EU norms; although expensive as regards its application, the largest part of implementation and administration expenses have already been made.

Table 5.2. Options on the direct payment scheme that Romania should adopt

Which of the following schemes should be applied in Romania after 2011?	Share of respondents (%)
SAPS	40
SPS	29
Other scheme	25
Do not know/Do not answer	6

On the other hand, the SPS supporters (29%) think that this implies less bureaucracy and it is a scheme that encourages farmers' competitiveness. Yet there are worries that the scheme administration and mainly the respect of standards will raise serious problems, and Romania will not be prepared for the implementation until 2011.

“If we opt for competitiveness increase as agricultural policy objective, SPS will lead us to this objective.”

There are also opinions (25%) according to which the present schemes are not suitable for Romania's agricultural structure and it is estimated that new support schemes are needed, simpler schemes that imply lower costs and target higher efficiency.

The introduction of upper and lower limits as eligibility conditions for the direct payments seem to be a measure agreed upon by 70% of the specialists who participated to the survey (Table 5.3). Out of the investigated subjects, 20% consider that they do not agree on this measure and support their statement with the argument that *“it is not the physical farm size that matters, but rather its economic size, and it is the latter that should be taken into consideration. The stratification should be made according to the profit obtained and not according to the area.”*

There is an important category of specialists who plead for establishing certain limits that encourage the establishment of commercial family farms (22% consider as lower limit 5 ha and 18% the upper limit 50 ha).

Table 5.3. Opinions on the introduction of eligibility limits for receiving direct payments

Do you think that it would be useful for Romania to introduce eligibility limits for receiving direct payments?	Share of respondents (%)
Yes	70

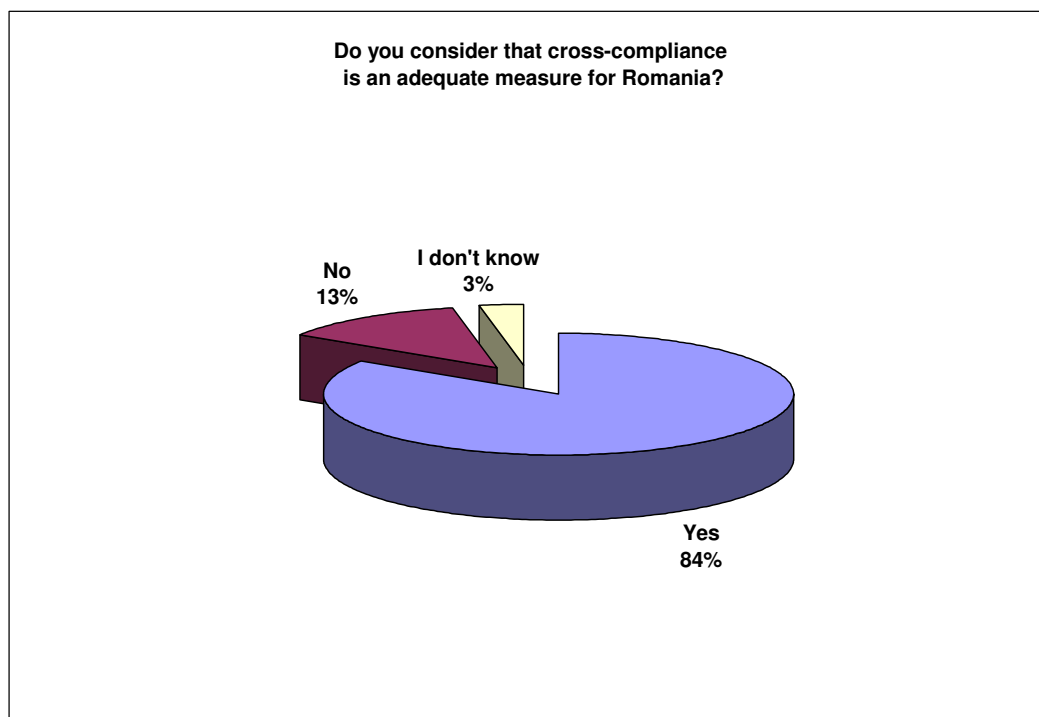
No	18
Do not know/do not answer	12

The supporters of imposing a lower limit, with a higher value than the existing one, consider that this measure would be necessary for stimulating land consolidation, as “on small areas the performant technologies cannot be applied”. Setting a minimum limit would also significantly reduce the budgetary and administrative effort associated to the direct payments.

Almost 60% of those who answered the questionnaire consider that there should be no upper limit, “as all producers should benefit from the same fair support”. At the same time, setting an upper limit induces worries in relation to the fact that the large farms will be divided so that several companies will be artificially created in order to elude an eventual limitation.

The largest part of respondents (85%) is in favor of supporting the cross-compliance principle (Figure 5.5). The invoked arguments are that the standards promoted by this system are necessary for Romania, as in the present stage, there are few concerns with regard to preserving environment quality and they represent a good opportunity for fostering the sustainable development of rural areas. In fact, the measure is perceived as a mechanism for getting the farmers more responsible in their relation with the environment and for the increase in the quality of products.

Figure 5.5. Perception of cross-compliance importance



There is a fear, expressed by 13% of the interviewed subjects, that at present Romania does not have the capacity to make an efficient control, control administration being a difficult operation, and this might lead to the decrease of direct payments provided to farmers.

“We are not able to have an efficient control now, that we have to respect only a few good agricultural and environmental practices...what about when we shall have 20 or even more?... Furthermore, these have to be well-known by the beneficiaries.”

That is why there are opinions that Romania should advocate the simplification of certain provisions in this system.

