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# **REFORMS TO THE COMMON AGRICULTURAL POLICY AND BENEFITS TO BULGARIA**

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**Abstract:** The paper deals with issues related to the evolution of the Common Agricultural Policy of the European Union (CAP) and the process of reforms the policy has been undergoing. It also provides a retrospective analysis in order to outline both favourable and adverse aspects of the impact which CAP has had on the development of the agricultural sector in Europe in general and in Bulgaria in particular. It is thus possible to highlight the benefits which our country could gain from those reforms by taking into consideration changes in existing regulations and the implementation of related policy instruments. The paper also reviews what was achieved in our country in the 2007-2013 programme period in result of implementing the CAP. Finally, it outlines expectations related to Bulgarian agriculture for the next programme period in terms of the changes introduced into that policy by the European Commission.

**Key words:** common agricultural policy; agricultural sector; European integration; reforms in the CAP; impact of the CAP.

**JEL:** F23; F15; Q17

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## **1. Introduction to the Subject Matter and Research Thesis**

Compared to the manufacturing and the services sector, agriculture is characterized by a number of features that render it a sphere of economic activity requiring a special policy to deal with strategic issues such as food security and equal protection of the interests of both producers and consumers. Within this context, the Common Agricultural Policy (CAP) of the EU member states has both economic and social functions. Some of its underlying principles include: free trade on the single internal market; single prices for agricultural products from all member-states; incen-

tives to sell European agricultural products on EU markets; joint financial responsibility.

The topic has gained particular importance due to the fact that Programme Period 2007 – 2014 has already finished. It was the initial period in which the Common Agricultural Policy was implemented in Bulgaria after the accession of the country to the EU. And while the objective of the 1998-2006 transition period was to establish the institutional structures which would make it possible to implement that policy and prepare Bulgarian economy and the agricultural sector in particular for the implementation of its rules and regulations, the programme period which has just finished made it possible to gain experience and identify the results accomplished with the common agricultural policy.

We therefore believe that the beginning of programme period 2014 – 2020 raises a series of analyses and discussions as to how the instruments of the common agricultural policy should be applied in order to achieve best results in Bulgarian agriculture. Hence, the main objective of this paper is to identify the favourable and the adverse aspects effects of the common agricultural policy on the development of agriculture in our country so that we could outline potential benefits for our country while at the same time accounting for recent changes in governing rules and the impact of the instruments employed by the policy. The subject of this research then is to study the mechanisms which the CAP employs to influence agricultural development in EU member-states and Bulgaria in particular; as well as the consequences for Bulgarian agriculture from implementing the CAP in the period from 2007 to 2014 and potential benefits from doing so in the forthcoming period 2015-2020. The goal thus defined will be achieved by reviewing the essence and the evolution of the CAP; defining the importance of the European policy to the development of Bulgarian agriculture; and identifying future prospects in terms of expected benefits from the further implementation of that policy.

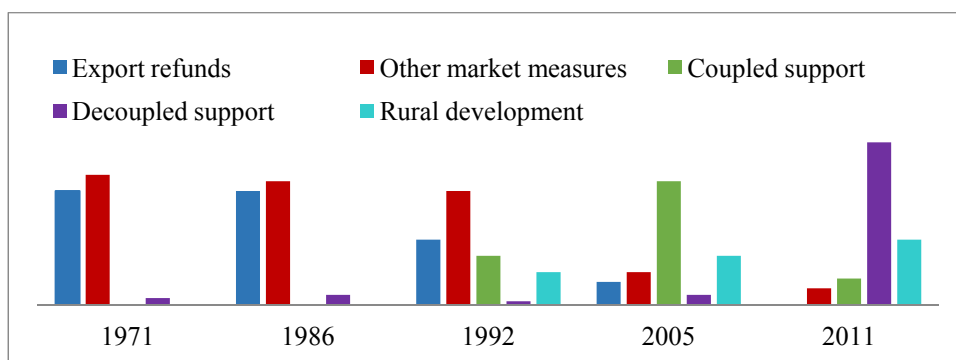
## **2. Evolution of the Common Agricultural Policy of the EU**

The Common Agricultural Policy (CAP) may be approached as a set of rules and mechanisms which govern production, trade and processing of agricultural products in the European Union, while at the same time encouraging rural development. CAP is a major EU policy since it affects nearly 14 million farmers and since the share of funds allocated to the implementation

of that policy exceeds 40 per cent of total EU budget.<sup>1</sup> Scientists consider CAP to be one of the major achievements of European economic integration alongside the establishment of the common European market and the European Monetary Union which represent two key moments in the development of the integrated community.

