

# THE IMPACT OF THE CURRENT AND NEW AGRICULTURAL POLICY ON THE DEVELOPMENT OF THE MAJOR CROPS IN BULGARIA

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- “ The study aims to scrutinize the impact from introduction of the new agricultural policy after 2013 on five main crops in Bulgaria: wheat, barley, maize, sunflower and rapeseed.
- “ I scenario – Policy Status quo
- “ II scenario – introduction of the Basic payment scheme and ecological payment
- “ III scenario – application of the redistributive payment

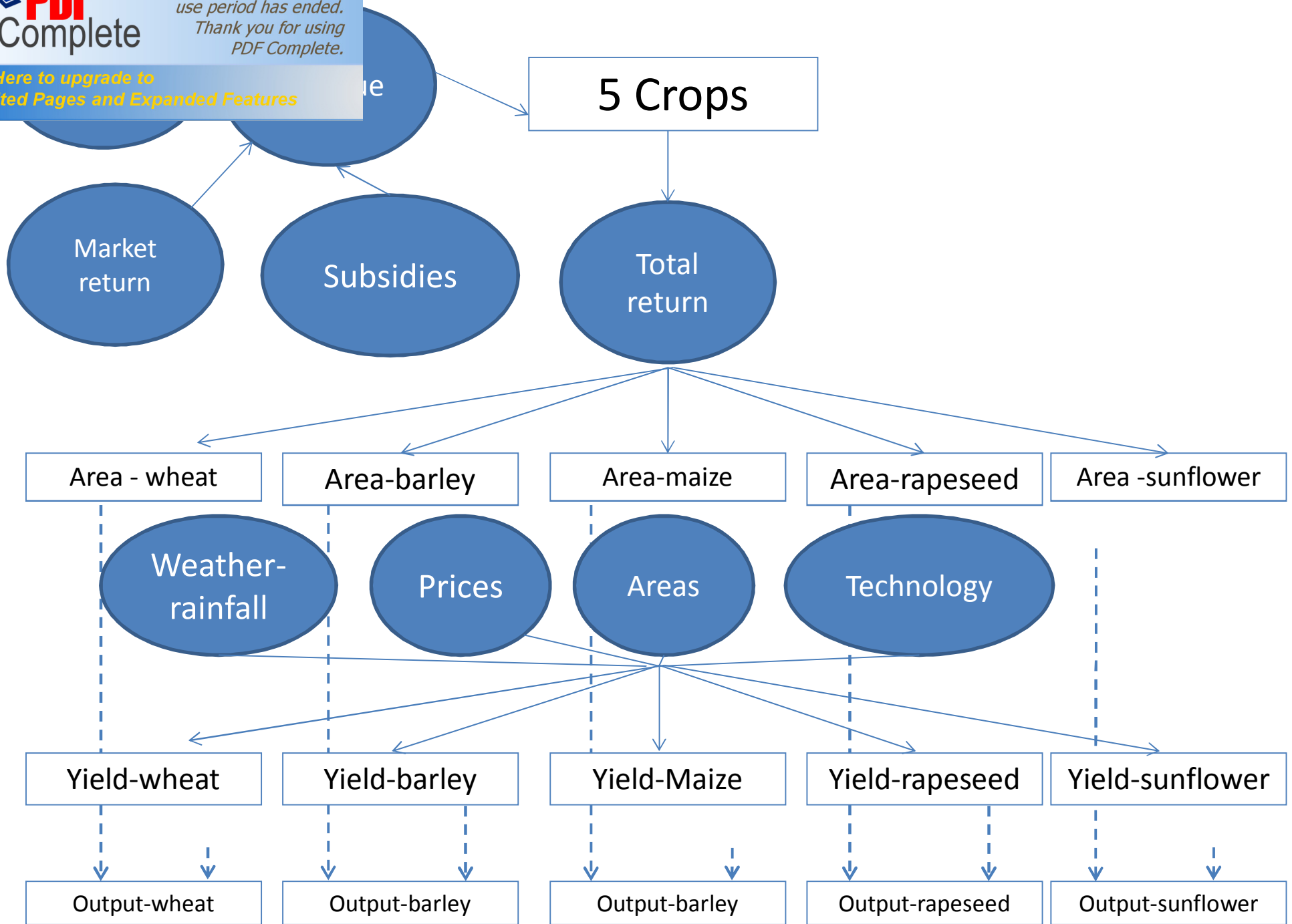


## Importance of the selected commodities

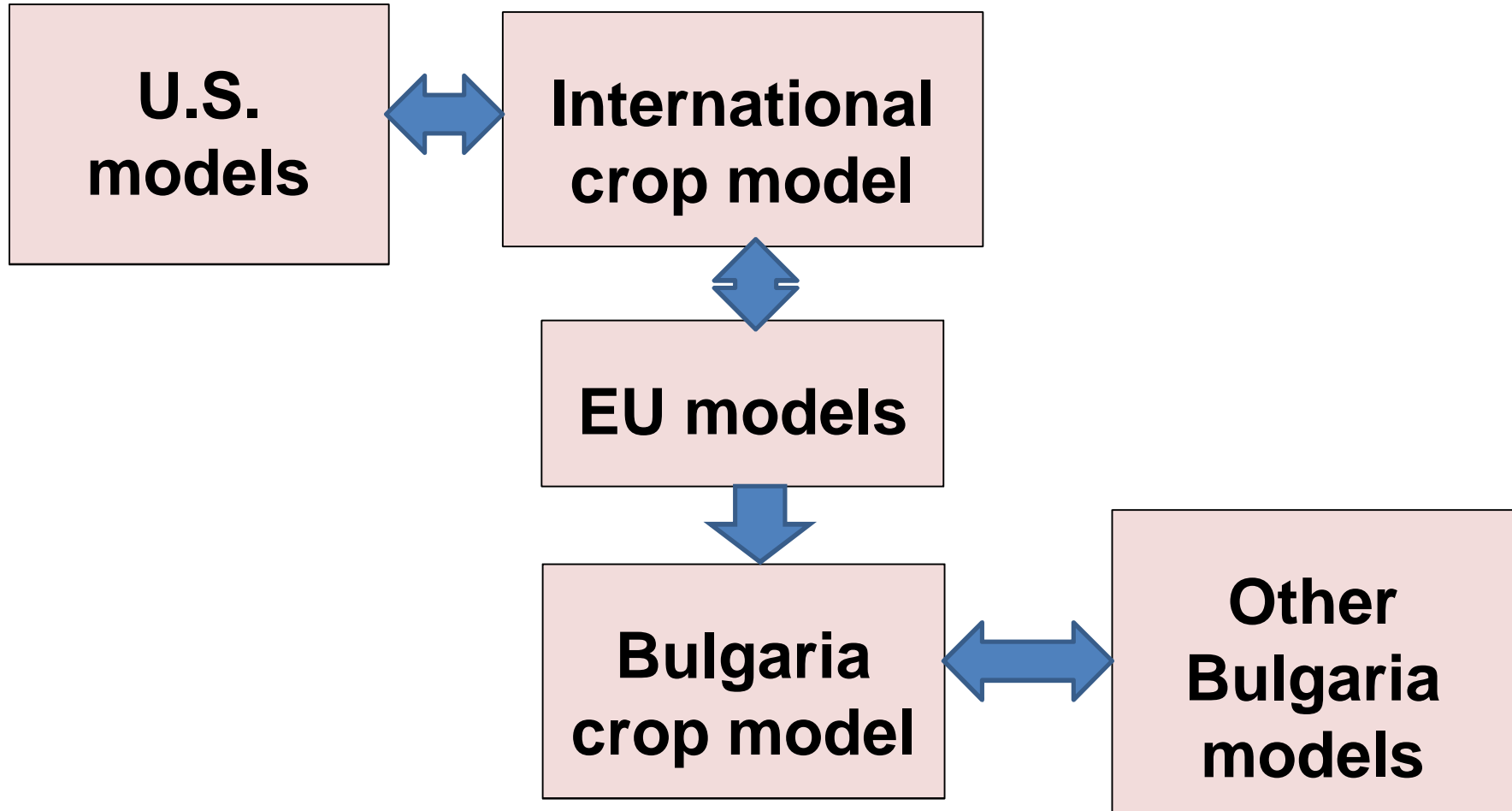
- “ These crops comprise for around 55% from utilized land and more than 90% from arable land in Bulgaria in recent years
- “ 5 crops make around 75% from GO (Gross Output) and around 43% from GAO (Gross Agricultural Output) in 2011
- “ About 63 thousand farms are specialized in growing these 5 crops during 2010
- “ Significant share in the agricultural trade worth – ranged 12 in the wheat trade and 2 place for the sunflower worldwide trade



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Primary research method is econometric modeling, where:

$$Y = f (X_1; X_2; X_3)$$

$$Y = \alpha + \varepsilon\beta_1 X_1 + \varepsilon\beta_2 X_2 + \varepsilon\beta_3 X_3 + \dots + \xi \dots, \text{ where}$$