Market measures

The technical simplification of the market organizations is perceived as a measure with a positive effect upon the administration by 78% of the interviewed subjects, as this would lead to the simplification and decrease of implementation costs and “any simplification of the bureaucratic practices is welcome” (Table 5.4).

Table 5.4. Perception of the technical simplification proposal for the market organizations

Effect of technical simplification of the market organizations upon the administration	Share of respondents (%)
Positive	78
Negative	5
Do not know/Do not answer	17

The updating and aggregation of numerous legal provisions could make it possible for all the stakeholders to work with a simpler legislation and the administrative and management mechanisms could be reduced at minimum costs. The adoption of such a measure, which has in view in the first place the creation of a more flexible administrative mechanism, more easily to maintain and cheaper, make some interviewed subjects worry about the fact that the measure “might lead to staff rationalization in the case of local administrations”.

Giving up the intervention on the grain market will negatively affect Romania, almost three quarters of the interviewed subjects consider, because: “the Romanian sector lacks competitiveness”, “the grain production costs are higher than in the EU, the yields and productivity are lower”, and the “*application of the public intervention system could correct the structural disequilibria that still exist on the market of basic agricultural products in Romania.*” (Figure 5.6)

“As Romania cultivates grains on large areas, by giving up the intervention, important financial resources could be lost.”

There are also different approaches to this position, i.e. “*giving up the intervention on short term would negatively affect Romania. Considering the current situation of the grain sector, a transitory system would be more adequate, in which the intervention should be gradually reduced.*”

More optimistic opinions on this measure were also expressed, which take into consideration the grain market in Romania on long term: *“the measure will have a negative effect on the short term. On medium and long term, Romania can use its competitive advantages for grains and oilseeds.”*

On the other hand, 22% of the interviewed subjects consider that this measure will produce positive effects, as *“the demand and supply rule will act in Romania as well”*.

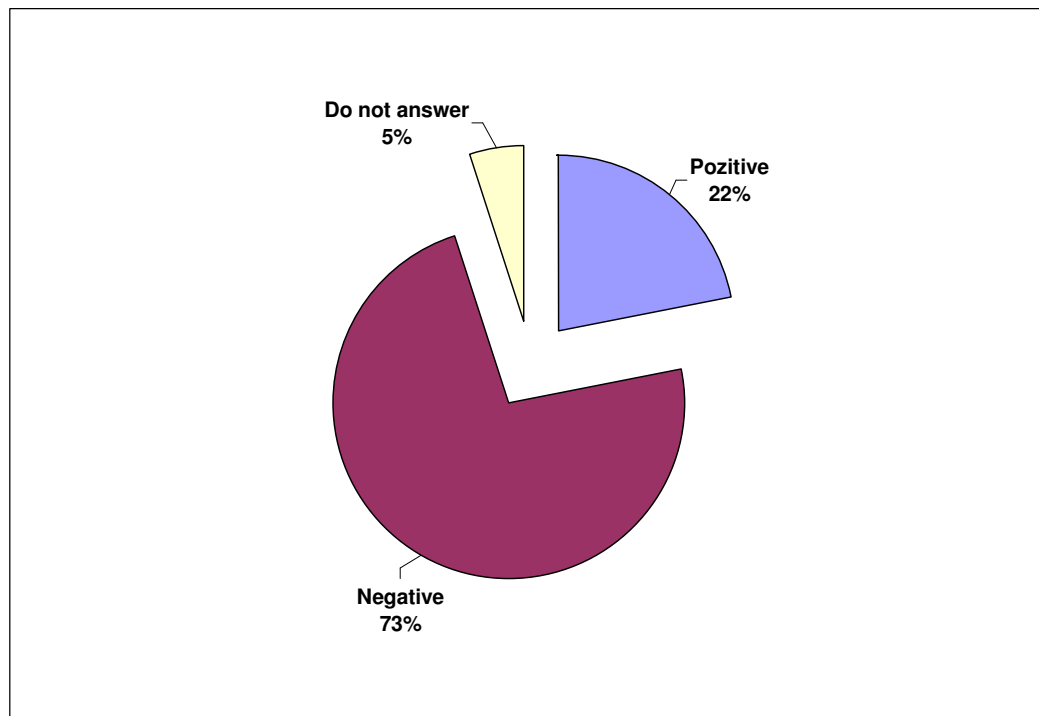
Referring to the liberalization of trade with agro-food products, there is an equal distribution of the opinions: 48% think that the influence will be negative and 42% that this will be positive.

In the first categories, there are worries that Romania will not be able to face competition due to its lack of competitiveness.

“The Romanian (non-subsidized) products will prove to be non-competitive compared to the products of other countries that have been financially supported years for years. The farmers from other countries improved their productivity, succeeding in producing at lower costs, as a result of the financial support they received”.

“We only lose from the present agricultural structure. The agricultural policies in Romania are incompatible with the global market. The fact that we have mechanically applied certain measures does not mean that we have a reformed agricultural sector.”

Figure 5.6. Perception of the measure giving up intervention on the grain market



On the other hand, the supporters of the positive effects think that it would be normal *“...for a selection to take place...so that only the viable farms remain in activity”*.

“...any liberalization will determine the market operators to be concerned with competitiveness and performance, rather than with protection by public measures.”

“On one hand, Romania’s agriculture will not be affected to the same degree as the agriculture of the EU Old Member States, as the support to agriculture in our country is lower. On the other hand, the free market rules will decide which products are more competitive on the world market....”

About half of the interviewed specialists (Table 5.5) consider giving up the temporary set-aside measure. These consider that this is a stimulating measure as “a good part of the agricultural land in Romania has remained uncultivated”, however “giving up the measure must be completed with the support to energy crops” or “associated to measures fostering competitiveness increase”.

“Giving up the temporary set-aside measure would contribute to the competitiveness increase objective.”

