

## Support for small farmers in Bulgaria *via* CAP first pillar instruments

### Wsparcie dla drobnych rolników w Bułgarii przy użyciu instrumentów I filaru WPR

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**Abstract.** The present study provides an overview of the measures being adopted in Bulgaria to support small farmers using instruments of the 1st pillar of the Common Agricultural Policy. Small farmers, running about half of all agricultural holdings in the European Union, are widely recognised as an important part of the agricultural sector throughout Europe. In Bulgaria, about 309 thousand farms have less than 2 ha of utilised agricultural area. Small farms play a substantial role in maintaining viability of rural areas, supporting rural employment, and contributing to a more balanced territorial development. Most of the small farms promote sustainable agricultural practices and support market diversity by providing typical local products, which often involves preserving traditional production methods and technologies. At the same time, small farms are more vulnerable because of the small scale of their agricultural activity, insufficient capital availability, constrains in using the EU funding, and more difficult market access. Taking into account the specific status of small farms, several instruments financed from the 1st pillar's European Agricultural Guarantee Fund have been made available in the CAP 2014–2020 which could complement the Rural Development Programme measures for support of the small-scale farming. These instruments include redistributive payment and the Small Farmers Scheme. EU member states can also use the Young Farmers Scheme, voluntary coupled subsidies, and transitional national aid (for SAPS MS) as tools to direct additional support to small holdings. Bulgaria has already introduced the redistributive payment instrument (in 2014) by using ca. 6.8% of its direct payments ceiling to grant additional support for the first 30 ha to all agricultural holdings, expecting to increase in such a way the payment for the first hectares by ca. 36%. Bulgaria is in favour of introducing the Small Farmers Scheme which provides easier and less bureaucratic mode to support small holdings. The coupled subsidies and transitional national aid will continue to be applied with a relatively low threshold in order to be available for small agricultural holdings to participate. In addition, our country considers lowering its threshold for direct pay-

ments per hectare from 1 ha to 0.5 ha. The implementation of all those tools *via* the well-financed 1st pillar instruments is expected to enable Bulgaria to direct additional support to its numerous small holdings, to keep them vital, to build up their competitiveness, and to improve their access to the EU funding.

**Key words:** agriculture • Bulgaria • CAP • Small Farmers Scheme • competitiveness

**Streszczenie.** W artykule dokonano przeglądu wprowadzanych w Bułgarii działań na rzecz wsparcia drobnych rolników przy wykorzystaniu instrumentów I filaru Wspólnej Polityki Rolnej. Drobni rolnicy, prowadzący około połowy gospodarstw rolnych Unii Europejskiej, są powszechnie w Europie uważani za ważną część sektora rolniczego. W Bułgarii około 309 tys. gospodarstw ma mniej niż 2 ha UR. Drobne gospodarstwa odgrywają znaczącą rolę w utrzymywaniu żywotności obszarów wiejskich, wspieraniu zatrudnienia na wsi oraz dbaniu o bardziej zrównoważony rozwój terytorialny. Większość drobnych gospodarstw stosuje zasady zrównoważonego rolnictwa oraz wspiera różnorodność rynku poprzez dostarczanie typowych produktów lokalnych, często wytworzonych z zachowaniem tradycyjnych metod i technologii produkcji. Jednocześnie małe gospodarstwa rolne są słabsze od dużych z powodu mniejszej skali działalności rolniczej, niedostatecznego dostępu do kapitału, ograniczeń w dostępie do funduszy UE i większych trudności z dostępem do rynku. Biorąc pod uwagę specyficzny status drobnych gospodarstw, w ramach WPR 2014–2020 przygotowano szereg instrumentów finansowanych z I filaru, które mają uzupełniać działania Programu Rozwoju Obszarów Wiejskich wspierające drobne gospodarstwa rolne. Wśród tych instrumentów są płatności redystrybucyjne (za pierwsze hektary) oraz płatności dla małych gospodarstw. Kraje członkowskie mogą również wykorzystać program wspierania młodych rolników, dobrowolne dopłaty związane z wielkością produkcji oraz przejściowe transfery krajowe (na płatności obszarowe) jako narzędzia kierowania dodatkowego wsparcia do małych gospodarstw. Bułgaria już w 2014 r. wprowadziła płatności redystrybucyjne, wydając ok. 6,8% z pułapu jej płatności bezpośrednich na dodatkowe dopłaty do pierwszych 30 ha dla wszystkich gospodarstw rolnych, spodziewając się, że zapewni to wzrost płatności za pierwsze hektary o ok. 36%. Bułgaria opowiada się też za wprowadzeniem systemu płatności dla małych gospodarstw rolnych, który stanowi łatwiejszy i mniej biurokratyczny sposób wspierania takich gospodarstw. Dopłaty związane z wielkością produkcji oraz przejściowe transfery krajowe będą nadal stosowane przy relatywnie niskim progu, aby umożliwić dostęp do nich drobnym gospodarstwom. Dodatkowo Bułgaria rozważa obniżenie progu dostępu do płatności obszarowych z 1 ha do 0,5 ha. Oczekuje się, że wprowadzenie wszystkich tych narzędzi przy odpowiednio wysokim poziomie finansowania instrumentów I filaru umożliwi Bułgarii skierowanie dodatkowego wsparcia do małych gospodarstw rolnych, jakie przeważają liczebnie w tym kraju, w celu utrzymania ich żywotności, budowania ich konkurencyjności i polepszenia ich dostępu do funduszy UE.