$\alpha$  – intercept

$\varepsilon$  - elasticity

$\beta$  – regression coefficient

$X_{1,2,3}$  - variables

$\xi$  – factor error

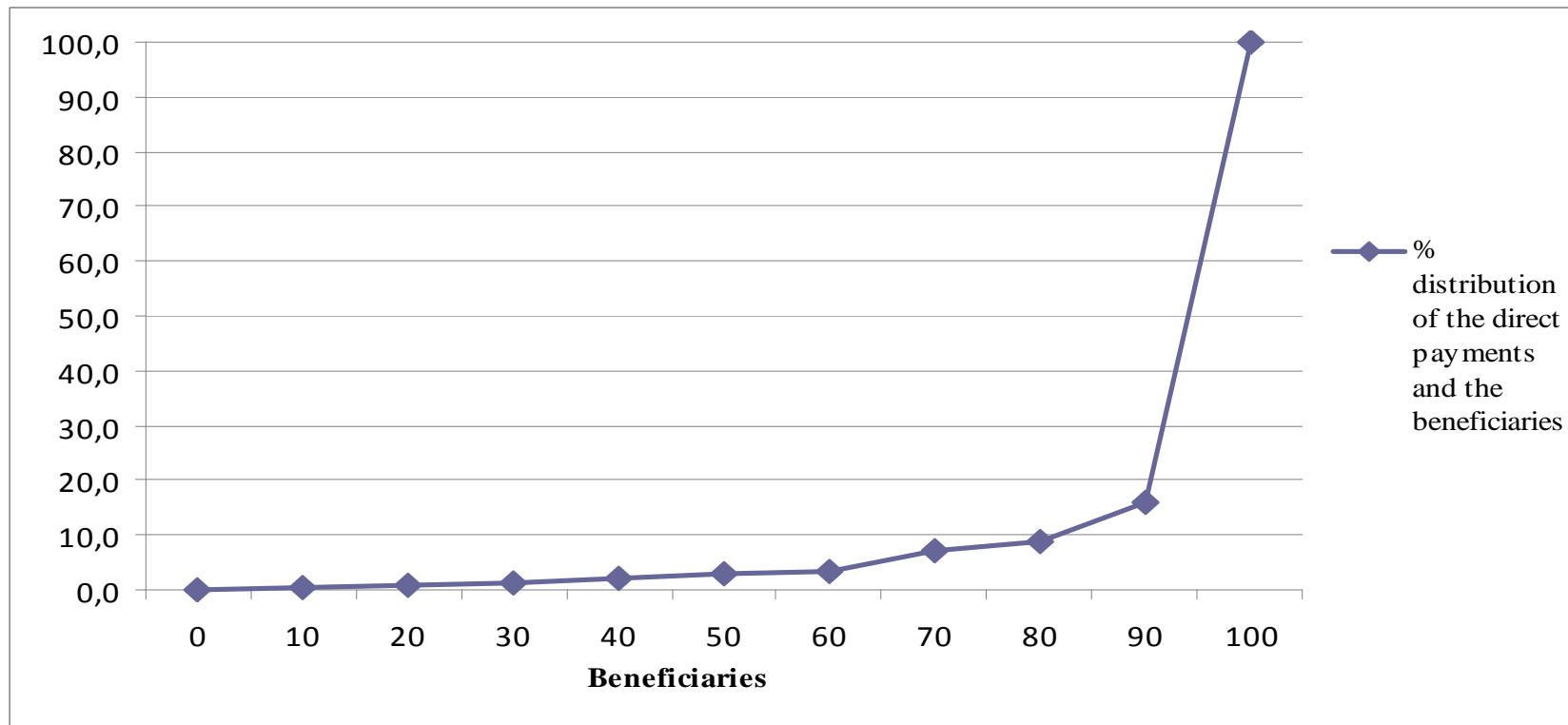


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1. The impact of the policy, especially direct payments on the selected crops is assessed through financial aids per area and by regulations upon the production practices;
2. Subsidies per area form up the gross margin from the production and participate in the allocation of the land – maximization function;
3. Although the subsidies are decoupled from the production, in case of Bulgaria they are puissant factor driving allocation of the land resources;
4. The new CAP framework is reflected by the analysis through farmers' behaviour model incorporated in the main model – (greening – reaction of the farmers is modeled).