The foundations of CAP were laid with the establishment of the European Agricultural Guidance and Guarantee Fund (EAGGF) in 1962 which was designed as a main tool for guaranteeing the interests of agricultural producers in the Community both through funding and pool of market measures dealing with the trade of agricultural products. In the course of its existence and implementation, the CAP has undergone a series of amendments and improvements which are indicative of the different priorities the policy has had and the different set of instruments and mechanisms it has been employing. An insight into the evolution of the policy and the reforms it has undergone is provided by the review of the types of fundings it has been providing and their share in the overall volume of funds allocated to agriculture (Figure 1).

*Figure 1. Structure of CAP Financial Support, as % of the Common Budget*



Based on data from: [http://ec.europa.eu/agriculture/cap-overview/2012\\_en.pdf](http://ec.europa.eu/agriculture/cap-overview/2012_en.pdf)

As evident from Figure 1, the CAP has undergone several comprehensive reforms which have led to the adoption of new mechanisms and tools of regulation, as well as to reconsidering the focus of the policy itself. Thus for example, till the early 1990s, export subsidies accounted for a significant share in the volume of funds alongside the funds allocated to market support

<sup>1</sup> [http://ec.europa.eu/agriculture/cap-history/index\\_en.htm](http://ec.europa.eu/agriculture/cap-history/index_en.htm) and Milestones of the CAP in: [http://ec.europa.eu/agriculture/50-years-of-cap/files/history/milestones\\_of\\_the\\_cap\\_en.pdf](http://ec.europa.eu/agriculture/50-years-of-cap/files/history/milestones_of_the_cap_en.pdf)

measures. Since the 1990s and the beginning of the new century, priority has been given to coupled payments which focus primarily on increasing the efficiency of agricultural production. Since 2003, funds allocated to rural development have become an essential element of the CAP in addition to direct financial aid and market measures to support farmers.

The establishment and the evolution of CAP, as well as the crucial periods which it has undergone are chronologically illustrated in Table 1.

**Table 1. Periods in the historical development and improvement of the CAP**

Period	Key feature	Major goals
1962-1984	A period of establishment and consolidation	Raising the productivity of the sector in order to saturate the European market and meet the demand for agricultural products. Encouraging and protecting agricultural producers.
1984-1992	Accumulated surpluses	Improved regulations to coordinate the production, trade, distribution and consumption of agricultural products. Designing appropriate mechanism to reduce the quantity of surpluses of agricultural products.
1992-2003	Quality changes and market orientation	Enhancing the competitiveness of European agriculture. Stabilisation of EU markets for agricultural produce; diversification of production; environmental protection and reduced budget costs through lower export subsidies.
2003-2013	Improved payment scheme and rural areas development	Reconsidering the direct payments system and market support for agricultural producers (the so-called first pillar); applying measures to promote rural development (the so-called second pillar). Health check of the common agricultural policy.
2014-2020	Market challenges and environmental protection	Foods quality; protection and restoration of resources; providing acceptable living conditions in rural areas; measures for fairer and more transparent funding of active agricultural producers.

The period from 1962 to 1970 was **the period of establishment and consolidation** of the common agricultural policy. The major aim during that period was to satisfy the growing demand for agricultural products on the European market. In the 1970s in particular, the focus of the policy was on saturating the European market with agricultural products and promoting agriculture in general. During that decade, European agricultural producers needed to be protected from the danger of cheaper imports from other regions due the

high degree of intensification of their production. A common policy for the agricultural sector needed to be designed in order to provide common regulations for the countries which had been affected by the process of integration. As an element of the idea of European integration, CAP is characterised by a high degree of coordination of production, trade, and distribution. In this sense, as early as the adoption of the Roman treaty, the major goals of the policy were defined to be as follows: raising the competitiveness of the sector; stabilising the regional market for agricultural products; ensuring 'fair' incomes for EU farmers and 'reasonable' prices for EU consumers. It was in the 1980s that the overall effects of the implementation of the common agricultural policy were first felt. The decade was characterized by intensive agricultural production in Europe and the introduction of new technologies which resulted in increased labour productivity. EU member states turned into net exporters of agricultural products. This led to the occurrence of certain problems, such as the surpluses of agricultural produce, as well as the issue of funds allocation between member-states due to a continuously growing need of available funds for financial support.