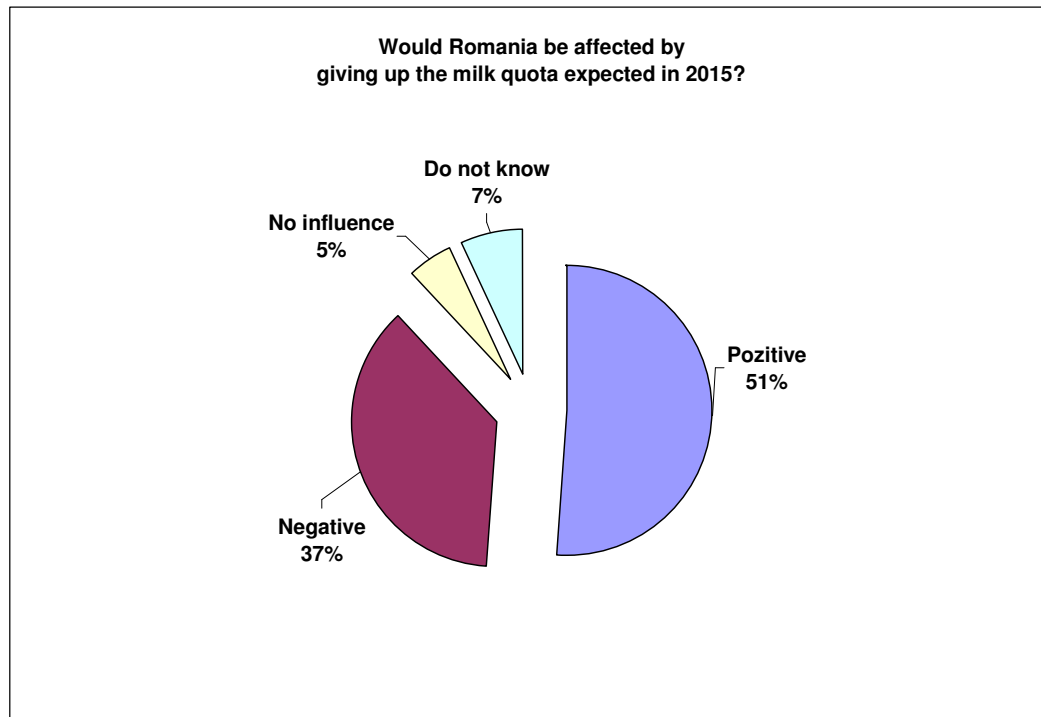
Table 5.5. Perception of the giving up the temporary set-aside measure

Do you consider that giving up the measure of temporary set-aside is favourable for Romania?	Share of respondents (%)
Yes	53
No	38
Undecided	8
Do not know/Do not answer	1

Almost 40% of the subjects consider that the introduction of this measure will generate negative effects in Romania’s case, as many soils will not be allowed to “have a rest” and thus the situation will get worse from the environmental point of view.

The measure regarding giving up the milk quota, which is expected to be implemented beginning with 2015, is perceived as a positive measure by half of the specialists who answered the questionnaire (Figure 5.7). The arguments brought in favor of this opinion are various e.g.: “the measure will determine farm consolidation, increase of dairy cow herds and production on farm, and thus economically viable farms will appear”; “due to the investments in the milk processing industry, a transformation of the market for this product is possible”; “...it is positive because the production capacity exceeds the quota by far”.

Figure 5.7. Opinions on giving up the milk quota measure



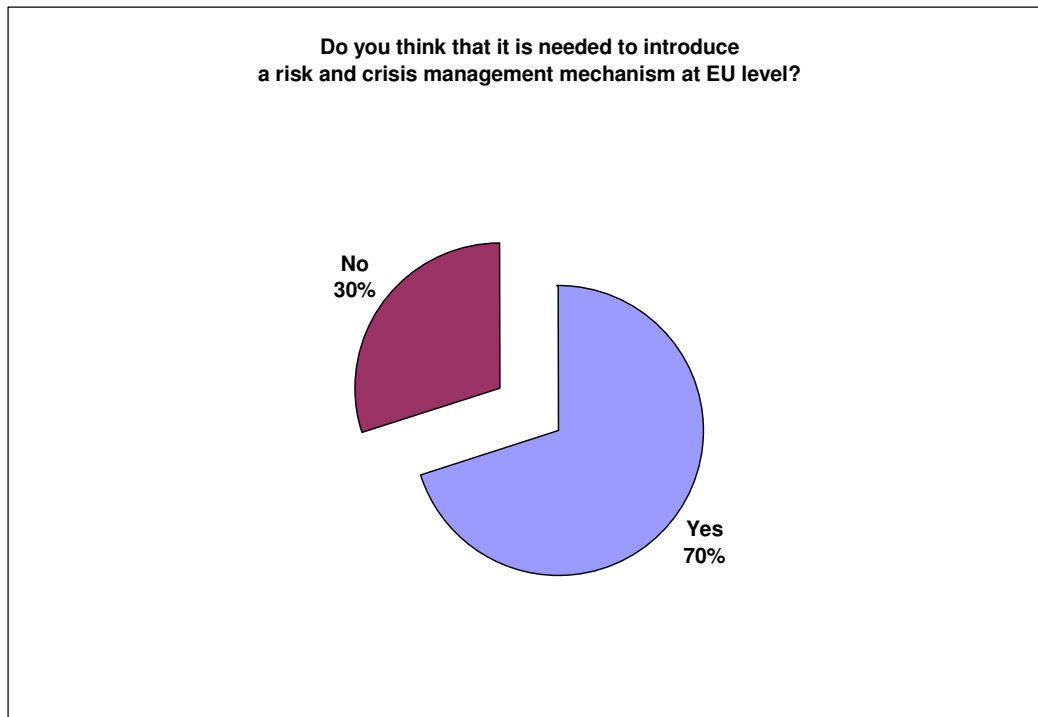
New challenges in the Common Agricultural Policy

In a vital area as providing food for the population, 71% of the interviewed subjects consider that the introduction of a risk and crisis management mechanism at EU level is a “vital action” (Figure 5.8). The areas targeted by this mechanism are generally identified as the natural disasters (flooding, drought) as well as the “measures for the surplus production or under production cases”. Proposals are also expressed for the “establishment of an agricultural compensation bank” or “establishment of solidarity funds”.