## Distribution of the subsidies and beneficiaries in 2010

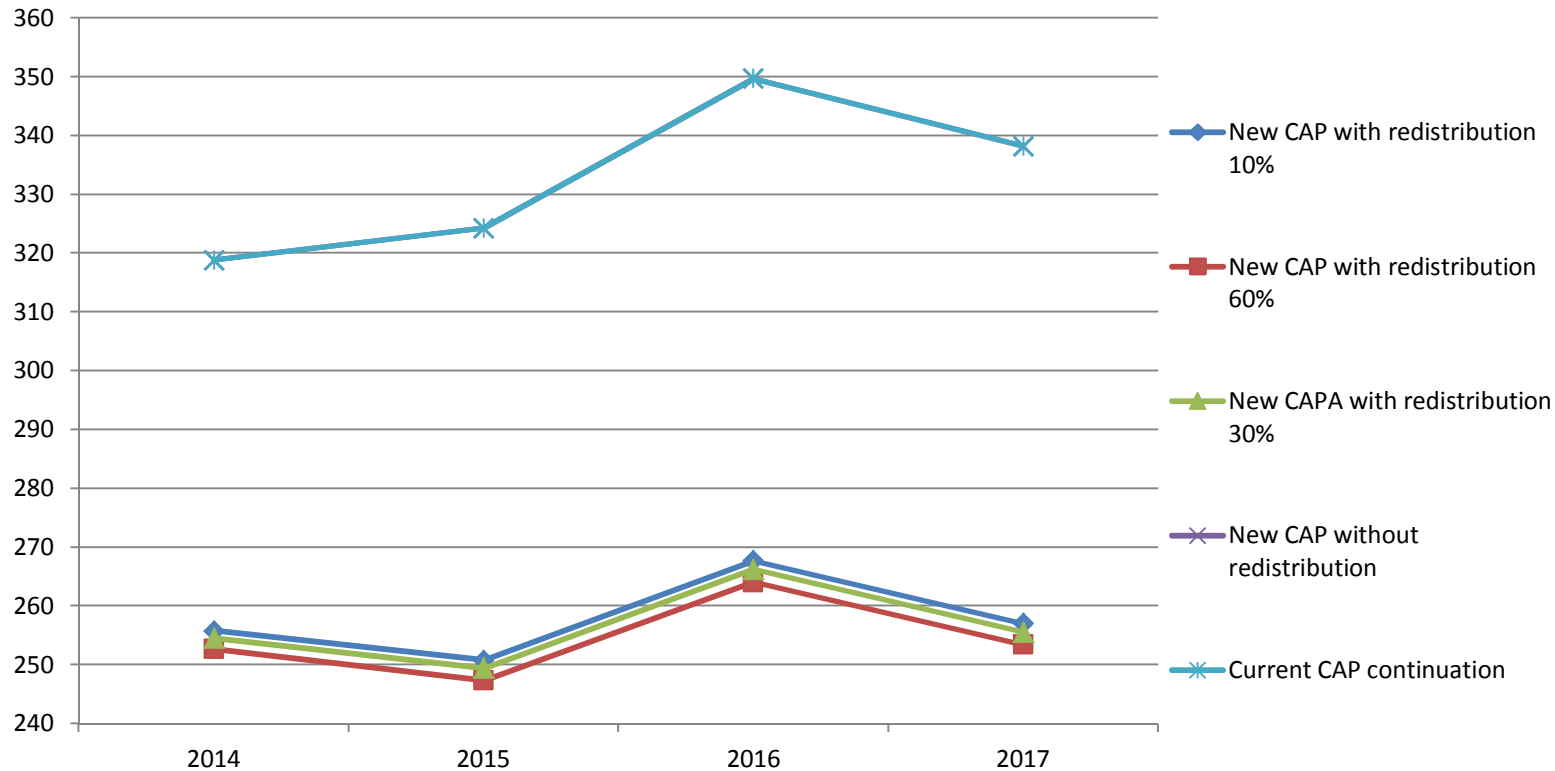


Source: IAE based