**The period from 1984 to 1992** might be defined as a **period of maturing of the single internal market** and its saturation with agricultural products. Therefore it is known as the **period of surpluses** in the history of the CAP. Over the period, the adverse effects of the implementation of the common agricultural policy became more obvious and harder to control. Encouraging European agricultural producers resulted in excessive production which could not be traded within the Community. Due to the subsidy mechanism, it was difficult for European agricultural products to sell outside the EU because they were not competitive in terms of prices. It was therefore necessary to introduce a number of restrictions to curb the oversupply of agricultural products. Some of the measures which were adopted included: fixed milk quotas and penalties for exceeding those quotas; restrictions on the size of crop areas and the number of animals for which a farmer might apply for subsidies; forcing farmers not to cultivate all arable land. Those measures were met with hostility by agricultural producers, which made it imperative to reconsider some of the regulatory mechanisms and to reform the common agricultural policy. Direct aid payments to farmers were introduced to couple financial support with the achievement of specific results related to efficient production. A number of measures were adopted to reduce the cost of subsidies and enhance the efficiency of agricultural exports.

One of the characteristics of **the period from 1992 to 2003** was that that EU funds aid aimed at enhanced productivity in the agricultural sector. The objective behind the reform in the CAP was to increase the competitiveness of European agriculture. The period is therefore considered to be a **pe-**

**riod of qualitative changes in regulation mechanisms.** The reform was proposed by the then European Commissioner for Agriculture, Raymond MacSharry and has therefore remained in history under the name of the MacSharry reform<sup>2</sup>. MacSharry proposed that the focus be shifted from product support (through prices) to producer support (through income support) and thus encourage farmers to produce more efficiently. The measures proposed in the reform aimed to stabilize agricultural markets, diversify agricultural production, protect the environment, and reduce budget expenditure. Introduced direct payments compensated for the decrease of price support.

The focus of the Common Agricultural Policy was shifted in 1999 when in addition to the measures introduced to raise European agriculture competitiveness, Programme 2000 for rural development was designed. The programme promoted a number of initiatives to boost economic growth in rural regions and encourage agricultural producers to restructure their farms and improve their marketing. Another milestone in the reform of CAP during that period was reducing the gap between the prices of EU agricultural produce and prices on international markets. As a result of the multilateral Agreement on trade in agricultural products of the World Trade Organisation (WTO) from 1995, further changes were introduced to the Common Agricultural Policy to restrict export subsidies which were a key element of promoting agricultural export in the EU.<sup>3</sup>

**The period between 2003 and 2013** was characterized by **improvements in the payment system which were influenced by market demand** as well as the adoption of measures to promote environmentally-friendly technologies. At the same time, farmers had to comply with a number of production requirements relating to environmental protection, food safety, plant health control, and animal welfare standards. The whole system of tools and instruments was reformed to acquire a new focus. Thus, for instance, the system of direct payments and market support measures for agricultural producers<sup>4</sup> (the so called first pillar of the CAP) was reconsidered. The focus of

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<sup>2</sup> The development and future of the common agricultural policy - Follow up to the Reflection Paper - Proposals of the Commission in: [http://ec.europa.eu/agriculture/cap-history/1992-reform/index\\_en.htm](http://ec.europa.eu/agriculture/cap-history/1992-reform/index_en.htm)

<sup>3</sup> Briefing Note. The EU Common Agricultural Policy (CAP) in: [https://www.giz.de/expertise/downloads/Fachexpertise/giz2013-en-briefing-note-the-eu-common-agricultural-policy-\(cap\).pdf](https://www.giz.de/expertise/downloads/Fachexpertise/giz2013-en-briefing-note-the-eu-common-agricultural-policy-(cap).pdf)