“A unitary intervention system could significantly reduce the negative effects through the high decision power, concentration of resources as well as through the experience of the team.”

One third of the interviewed subjects consider that the introduction of such a system is not necessary “maybe at national level, but not at European level in any case” as *“it is not the case, there are sufficient risk management means on the free market, so that no centralized/administered system is needed.”*

Figure 5.8. Adequacy of introducing a risk and crisis management mechanism at EU level



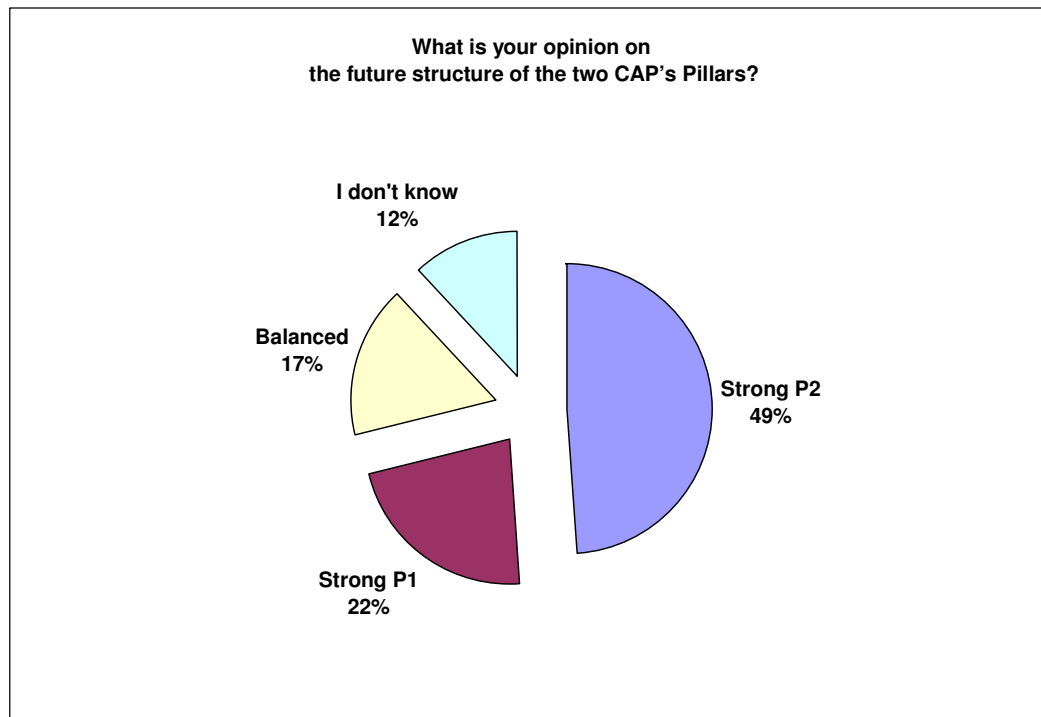
Although the proposal referring to the increase of obligatory modulation does not refer to Romania for the moment (that in the quality of New Member State is exempted from the transfer of funds from Pillar 1 to Pillar 2), the question was raised from the perspective of the year 2013 when it is estimated that Pillar 2 will grow stronger.

The supporters of the existence of a stronger Pillar 2 of the Common Agricultural Policy are most numerous (49%) and their arguments are that the rural problems are very many and serious and the national financial resources for solving up these problems are low (Figure 5.9).

“It is beneficial because the rural economy development needs are very great and the national budgetary possibilities are limited and their multiplying effect is much more important upon the economy.”

“The redistribution of financial resources from Pillar 1 to Pillar 2 is an action taking place in conformity with the multifunctional agriculture principle. Thus, the mistakes of the Old Member States can be avoided with regard to the intensive support to agriculture, mainly in the case of the large farms, the rural out migration, natural landscape degradation, etc...”

Figure 5.9. Opinions on the balance between the two CAP Pillars



A series of doubts are still manifested with regard to the “mentality changes and practical actions for orienting the rural development measures to the population’s needs” and to the fact that this consolidation of Pillar 2 will be beneficial only in the case when “the young people will be motivated and supported to remain in the rural areas”.

„At the time being, modulation would be against Romania’s interests. Many small or medium-sized farms need financial support until they reach an optimum size from the economic point of view for the accumulation of the necessary capital for investments. The level of the subsidies received is very low, compared to that of the European competitors. The growth rate on a 10-year period will not make us bridge up the gap and we will not be able to make the necessary investments for rural development. At the same time, rural population’s re-orientation towards non-agricultural activities requires time for information and vocational training.”

In opposition to this group, another one considers that, at least on the short and medium term, Romania should militate in favor of a strong Pillar 1.

“Romania needs substantial support for increasing competitiveness in agriculture – the Romanian farmers has not reached the level of technical and technological endowment of the Old Member States... only after the agricultural sector develops the funds can be transferred to rural development.”

“At present the measure is not favorable for Romania: half of the agricultural land from Romania is operated by large farms...and this part of agriculture could become competitive, hence it will lose from modulation. At the moment the farms need direct payments for modernization, development of processing activities, etc. On the other

hand, the rural areas do not have the capacity to absorb the EU funds. In the future, the situation could change.”