on the EC data





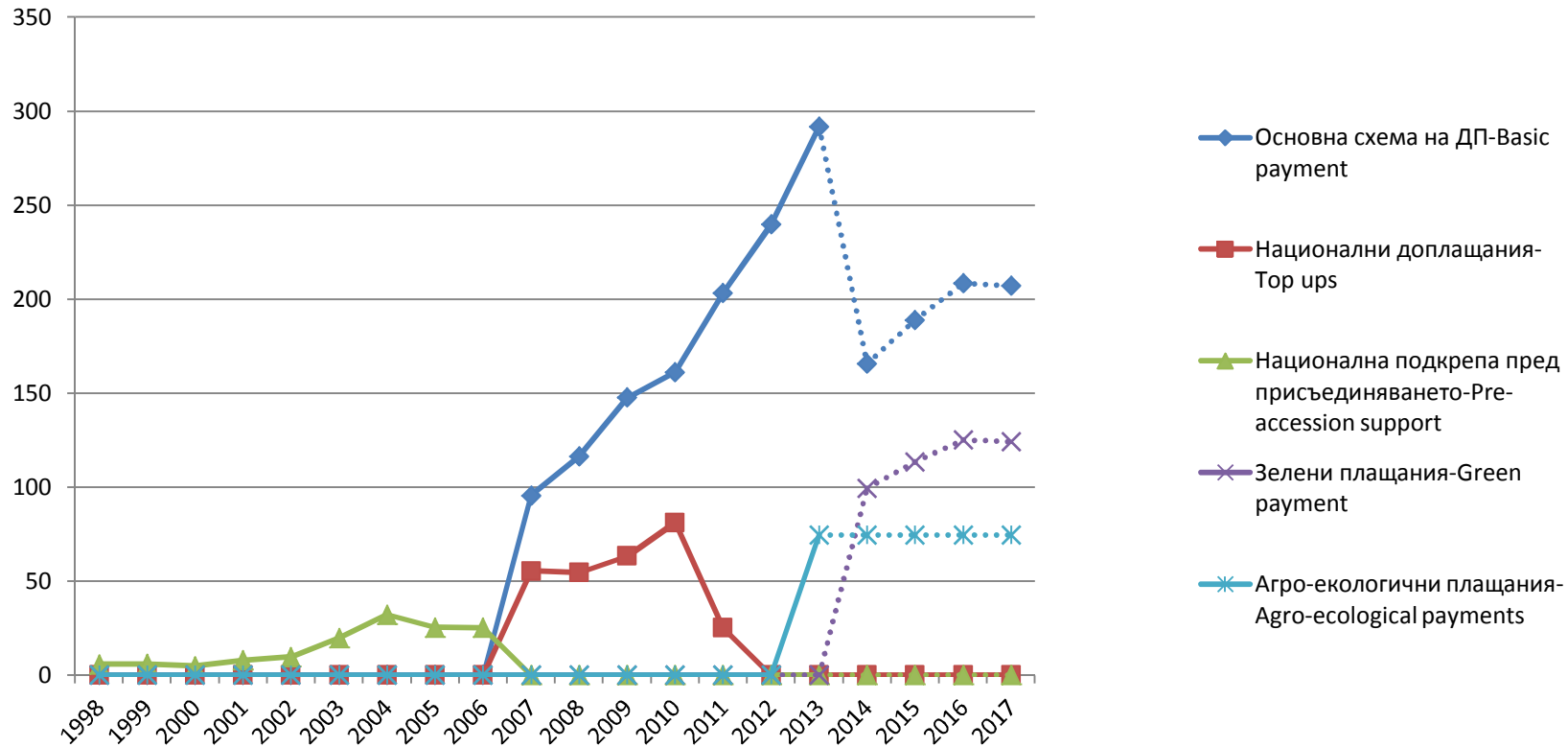
# Average gross margins under different scenarios, euro/ha