**Słowa kluczowe:** rolnictwo • Bułgaria • WPR • system płatności dla małych gospodarstw rolnych • konkurencyjność

## Introduction

Agriculture is an important sector of the Bulgarian economy, playing a significant role in ensuring food security and export balance of the country and providing employment for a relatively large portion of the population. The sector fulfils important

economic, social and political functions for the member states of the European Union (EU). Unlike other economic activities, agriculture depends greatly on natural conditions and factors, and thus should be actively supported.

In the context of Bulgaria's membership in the European Union, its agriculture should be considered in terms of the sector's development at European level. Hence, the Common Agricultural Policy (CAP), its objectives and instruments are important factors having an impact on the agricultural sector.

This study aims to provide an overview of the measures adopted in Bulgaria to support small farmers using instruments of the 1st pillar of the Common Agricultural Policy.

## Material and methods

The material for the study was statistical information derived from the Census of Agricultural Holdings in the Republic of Bulgaria in 2010 (MAF 2012). Conclusions were drawn by applying analytical methods to the acquired data.

Bulgaria has ca. 371 000 agricultural holdings in total. Of those, 357 900 entities use 3 620 900 ha of agricultural area, and 13 100 holdings have no utilised agricultural land. An agricultural holding in the country manages 10.1 ha of utilised agricultural area (UAA) on average. This indicator shows regional differentiation, with holdings in the north-eastern region having the largest average size (17.6 ha), and those in the south-western region, the lowest (3.6 ha). Holdings owned by individual farmers, numbering 363 700, account for 98% of all agricultural holdings in Bulgaria. Natural persons manage only 33.8% of the utilised agricultural area of the country, commercial companies – 31.6%, cooperatives – 17.7%, sole traders – 14.9%, and the remaining holdings – 2%. Arable land, covering 3 133 000 ha in Bulgaria, is managed by farmers who run 250 900 agricultural holdings. Holdings with an area of 100.00 ha or more have over 78.2% (i.e. 2 830 300 ha) of the country's utilised agricultural area, and the UAA of such a holding averages 534 ha. In 2010, agricultural holdings of 0.00 to 1.99 ha UAA numbered 308 800, which corresponded with 83.2% of all holdings in the country.

## Results and discussion

Small farmers, running about half of all agricultural holdings in the European Union, are widely recognised as an important part of the agricultural sector throughout Europe. In Bulgaria, about 309 thousand farms have less than 2 ha of utilised agricultural area. Small farms play a substantial role in maintaining viability of rural areas, supporting rural employment, and contributing to a more balanced territorial development. Most of the small farms promote sustainable agricultural practices and support market diversity by providing typical local products, which often involves preserving traditional production methods and technologies. At the same time, small farms are more vulnerable because of the small scale of their agricultural activity,

insufficient capital availability, constrains in using the EU funding, and more difficult market access. Small farmers tend to invest more labour and with higher quality in their land because own land is farmed mostly on family-employment basis. Engaging family into the business and investing in own land becomes an important incentive to maintain productivity and enhance ecological balance in an agricultural holding. Apart from performing an important role in ensuring food security at regional level, small farms represent a sustainable model of agriculture leading to higher productivity and better resource conservation. Family farms have a key role in preserving traditional food products, and safeguarding agro-biodiversity and a sustainable use of natural resources.