The present distribution of the rural development funds under the four axes is considered well-balanced by most interviewed subjects (61%) and furthermore, *“the regulation establishes minimum obligatory thresholds by axes and the maximum allocation is established by each state depending on its concrete situation.”*

Almost one third of the specialists who answered the questionnaire thinks that Romania has not established its priority areas for an adequate allocation of the rural development funds and neither has it evaluated the absorption capacity it has and this led to an imbalanced distribution of funds under the four axes: *“...this distribution favors agriculture”; “the financial allocations under Axis 3 are not sufficient under the conditions in which infrastructure development is an urgent requirement that needs significant investments”; “for the development of the organizational abilities of the rural communities, having in view the design and implementation of local development strategies, the allocations under Axis 4 are not sufficient”.*

The new problems recently brought to the attention of the public opinion, i.e. the prevention of the climate changes effects, water management and biofuels should be under the umbrella of Pillar 2, in the opinion of 83% of the investigated subjects, as *“rural development should also include measures dedicated to the diminution of the anthropic pressure upon the environment”* (Table 5.6).

Table 5.6. Opinions on the introduction of the new challenges under Pillar 2

Do you consider that the new challenge * should be included under the Pillar 2 of CAP?	Share of respondents (%)
Yes	83
No	15
Do not know/Do not answer	2

** prevention of climate changes effects, water management and biofuels*

There is also the opinion, expressed by 15% of the interviewed subjects that other mechanisms should be found designed to solve up these problems, e.g. the creation of a new Pillar under CAP.

“This support should be independent, as the new problems do not refer only to agriculture; they are problems of community safety, each with its specificity and need their own political and workable approaches.”

Through the mechanisms it has at its disposal, CAP should contribute to the attenuation of the effects produced by the climate changes in order *“to avoid future crises”*, as 95% of the interviewed subjects consider. These consider that a series of measures would be necessary under Pillar 2: support at farm level with regard to drought control (irrigation systems), drought resistant seeds and planting stock; encouraging the protection measures and enlargement of forested areas, etc.

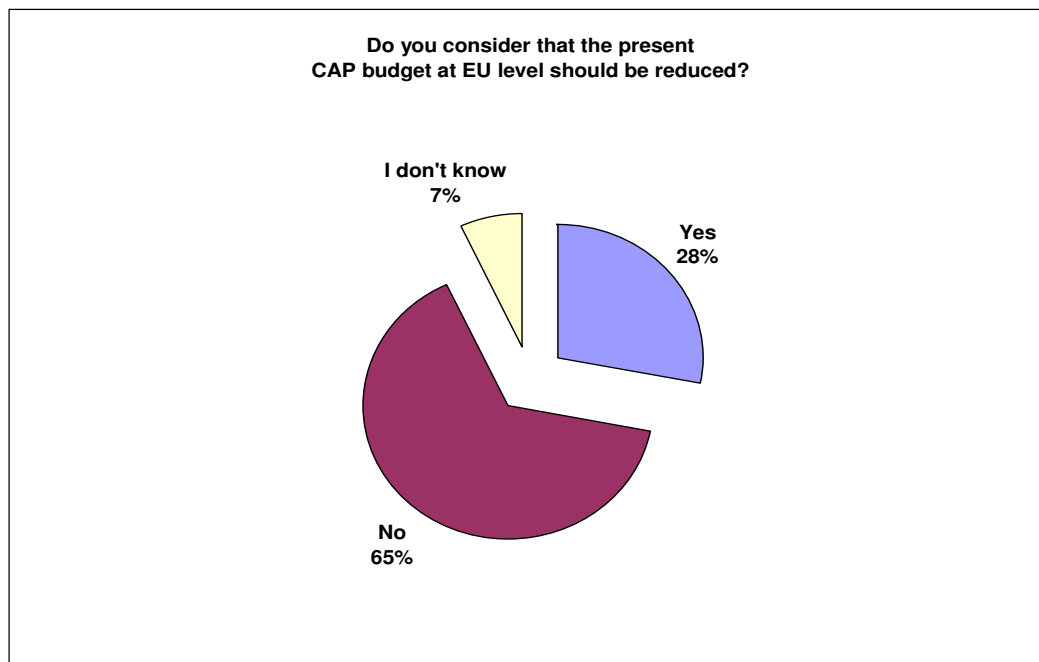
Other opinions that are expressed also refer to the involvement of other European policies in solving up the new themes, taking into consideration the fact that the effects produced by climate changes are transnational and difficult to control only with unisectoral or even national resources.

In the field of biofuels, most of the expressed opinions converge to the support of this sector. It is estimated that the development of biofuels will affect in the future the agricultural production sector (88%), the price of agricultural products (55%) and the energy market to a lesser extent (40%). For this type of products, an evolution of prices will inevitably take place and the production sector will be modified depending on the processing capacities, and certain changes will also take place on the energy market, but not very soon.

Financial aspects

The question related to the possibility of CAP budget diminution determined taking up positions with pros and cons. Thus, 66% of the interviewed subjects consider that this must not be reduced “now when Romania must also benefit from it” (Figure 5.10). For Romania, it would be a measure with negative effects “as there are significant gaps compared to the other member states ...and for us as well as for other New Member States, the support to agriculture and rural area needs a significant financial effort”.

Figure 5.10. Opinions on the CAP budget decreasing measure



“After 1992, the EU budget decreased while the number of the Member States increased. This budget is not sufficient for the New Member States in comparison with the support provided to the Old Member States before the 1992 reform.”