<sup>4</sup> Market support measures include intervention and private storage; as system of import and export licenses; export subsidies; quality policy (protected designation of origin; protected geographical indications and traditional specialties guaranteed); aids to increase the consumption of certain products, such as milk, etc. Source: <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+IM-PRESS+20110526FCS20313+0+DOC+XML+V0//BG>

existing schemes and approaches was shifted so that decisions about subsectors and productions would be influenced not by the amount of direct payments but by market demand. The aim of investment-related decisions was to align the supply of agricultural goods and services to consumer requirements and demands.<sup>5</sup> In addition to direct payments, a new instrument was applied to provoke economic growth in rural areas (the so-called second pillar of CAP). Rural development policy aimed at designing adequate production infrastructure, promoting new types of production, and supporting new agricultural entrepreneurs so that the population and young people in particular, would be encouraged to stay in villages. According to the definition of the European Commission<sup>6</sup>, the rural development policy focused on three issues: improved competitiveness of agriculture and forestry; improved environment and landscape; improved quality of life in rural areas; diversification of rural areas economy. Further on, during that period, the Health check 2008 was launched to assess the condition of the Common Agricultural Policy. As a result, the policy was simplified and streamlined to introduce another safety net that would compensate for negative consequences of crises, such as price fluctuations, natural disasters, and climate change. Another step forward was the technical and administrative simplification of implemented measures.

**The period from 2014 to 2020 outlines development prospects for the agricultural sector in the EU** as a whole, and the Common Agricultural Policy in particular.<sup>7</sup> Alongside the major priority, to provide affordable food and to stabilize the income of agricultural producers, a key element of the regulation system have become the issues of food quality, protection and restoration of natural resources and areas used in agriculture, as well as the establishment of acceptable living conditions in rural areas. Planned activities in the European agriculture development programme for the period are characterized by greater flexibility and consideration for the challenges posed by the contemporary global market. It is worth noting that the EU acts in compliance with its commitments in multilateral free trade arrangements within the World Trade Organisation and is the largest importer of food and agricultural products from developing countries on a global scale. For example, the annual volume of agricultural products imported by the EU from developing coun-

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<sup>5</sup> Wegener, S. K. Labar. M. Petrick. D. Marquardt. I. Theesfeld. G. Buchenrieder. Administering the Common Agricultural Policy in Bulgaria and Romania: obstacles to accountability and administrative capacity. *International Review of Administrative Sciences*, September 2011, vol. 77, 3: pp. 583-608.

<sup>6</sup> D. Wilkinson, Baldock, D. Future Developments in European environmental policy. Institute for European environmental policy. 2003. In: <http://www.ieep.eu/assets/127/regionalpolicybriefing.pdf>

<sup>7</sup> <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+IM-PRESS+20110526FCS20313+0+DOC+XML+V0//BG>

tries amounts to EUR 60 billion, the volume of US imports amounting to EUR 30 billion per year, and that of Japan – to EUR 13 billion.<sup>8</sup>

The Common Agricultural Policy of the EU for programme period 2014-2020 also includes a number of measures which are in line with the specific nature of current socio-economic and demographic issues. Therefore proposed measures aim at fairer and more transparent funding of active agricultural producers through the allocation of greater funds to young farmers and smaller producers; greater flexibility to promote 'green' agricultural practices; supporting farmers in case of crises; reducing the burden of bureaucratic control and ensuring greater freedom for innovative ideas in agriculture.

After we have briefly reviewed the history of the Common Agricultural Policy in order to identify its essence and trace its evolution, the following summaries could be made:

- The common agricultural policy of the European community was designed to protect the interests of both producers and consumers of agricultural products. In the period between the early 1960s and the early 1990s, the focus of CAP was on promoting and intensifying agricultural production, which was characterized by an overtly protectionist policy in terms of the access which agricultural products grown and produced outside the EU had to the common European market.

- During the next two periods in the development of the Common Agricultural Policy, which we labeled as a period of 'quality changes and market orientation' and a period of 'improved payments scheme and rural areas development', there were major changes not only in the focus of the measures adopted to influence agriculture but also in the means employed to implement those measures. Under the influence of a number of internal and external factors which assisted initiated reforms, the single internal market became more open to the import of agricultural products from countries outside the EU, while free competition became a major mechanism to govern production and trade. The main focus of regulatory mechanisms has shifted towards increased competitiveness of agricultural producers, environmental protection and consumers' health.

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<sup>8</sup> [http://ec.europa.eu/agriculture/cap-funding/index\\_en.htm](http://ec.europa.eu/agriculture/cap-funding/index_en.htm)



### **3. Importance and perspective of CAP for the development of Bulgarian agriculture**

Bulgaria's full membership in the EU generates positive as well as a number of controversial effects for the economy of the country. The implementation of CAP and its importance for the development of the agricultural sector in the country can be assessed in a similar way. What is more, transitional periods have been negotiated for some areas of the policy, e.g. forestry, fishing and aquaculture. Undoubtedly, the EU membership is changing the agriculture in our country by giving the sector free access to the single internal market and by supporting its development through financial support. At the same, the sector faces challenges connected with the competitiveness of the Bulgarian farmers and the structure of agricultural production. However, it should be taken into account, that for the period 2007 – 2013, the subsidies within CAP and the complementary national payments for the sector reached 6.9 milliard BGN<sup>9</sup>, which was a serious incentive for farmers.