Source: CAPA



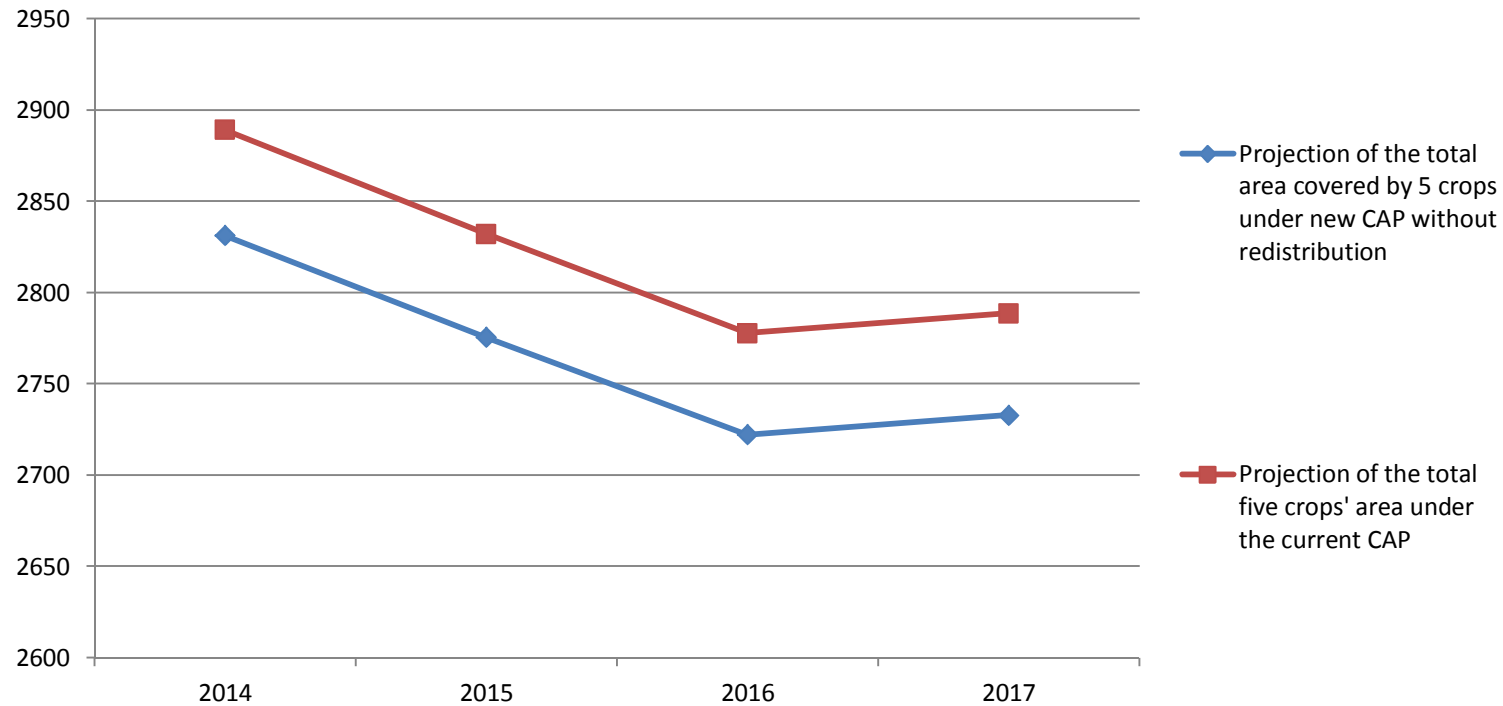
## Public support distribution in the sectors, BGN/hectare



Source: CAPA based on the EC information



## Total five crops' area projection, thousand ha



Source: CAPA



## Internal redistribution of the area among the five crops comparing the Scenario 2 (new Policy without redistributive payment) with Scenario 1 (current policy continuation)