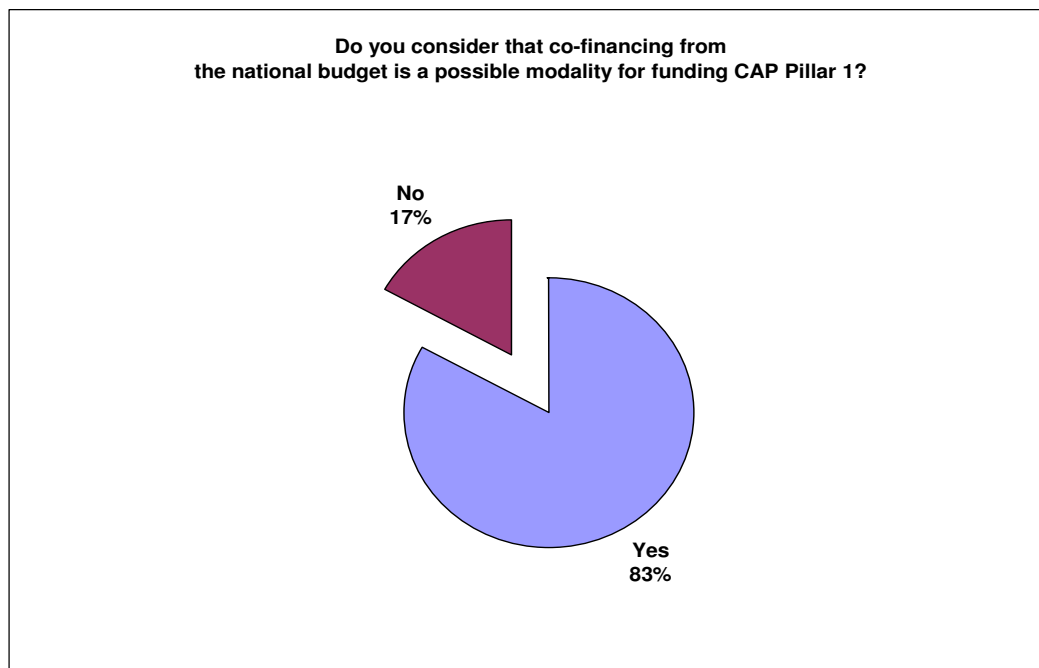
The supporters of budget decrease (28%) consider that “the funds are sufficient, but they should be used more efficiently” and that the diminution should affect only the

EU Old member States “that have already accumulated capital”. *“Yes, too much support has been provided for an area with such a modest dynamics. It is true that the social implications of this decrease are difficult to measure, but we cannot continue in this way”.*

There are also opinions considering that “it is not the value of support that matters, but rather the way in which this support is used”. In this context, the main objectives should be established first and the budget should be negotiated afterwards.

The possibility that the Romanian state provides co-financing for Pillar 1 is a measure that is provided extremely strong support (83%) (Figure 5.11) as this decision should permit promoting certain national agricultural policy objectives. The funds that are allocated in this way could lead to “solving up certain problems that are not supported through CAP” or “for other national priorities”; *“...yes... in this way Romania would feel that it has a national agricultural policy.”*

Figure 5.11. Opinions on the opportunity of co-financing Pillar 1



The worries refer to continuing to support the social objectives, the small farmers, “when in fact the support should be directed to commercial agriculture”.

Those who oppose this measure (17%) argument their option by the fact that on one hand, this co-financing could generate serious problems to the national budget that is already under pressure, and on the other hand, they think that the governmental action on the agro-food markets should be significantly limited in the future.

Another worry is related to the fact that the rich countries will provide a much more consistent support to the farmers from their countries: *“...this measure would mean CAP “re-nationalization” and a competition between the countries with a rich budget and those with a limited budget and many farmers, which is the case of Romania.”*

5.4. The trap of a non-differentiated approach to problems

An overall picture of the opinions and perceptions expressed by the specialists who answered the questionnaire referring to CAP and the modifications expected both on medium term and on long term can be briefly presented as follows:

Area	Measure	Support*
Long-term CAP objectives	Sustainable development of rural areas	★★★
	Competitiveness of agro-food products	★★★
Direct payments	Maintaining the direct payment scheme	★★★★★
	SAPS support	★★★
	Introducing eligibility limits for receiving direct payments	★★★★
	Direct payments depending on the respect of cross-compliance principle	★★★★★
Market measures	Giving up intervention on the grain market	★★
	Giving up the set-aside	★★★
	Giving up the milk quota	★★★
	Simplification of market organizations	★★★★
New challenges of CAP	Introducing a risk and crisis management mechanism at national level	★★★★
	Obligatory modulation (Pillar 2 versus Pillar 1)	★★★
	Equilibration of axes under Pillar 2	★★★★★
	Introducing the climate changes, biofuels and water management under the umbrella of Pillar 2	★★★★★
Financial aspects	CAP budget decrease	★★
	Opportunity of national co-financing of Pillar 1	★★★★★

*The answers received were ordered by five percentage classes and each class was assigned a score and a number of stars, namely: under 20% - ★ very low support; 21-40% - ★★ low support; 41-60 % - ★★★ medium support; 61-80% - ★★★★ strong support; over 81% - ★★★★★ very strong support

At a first look on this summarizing table, the following conclusions can be drawn:

- ◆ a very low support is found in the case of measures that regard the decrease of intervention on the grain market and CAP budget diminution;
- ◆ a medium support exists in the case of SPS continuation after 2011, of giving up set-aside, of giving up the milk quota and obligatory modulation introduction;
- ◆ there is a strong support in favor of establishing eligibility limits for receiving direct payments and mainly minimum limits, for the simplification of the market organizations and for the introduction of a risk and crisis management mechanism at community level;
- ◆ a very strong support is manifested in the case of the following measures: maintaining the direct payment system; complying with the cross-compliance principle, under a simplified form; equilibration of axes under Pillar 2; possibility of co-financing Pillar 1; new challenges of CAP under the Pillar 2.