#### **3.1. The impact of CAP on the agricultural sector development in Bulgaria for the period 2007 -2013.**

The assessment of CAP's impact on the development of Bulgarian agricultural during the period following the country's accession to the EU is difficult and ambiguous. Undoubtedly, it can be claimed that the market processes and the implementation of CAP were powerful driving forces for developing the land market, increasing the incomes and restructuring of production in the agricultural sector.

According to reports of the Ministry of Agriculture and Food for 2014 and 2015, the overall area used for agricultural purposes accounts for 47% of the country's territory while the utilized agricultural area is 45%. At the same time, for the cultivated lands, which occupy 69% of the utilized agricultural area, there was a total increase of 4% on average for the last two years. This was mainly due to increases in the areas sown with wheat and sunflower and the ones sown with industrial crops and barley.<sup>10</sup> This main production resource, combined with using the measures under the CAP and the implementation of the National Agricultural Policy, determine the development of agriculture in Bulgaria. According to experts from the Institute for Market Economics, "Due to CAP, the market for agricultural land has received a significant impetus. The nature of support, namely per unit of area, has stimulated

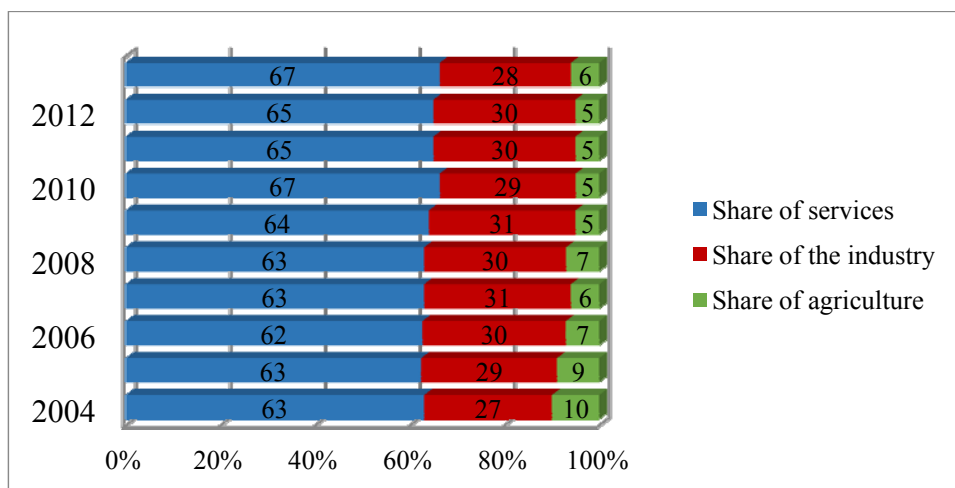
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<sup>9</sup> <http://www.nsi.bg/bg>

<sup>10</sup> Annual Report on the Situation and Development of Agriculture. (Agrarian Reports for 2014 and 2015), Ministry of Agriculture and Food. Source: <http://www.mzh.government.bg/mzh/bg/Documents/AgrarenDoklad.aspx>

the development of sectors with relatively low production costs per hectare, which has led to considerable restructuring within the sector. Incomes in the agricultural sector has increased as a whole. However, the overall production costs have also risen”.<sup>11</sup>

*Figure 2. Gross Value Added by Economic Sectors in %*



Source: <http://www.mzh.government.bg/>

The data analysis of gross value added (GVA) by economic sectors in Bulgaria (Figure 2) reveals that the GVA structure has become similar to the analogical one of other EU – member countries, namely the share of agriculture has decreased at the expense of the other sectors and the services sector is of primary importance. This, however, raises the issue whether our agriculture has the quality characteristics and good practices of the agricultural sectors of the highly developed, integration community countries despite the similar GVA structure. The analysis of the Institute for Market Economics shows that despite the European and national subsidies, the gross value added in the “Forestry, Fishing and Aquaculture” sector, expressed in comparable prices, has declined since 2008 as a whole. It has reached levels, which are by a quarter lower than the average levels for the period 1998 – 2006.<sup>12</sup> At the same time, if we consider the main indicators for the period 2010 – 2013, we