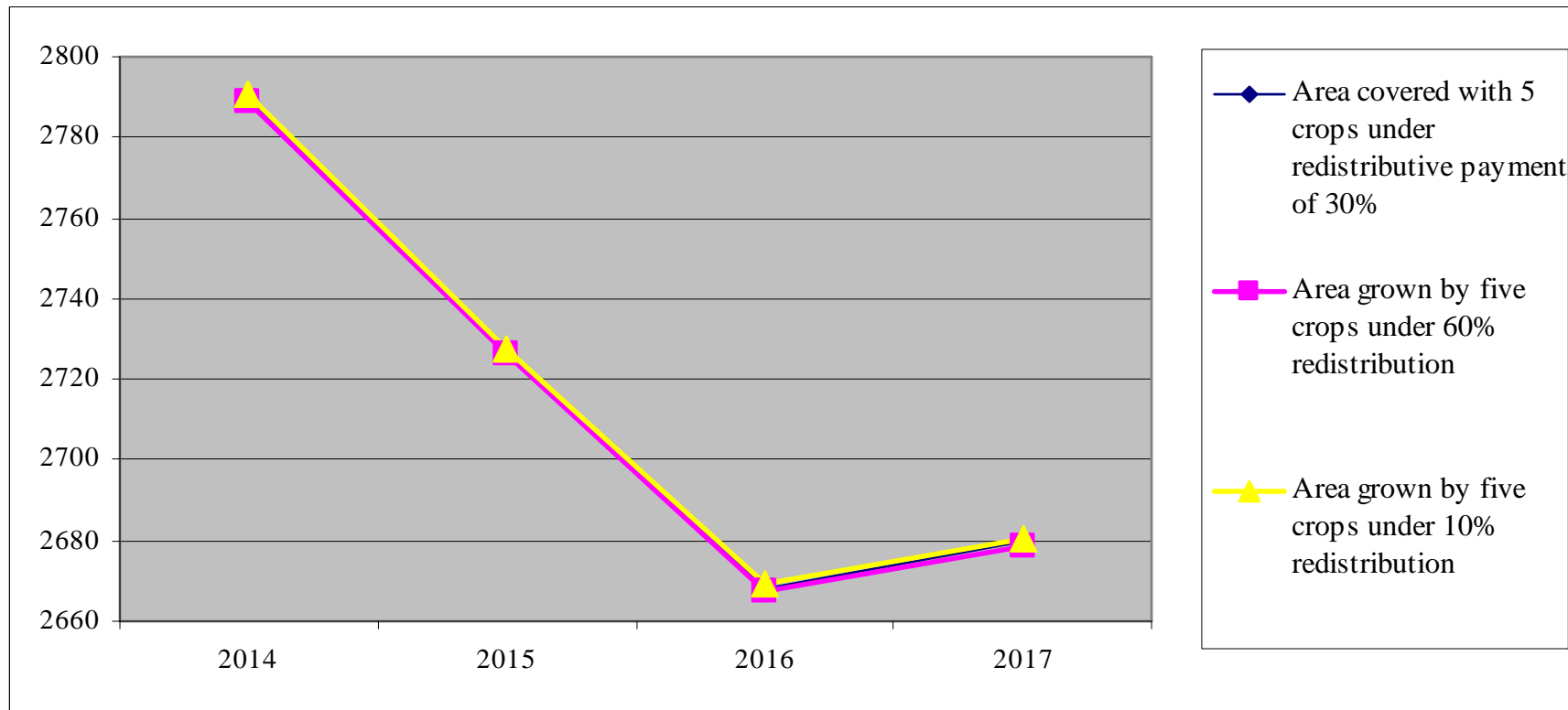
	2012	2013	2014	2015	2016	2017
	000 xa					
WS - wheat	0,00	0,00	-20,5	-18,6	-16,9	-16,8
BA - barley	0,00	0,00	-2,7	-2,4	-1,9	-1,8
CO - maize	0,00	0,00	-7,7	-7,7	-7,8	-8,1
UF - sunflower	0,00	0,00	-3	-2,7	-2,5	-2,4
RS - rapeseed	0,00	0,00	-12,9	-12,7	-12,6	-12,9



Source: CAPA



## Changes in the total area of major crops under 3 variants of the distributive payment of new CAP, 000 ha



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## Distribution of the BPS between different farm size classes under 3 variants of the distributive payment, euro/ha

Distribution of the basic payment in different farm-size classes, euro/ha	2014			2015			2016		
	10% redistribution	30% redistribution	60% redistribution	10% redistribution	30% redistribution	60% redistribution	10% redistribution	30% redistribution	60% redistribution
0 to 10 ha	98	115	142	109,72	129,67	159,63	119	141	174
10 to 30 ha	98	115	142	109,72	129,67	159,63	119	141	174
30 to 60 ha	94	104	119	105,34	116,51	133,32	115	128	148
60 to 200 ha	89	90	91	99,98	100,46	101,19	109	109	110
200 to 700 ha	87	84	80	98,26	95,29	90,86	107	104	99
over 700 ha	87	83	78	97,78	93,83	87,94	106	102	96