A more detailed/more careful analysis of the distribution of the supporters of long term objectives and on the share of the two CAP Pillars reveals an interesting aspect, namely that a stronger or weaker support is manifested in favor of the measures proposed by the Commission in relation to these two parameters.

I. A first group is represented by those in favor of the sustainable development of rural areas and of the concentration of CAP funds under a single Pillar, namely Pillar 2. They think that the name CAP should be replaced by common rural policy. They are supporters of the direct payment system, but the payments should be provided in conformity with the respect of certain environment protection conditions and militate for introducing high eligibility limits in the case of large farms and low eligibility limits in the case of smaller-sized farms. In the case of market measures, they opt for a more progressive approach that should reduce the shocks of changes. They consider that a stronger support is necessary to the objectives under axes 3 and 4 and are in favor of “eliminating the discriminating treatment between the farmers and the other rural players”. They consider that the sustainable development of rural areas can be the “only possibility to ensure equilibrium between the social, economic and environmental dimensions”.

II. The second group considers that the main objective of CAP should be the support to the competitiveness of agro-food products and would like this policy to rely on a strong Pillar 1, as the “rural communities do not have the capacity to absorb the EU funds...at least not now”. They are in favor of a SPS, considered “a scheme encouraging competitiveness”. They are against supporting the small-sized farms, which “should be helped by social measures” and against the establishment of physical farm size limits, as “it is only the economic size that matters”. As regards the cross-compliance principle, they consider it important, yet given the fact that the system is much too complicated, it often “make farmers move away from the technological and commercial issues”. They are in favor of fully decoupling the support to agriculture. As regards the market measures, they consider that the simplification of market organizations is beneficial; they unconditionally support the removal of intervention on the cereal market, of the milk quota and set-aside measure. They are not in favor of introducing the risk and crisis management mechanisms at Community level, or of introducing the new challenges under the umbrella of CAP, considering that these “can and should be solved up under other umbrellas”. They

think that the CAP budget must be reduced and the allocated funds should be used with greater efficiency, and the possibility of co-financing Pillar 1 is beneficial.

III. There is also a moderate group, the least numerous, that believes in “a liberal policy in the sphere of the markets and with budgetary support for rural development”.

The conclusion that can be drawn is the following: if Romania wants to have a coherent position in supporting the CAP improvement measures proposed by the Commission as well as the deeper reform that will be probable initiated after 2013, it is absolutely necessary to establish a priority objective and depending on it to support or not support certain measures: “if it does not have clearly-defined objectives, it will not be in the position to make an efficient lobby for the measures benefiting it”.

Most of the specialists’ opinions and perceptions who answered the survey questionnaire converge to the idea that Romania does not have its own agricultural policy and the undertaken actions are circumscribed to and almost fully dependent on CAP. The suggestions made are in the direction of adopting an agrarian and rural development policy where the CAP-related objectives are only a part of it. The difficulty resides in the fact that the problems of the Romanian agriculture and rural area are so many and deep that “in the absence of setting clear objectives and without establishing a hierarchy of priorities “all the struggle will be more or less in vain, we shall try to fix up things here and things will get worse in other parts”.

Conclusions

The Common Agricultural Policy experienced a continuous adaptation and change process in time, being often considered “a policy that is dependent upon reform”. From the experience of previous reforms, it could be noticed that any change followed a long and often difficult decisional process. Nowadays, at less than four years since its latest reform, under the pressure of changes on the world agricultural markets as well as of the new political framework as a result of EU enlargement, CAP is again facing an adjustment/improvement process, this action being called “Health Check”.

Beginning with the year 2005, the debates referring to the agricultural policy focused upon problems related to the continuation of the reform initiated in the year 2003 and to CAP implementation improvements. Although for a long period of time no official proposals in this respect have been made public, the Commissioner for Agriculture, in his different speeches, presented a series of aspects regarding CAP-HC. Consequently, the stakeholders could get well informed about the contents, goal and nature of these new changes.

At the end of November 2007 the Commission prepared a document that has in view the following issues: i) simplifying the SPS; ii) qualifying the scope of cross-compliance; iii) partially couple support; upper and lower limits in support levels; market interventions and supply controls; cereal intervention; set-aside abolition; preparing for the dairy quota expiry; other measures of supply control; managing risk; climate change, bio-energy, water management and biodiversity; and strengthening the second pillar.

As during the transition period, the international background influenced the evolution of the agricultural policies from Central and Eastern Europe, and after Romania’s accession to the EU, this process cannot be overlooked. CAP is a construction in full movement in an international context that is in its turn characterized by a strong dynamics. This context makes it imperative for Romania to follow the main influences that will come from the direction of discussions regarding the EU budget approval, of signing up the Reform Treaty and of the possible successful completion of the Doha Round negotiations, in order to minimize the typical vulnerabilities of a EU New Member State, to promote a coherent agricultural and rural policy.