<sup>11</sup> Valkanov, N. Razvitie na proizvoditelnosta v bulgarskoto selsko stopanstvo sled priemaneto na stranata v ES. Source: <http://ime.bg/bg/articles/razvitie-na-proizvoditelnosta-v-bylgarskoto-selsko-stopanstvo-sled-priemaneto-na-stranata-v-es-1/>

<sup>12</sup> Valkanov, N. Razvitie na proizvoditelnosta v bulgarskoto selsko stopanstvo sled priemaneto na stranata v ES. Source: <http://ime.bg/bg/articles/razvitie-na-proizvoditelnosta-v-bylgarskoto-selsko-stopanstvo-sled-priemaneto-na-stranata-v-es-1/>

can determine a positive trend of farmland consolidation and an increase in both the utilised agricultural areas and agricultural produce (Table 2). The results achieved are undoubtedly due to a number of circumstances such as the market economy factors, the free access to the common internal EU market and the applied measures for stimulating farmers in general.

*Table 2. Development of agriculture in Bulgaria by main indicators*

<b>Main indicators</b>	<b>2010</b>	<b>2013</b>
Farms, number	370 222	254 142
Utilised agricultural area – overall, in hectares	44 755 281	46 509 360
Standard produce of farms, in thousand EUR	2 458 263	3 259 209
Standard produce – overall, in thousand EUR	2 536 666	3 334 062

Source: <http://www.mzh.government.bg/>

When we analyse the production factors and their interaction, we can identify a number of improvements. For example, because of farmland consolidation, the acquisition and use of highly – productive machinery and investments in agro – technological activities for overcoming arable farmland fragmentation, there is an improvement in the ratio between the “capital – labour”, “land – labour” and “capital – land” production factors. Despite this, however, when we compare the development of the sector in Bulgaria and in the EU, we find out that our country continues to be far behind the other EU economies in terms of its competitiveness. „According to productivity of one annual work unit, Bulgaria ranks 25th in the EU with only Romania and Latvia behind it. The low share of fixed capital consumption does not indicate a positive change in Bulgaria’s role in the development of EU agriculture“.<sup>13</sup>

The production of cereals has been traditional for Bulgarian agriculture and this trend is preserved nowadays. If we study the structure of final production agriculture for 2014, we will discover that the relative share of horticulture production (62,0 %) exceeds the share of livestock farming production (27,1%), while the share of agricultural services amounts to only 6,2%.<sup>14</sup> At the same time, almost half of the value of final production (46,4 5) is formed by the production of cereals and oil crops (2 193,9 million BGN and

<sup>13</sup> Rancheva, E, N. Bencheva. Effects and Perspectives of the Impact of Common Agricultural Policy on the Development of Farms in Bulgaria. *Journal of Central European Agriculture*, 2012, 13(3), p.536-547.

<sup>14</sup> Annual Report on the Situation and Development of Agriculture. (Agrarian Report for 2015), Ministry of Agriculture and Food. Source: <http://www.mzh.government.bg/mzh/bg/Documents/AgrarenDoklad.aspx>

1 441,7 million BGN respectively). Unfortunately, the share of fruit and vegetables production continues to be considerably limited. For the period 2012 – 2014, this share changed from 6,4% to 8,7% and there was a slight upward trend. With reference to the outlined information, we can conclude that the application of schemes for encouraging the development of agriculture in Bulgaria within the framework of CAP establish a structure, which is characterized by a marked specialization in the production of cereal and oil crops. Apparently, the implementation of these schemes affects the structure of agricultural production and as a result, it is heavily unbalanced. In addition, the production of cereals and oil crops very often causes soil erosion and the soil pollution with harmful chemical because of environmentally damaging plant protection. In the long run, this can have negative effects with consequences that are difficult to overcome. There is one more aspect that has to be taken into account – even when the year is good and the yields of cereal and oil crops are higher, farmers cannot make higher profits because the market prices of these crops are exposed to heavy market fluctuations.<sup>15</sup>