The United Nations declared 2014 the International Year of Family Farming (IYFF). The Food and Agriculture Organisation (FAO) of the UN, in collaboration with governments, international development agencies, farmers' organisations and other relevant organisations of the United Nations system, as well as relevant non-governmental organisations, is facilitating its implementation with the following objectives:

- 1) To support the development of agricultural, environmental and social policies conducive to sustainable family farming;
- 2) To increase knowledge, communication and public awareness;
- 3) To attain better understanding of family farming needs, potential and constraints, and ensure technical support;
- 4) To create synergies for sustainability (FAO 2014).

Taking into account the specific status of small farms, several instruments financed from the 1st pillar's European Agricultural Guarantee Fund have been made available in the CAP 2014–2020 which could complement the Rural Development Programme measures for support of the small-scale farming. These instruments include redistributive payment and the Small Farmers Scheme. The latter is to be introduced from 2015 upon the decision of a member state, and will be of great importance to small family farmers in the EU. Under this scheme, a farmer may choose to replace all other CAP direct payments with a fixed-sum annual payment of between 500 and 1250 EUR. Farmers choosing to apply for payment under the Small Farmers Scheme will be exempt from greening and cross-compliance, although they will still receive the greening payment, and they will benefit from more simplified procedures.

The EU member states can also use the Young Farmers Scheme, voluntary coupled subsidies, and transitional national aid (for member states using the Single Area Payment Scheme; SAPS) as tools to direct additional support to small holdings.

The reformed CAP has allowed a reduction in payments received by large individual beneficiaries, apart from a small mandatory reduction in cases where the redistributive payment is not used; any further degressivity has been left at the discretion of individual member states. The first pillar of the CAP can be employed to address the unequal distribution of direct payments between farmers, and to channel a greater proportion of the budget to small family farms. The optional nature of some schemes means that the final impact on the family farm will depend on the decisions taken at

a member state level. The Small Farmers Scheme is meant to simplify access to the CAP for many small farms, although the definition of a small farm and the minimum eligibility criteria could prove contentious.

The redistributive payment has the potential to tackle the unequal distribution of payments between farmers in the member states that choose to implement this instrument, which could lead to a significant increase in payments for small and medium-sized family farms (EP 2014). Bulgaria has already introduced the redistributive payment (in 2014) by using ca. 6.8% of its direct payments ceiling to grant additional support for the first 30 ha to all agricultural holdings. It was expected that this would increase the payment for the first hectares by ca. 36%. Our country is in favour of introducing the Small Farmers Scheme that provides an easier and less bureaucratic mode of support to small holdings. The coupled subsidies and transitional national aid will continue to be applied with a relatively low threshold in order to be available for small agricultural holdings to participate. In addition, Bulgaria considers lowering its threshold for direct payments per hectare from 1 ha to 0.5 ha.

The implementation of all those tools *via* the well-financed 1st pillar instruments is expected to enable Bulgaria to direct additional support to its numerous small holdings, to keep them vital, to build up their competitiveness, and to improve their access to the EU funding.

## Conclusions

The reformed CAP and its implementation in Bulgaria continues to be aimed at encouraging competitiveness, using the budgetary resources more efficiently, and achieving the expected effects of public policies in relation to food security, environmental protection, climate change mitigation, and social and territorial equilibrium.

The necessity to devote more attention to the diversity of production systems and to their needs under the CAP is undeniable. The existence of different types of agriculture, which have specific needs, should be taken into account. It is necessary to preserve everything that is valuable at regional level and that contributes to the implementation of the European agricultural model described as “united in diversity”. We have to acknowledge the important role of small-scale farms in providing quality and traditional agricultural products and meeting the demands of local markets, as well as their contribution to the preservation of the environment and biodiversity. Support has to be a financial instrument for increasing their viability and market orientation.

Policy should be implemented through a comprehensive, balanced and integrated approach, which will raise the quality of life and preserve the rich natural inheritance on the basis of sustainable environment management. The enhanced competitiveness of small farms is expected to help create better economic conditions for the development of agriculture, and improve the quality of life in rural areas.

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