Source: CAPA based on the EC data and Payment Agency



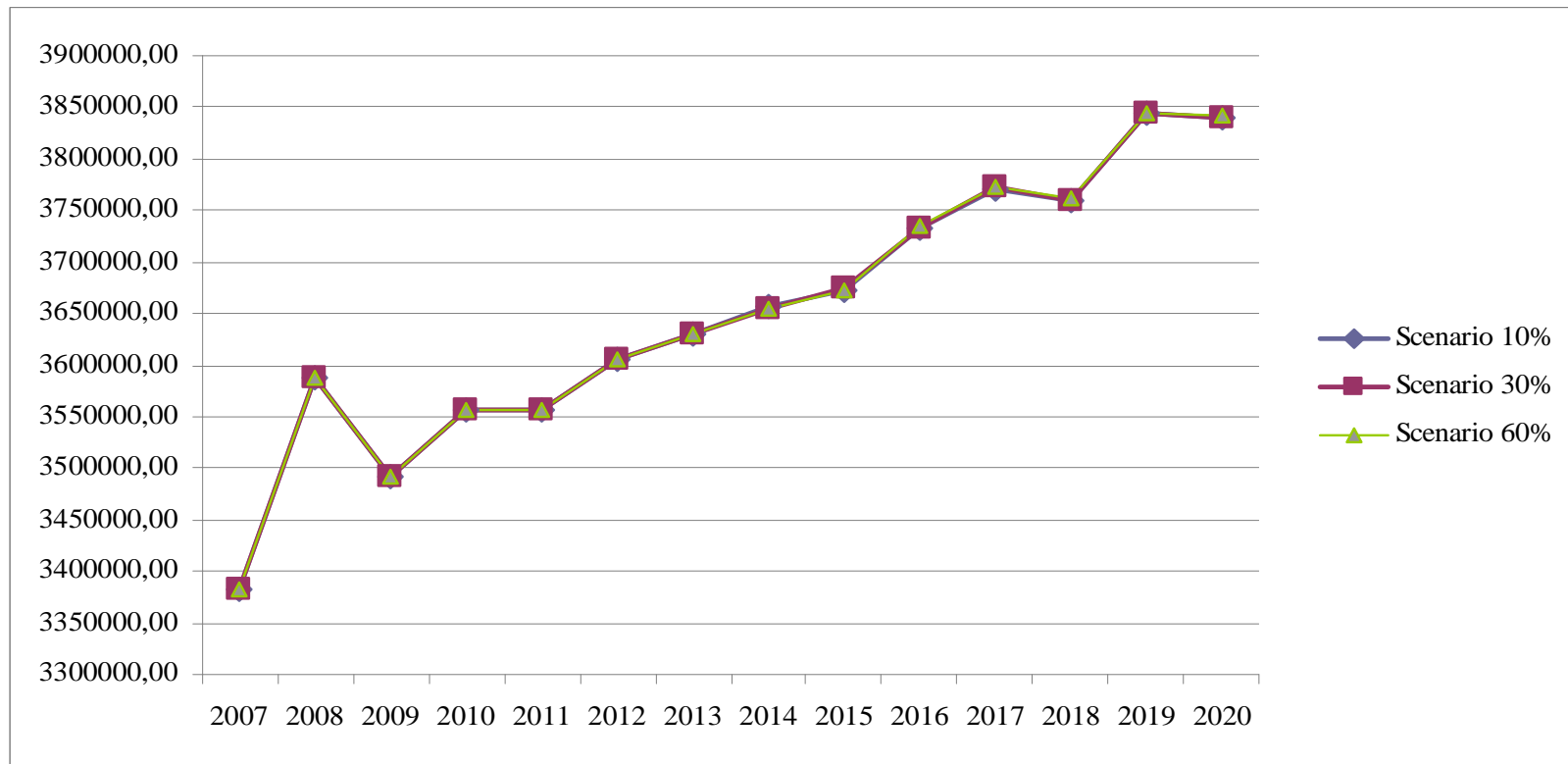
## Level of the BPS and green payment under 3 variants of the distributive payment upon different production groups

Total amount of BPS and green payment, euro/ha	2014			2015			2016		
	10% redistribution	30% redistribution	60% redistribution	10% redistribution	30% redistribution	60% redistribution	10% redistribution	30% redistribution	60% redistribution
Cereal with fallow	141	139	135	158	156	152	173	170	166
Oil crops	141	139	136	158	155	152	173	170	165
Industrial and potato	148	159	175	165	177	195	181	195	213
Vegetables	149	163	183	167	182	205	184	202	224
Orchards	149	162	182	167	182	204	182	198	225
Etheric-oily crops	151	169	196	170	190	219	185	207	240
Grassland	148	159	176	166	179	196	181	195	217

Source: CAPA based on the EC data and Payment Agency



# Projection of the applied for direct payment agricultural area, ha





## Specific conclusions

1. Distributive payment will differentiate the aids per ha and will normalize a bit the harshly distorted distribution of the payments and beneficiaries;
2. The new CAP will give more incentives to other productions different from the current major ones and this effect will be as stronger as the differentiated are payments;
3. The new CAP regarding the I Pillar will give more flexibility and will to some extent overhaul the disadvantages in the flat subsidizing of the area and holdings;
4. The five crops will continue to dominate in the production structure of the BG agriculture, as the role of the subsidies as a driver of the development will be suppressed to some extent.



## General conclusions

1. The new CAP will keep the differences between average payments among member states;
2. The introduction of the greening will render stronger impulse to pursuing the priorities in terms of environment preservation, biodiversity, climate changes, etc;
3. The split of the SAPS to different schemes – small farms, support for natural constraints, young farmers, etc will ensure better encountering the challenges (aging of the farmers' society, low share of the young people, low incomes of majority of small farms – 94% of all farms are up to 10 ha);
4. It is expected the prices of the commodities to retain relatively high and the volatility to continue thus the question for the social price of the subsidies is very actual.





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# THANK YOU FOR YOUR ATTENTION!

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