The main purpose of CAP is to provide support for farmers but it does not create specific incentives for investment in the sector in Bulgaria. Although in recent years the investment processes in the agricultural sector have been enhanced by the favourable levels of taxation and the preferential treatment of investments in regions with high unemployment, the level of investments is not satisfactory. In addition, the investment process is facilitated by VAT exemption of imported equipment for investment projects creating jobs for at least 50 people. This, unfortunately, does not change the situation for the better. The few good achievements for attracting investments are related to the activities for providing informational and administrative assistance to investors in their efforts to make registrations, obtain permits from other governmental bodies, receive legal advice, find partners, subcontractors and suppliers, create and improve the infrastructure, etc. The most highly evaluated aspect is the inflow of funds under the particular operational programmes financed by EU funds.<sup>16</sup> For example, according to data from the InvestBulgaria Agency, the direct foreign investment (DFI) in the economy for 2013 amounted to 2,9% of the country's GDP. For the agriculture, hunting and forestry sectors the share of these investments was only

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<sup>15</sup> Jordan Velikov. Development in agriculture and rural areas of Bulgaria. Friedrich-Ebert-Stiftung Regional Project for Labour Relations and Social. Dialogue in South East Europe, Belgrade, Serbia 2013 <http://library.fes.de/pdf-files/bueros/belgrad/10399-20131211.pdf>

<sup>16</sup> Karadzova, A. Obzor na prekite chuzhdestranni investitsii v Yugoiztocha Evropa i Bulgaria. Institut za ikonomicheska politika (Economic Policy Institute), Sofia <http://epi-bg.org/blog/?p=323>

0,02% of their total amount. In 2014, the amount of DFI in the country decreased by 7,1% compared to the previous year. However, their share in agriculture, hunting and forestry increased and accounted for 3% of their total amount.<sup>17</sup> To a great extent, the increase was due to the one of the Operational Programmes for Rural Development and Development of the Fisheries sector. Under these programmes, funds amounting to 75% of the total budget were invested for the period 2007 – 2013.

The quoted data leads to the conclusion that the levels of investment in agriculture are relatively low and this fact is not a reason to be optimistic that this sector will improve its position among the other EU countries during the following years.

What is more, if we also take into account the results from the Eurobarometer survey, which makes an annual assessment of the CAP's implementation and effects in the EU countries, the actual impact of CAP on Bulgarian agriculture is also unambiguously evaluated. According to it, the majority of Bulgarian farmers think that the support received is insufficient and rather limited. Only 4% of the survey participants evaluate it as marginally high. A considerable part of the respondents (48%) state that CAP does not stimulate enough human resources and investments, which has already been proved. At the same time, 43% point out that the financial support they receive fully guarantees the production of foods while only 30% consider that CAP supports the agricultural production that protects the environment.<sup>18</sup>

In conclusion it can be said that regardless of the outlined problems, the implementation of CAP during the 2007 – 2013 programming period is a beginning for the development of Bulgarian agriculture that will provide opportunities for increasing the sustainability and prosperity of the sector in the future.

### **3.2. Perspectives and possible benefits from the implementation of CAP for the 2014 – 2020 programming period**

During the 2014 – 2020 programming period Bulgaria will receive 7,5 million EUR under CAP. According to the expectations of the Ministry of Agriculture and Food, over 5 billion EUR of direct payments will be provided to support the incomes of farmers in the country. Another 2 billion EUR will be given for the development of rural regions and investments in the agricultural sector under the Rural Development Programme (RDP). The rules for

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<sup>17</sup> InvestBulgaria Agency. <http://www.investbg.government.bg/bg/sectors/advantages-29.html>

<sup>18</sup> Public Opinion in the European Union. Standard Eurobarometer 83, Spring 2015. European Commission, Directorate-General for Communication in: [http://ec.europa.eu/public\\_opinion/archives/eb/eb83/eb83\\_first\\_en.pdf](http://ec.europa.eu/public_opinion/archives/eb/eb83/eb83_first_en.pdf)

implementing the policy during the specified period will enter into force as of 2015, which is considered to be transitional, permitting adaptation to the new requirements. It is obvious that during the new programming period our country will receive more funds for supporting farmers as direct payments compared to the previous period. This increase is a timid step towards a more fair distribution of these payments between the “old” and “new” EU countries. Was it due to a fear of competition or because the Bulgarian governments during the accession period to the EU did not protect sufficiently the country’s national interests, or probably due to the fact that the politicians of the first full EU membership period used a low base for payments and subsidies determined by the low production and productivity levels (before the market reform in the agricultural sector was completed), but Bulgaria, as well as the other countries from the “eastern” EU enlargement wave, suffered from the small negotiated payments. For example, in 2007 our country signed an agreement for agricultural subsidies which amounted to 25% of the financial help received by the “old” EU members.<sup>19</sup>