Following the punctual analysis of the position that Romania might adopt in the future debates and negotiations on CAP modification, the following preliminary conclusions can be drawn:

- ◆ taking into consideration the current and predictable situation of SAPS administration with 1,3 million potential beneficiaries, the most reasonable medium-term approach would be to continue to support SAPS application in the period 2011-2013 as well, a change for such a short period is not justified;
- ◆ considering the control feasibility in relation to the application of cross-compliance standards, it is recommended for Romania to insist on system simplification, opting, if the case, for maintaining more complex standards in the regions where certain specific needs are identified;
- ◆ under the generalized background of decoupling the direct payments, Romania should be open to the option of maintaining certain coupled measures for the fattening cattle under extensive system in the mountain areas after 2013, in the case it opts for a simplified single payment scheme on longer term;

- ◆ supporting certain eligibility limits on long term must be taken into consideration, so that the lower limit should not transform the direct payments into complementary social aid in the rural areas, the same as the diminution of the upper limit in the case of very large-sized farms should be seriously taken into consideration on the long term;
- ◆ Romania should be flexible in sustaining its position referring to the extension of the intervention system reforming pattern applied in the case of maize to the other cereals, and the maintenance of an intervention system only for the bread wheat;
- ◆ Romania should support the elimination of the set-aside measure and the replacement of this instrument (in its action of environment protection) by rural development measures specific to the regional needs;
- ◆ taking into account the milk quota system implementation issue, Romania might support the Commission's proposal to gradually increase the quotas, as the production potential is significant, and the investments that will be made impose such an increase; at the same time, it could propose the introduction of additional support measures for the producers from the mountain areas;
- ◆ at the same time, Romania can support the use of a part of the rural development funds for the introduction of risk management mechanisms in agriculture;

The research on the stakeholders' opinion and perception in the direction of CAP reforming represents a constant concern both at EU level and at the level of certain EU Member States, the proof being the many articles, books, conferences and web pages on this subject. In this context, the research team considered it opportune and useful to implement an opinion poll among the certain Romanian specialists⁴⁶ who work in agriculture and rural development field. The conclusions drawn from the analysis of the answers received during the opinion poll on the subject CAP, of the changes that are expected on medium and long term in this field, and of what are the possible influences upon Romania, lead to the conclusion that, whether Romania wants to have a coherent position in supporting the CAP improvement measures proposed by the Commission as well as the deeper reform that will be probably initiated after 2013, it is absolutely necessary to establish a priority objective and depending on it to support or not support certain measures: "if it does not have clearly-defined objectives, it will not be in the position to make an efficient lobby for the measures benefiting it". Most of the specialists' opinions and perceptions who answered the survey questionnaire converge to the idea that Romania does not have its own agricultural policy and the undertaken actions are circumscribed to and almost fully dependent on CAP. The suggestions made are in the direction of adopting an agrarian and rural development policy where the CAP-related objectives are only a component of this.

⁴⁶ According to DEX, the specialist is a specialized person, prepared to work in a certain field.

Annex 1. List of specialists who answered the questionnaire*

No.	Name and surname	Occupation	Institution	Place
1	Alboiu Cornelia	scientific researcher III	Institute of Agricultural Economics (IAE)	Bucharest
2	Alexandri Cecilia	SR I	IAE	Bucharest
3	Apetroaie Camelia	economist	Agricultural Extension County Office (AECO)	Iași
4	Balint Borbala	economic consultant	Control Risks	Berlin
5	Chirfot Cristu Gabriel	chief of department	Ministry of Agriculture Forests and Rural Development (MAFRD)	Bucharest
6	Chițea Mihai	SR	IAE	Bucharest
7	Chițu Lorena	SR	IAE	Bucharest
9	Cionga Cristina	director for public affairs	Monsanto Romania LTD	Bucharest
11	Davidovici Ioan	deputy director	IAE	Bucharest
10	Dărășteanu Cătălin	consultant economic	Terra Nostra Consulting LTD	Bucharest
12	Dinu Toma Adrian	lecturer	University of Agriculture and Vet Sciences (UAVS)	Bucharest
14	Dragoș Alexandru	economic consultant	Fidman Market LTD	Bucharest
13	Drăghici Manea	professor	ICEADR	Bucharest
15	Dumitru Mihail	regional responsible	European Commission	Brussels
16	Felix Arion	lecturer	UAVS	Cluj Napoca
17	Florian Violeta	SR II	IAE	Bucharest
18	Gârbea Roxana	coordinator for programs	European Commission	Brussels
19	Grodea Mariana	SR III	IAE	Bucharest
20	Hurduzeu Gheorghe	professor	Academy of Economy Sciences (AEC)	Bucharest
21	Iftode Florentina	consultant	DARD	Vaslui

22	Ionel Iuliana	SR II	IAE	Bucharest
23	Ionel Mugurel Jitea	lecturer	UAVS	Cluj –Napoca
8	Kevorkian Cristian	lecturer	University of Bucharest	Bucharest
24	Luca Mihaela	state sub-secretary	MAFRD	Bucharest
25	Manole Victor	professor	AEC	Bucharest
26	Merce Emilian	professor	UAVS	Cluj –Napoca
27	Mihai Valentin Constantin	lecturer	UAVS	Cluj –Napoca
28	Mihalcea Teodor	general director	MAFRD	Bucharest
29	Neagu Speranta Liliana	consultant	MAFRD	Bucharest
30	Rotaru Neculai	consultant	DARD	Neamț
31	Scholtz Bela	deputy director	AECO	Satu Mare
32	Talambă Ștefan	engineer	DARD	Bacău
33	Tălmăciu Mihai	lecturer	Alexandru Ioan Cuza University	Iași
34	Tecuceanu Mircea	deputy director	DARD	Sibiu
35	Toderoiu Filon	SR I	IAE	Bucharest
36	Tudor Monica	SR	IAE	Bucharest
37	Tudorache Valentin	deputy director	Directorate for Agriculture and Rural Development (DARD)	Sibiu
38	Turek Adrian	SR III	ICEADR	Bucharest
39	Vincze Maria	professor	Babes-Bolyai University	Cluj –Napoca
40	Voicilaș Marius	SR	IAE	Bucharest
41	Zahiu Letiția	SR I	Academy of Agricultural and Forestry Sciences	Bucharest

*) the opinions belong to the specialists and do not involve institutions