According to the negotiations that have been led in the European Commission over the recent years, the Eastern Europe countries have been offered a co – financing under the EU funds for the new programming period of between 55% and 75%. Taking into account the need of enhanced economic development of these countries, the European Parliament has decided to increase the share of this financing so that it can reach 85% and this will be also highly beneficial to the Bulgarian agricultural sector.<sup>20</sup> One more important agreement has been reached during the negotiations for the new programming period, namely 13% of the planned direct payments will be given for “interrelated production”. This means that certain types of production, which have been in an unfavourable position and, to a great extent, have been neglected by the Ministry of Agriculture and Food until now, will also take part in the allocation of subsidies, namely livestock breeding, production of vegetables and fruit, etc. This will reduce the disproportion the funds allocation observed during the period 2007 – 2013, according to which 80% of the direct subsidies per hectare of cultivated land were paid to cereal crops producers. This fact is a sign of hope for reviving the good traditions in sectors like production of vegetables and fruit that are emblematic for our country. This also increases the possibilities for decreasing the imports of these agricultural products. In addition, it is expected that the share of local products used in the country’s processing industry will also increase.

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<sup>19</sup> DG Agriculture and Rural Development, Unit for Agricultural Policy Analysis and Perspectives. In: [http://ec.europa.eu/agriculture/cap-in-your-country/pdf/bg\\_en.pdf](http://ec.europa.eu/agriculture/cap-in-your-country/pdf/bg_en.pdf)

<sup>20</sup> Gabriel, M. Bulgaria and CAP (2014-2020) – vision, perspectives and challenges, Discussion: CAP and education in: <http://cap.europe.bg/page.php?c=39&d=198>

Another positive effect of the agreements concerning the new CAP programming period for Bulgarian agriculture is the fact that our country will be given the possibility to transfer one quarter of the funds for rural regions payments to the direct payments – from the second to the first pillar. This permits higher flexibility in forming the national policy and solving operational problems.

As already stated, the population of rural regions within the EU is aging. This trend is also observed for the people engaged in agriculture. Statistics show that this problem is much more serious in our country. For example, the share of young farmers (under 35) is only 6.9% while it is 7.5% on average for the EU. Similarly, the share of farmers over 64 is 37.3% while this share is 30% on average for the EU.<sup>21</sup> For this reason the support for young farmers is an important element of CAP for the new programming period. With reference to this, according to agreements for the new period, the young farmers in Bulgaria will be subsidized with additional funds amounting to 2% of the total package granted.<sup>22</sup>

Although the outlined results from the negotiations concerning the distribution of funds within CAP for the 2014 – 2020 programming period reveal a favourable perspective for the development of Bulgarian agriculture, there are certain aspects on which progress has not been made. For example, the idea of encouraging farmers and their associations to undertake alone measures to manage risks as a prevention and insurance by combining the market interference measures on the EU level with determining the national risk management limits has not been accepted, particularly in the cases of unfavourable climate conditions in the member states.

\* \* \*

Based on the outlined facts and their analysis, we can make the following conclusions:

- The Common Agricultural Policy (CAP) is one of the most important and, from a historical point of view, one of the first European policies. It has been and remains a powerful instrument for protecting the economic and political interests of the European Community member – countries.
- The retrospective analysis of its improvement indicates that it has gone through serious stages of reconstruction and adaptation to the changes of global economy. When it was established, the purpose of CAP had a protectionist character with reference to the international exchange of commodities.

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<sup>21</sup> <http://www.nsi.bg/bg/content/>

<sup>22</sup> <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+IMPRESS+20110526FCS20313+0+DOC+XML+V0//BG>

It also aimed at encouraging the production within the EU community. The evolution of its philosophy, mechanisms and instruments over the past years reveals that it has been improved in line with the market challenges of global competition.

- The impact of CAP on Bulgarian agriculture has been observed over a limited period which does not permit us to assess its overall importance. It has to be stated here that CAP cannot and must not be the only factor for the development of this sector of the country's economy. It is more appropriate to consider CAP as a possibility for supporting the sustainable and successful activities of Bulgarian farmers. It should also be a means of exchanging good practices and an opportunity for increasing the welfare in the sector. In addition, we should not forget that the possibility of Bulgarian agriculture to make progress largely depends on the processes of negotiating and protecting the national interests before the supranational EU management bodies.

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