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## SCENARIOS FOR ALLOCATING FUNDS FROM CAP PILLAR 1 IN THE PROGRAMMING PERIOD 2021–2027

### ABSTRACT

This paper presents the results of simulating the effects of current proposals referring to conditioning direct payments by the new restrictions on environment and climate, the implementation of eco-schemes respectively. At the same time, it attempts to capture the effects of the redistribution of direct payments on the support received by small, medium and large-sized farms. The paper considers that 30% of the ceiling for direct payments will be used for funding eco-schemes. Three scenarios are calculated corresponding to 5%, 10% and 20% redistribution funds.

The main conclusion is that redistribution may represent a solution for narrowing the gaps between the incomes of small, medium and large farms. Having in view that Romania has not accepted the possibility of capping direct payments to large farms, a more consistent redistribution (e.g., 10%) would represent an option to reduce income gaps between farmers and to support incomes of small and medium-sized farms.

**Key words:** CAP, direct payments, redistribution.

**JEL Classification:** Q18.

### 1. INTRODUCTION

In paper presents the results of a simulation of the effects of current proposals for conditioning direct payments level by the new restrictions on climate and environment, by the implementation of eco-schemes respectively.

Since its launching in 1962, the Common Agricultural Policy (CAP) has evolved with the changes in economy and society. The current reform is in line with this trend.

The European Commission proposal on the post-2020 CAP represents the continuation of present policies combined with some new measures and with a new delivery model. The proposals are still a subject of debates and the implementation of the new reform has been postponed for the year 2023.

The Commission's present proposal contains a series of measures providing for the direct support redistribution by different categories of farms. At the same time, the proposals reflect increased environmental ambitions and provide for an

important part of the amounts foreseen for direct payments to be allocated to reward farmers who implement effective environmental measures (eco-schemes).

The proposal also aims to financially encourage generational renewal in agriculture by support to setting up of young farmers. The current measures also target the convergence of payments to farms and propose cutting the amounts received under the form of direct payments that exceed 65,000–100,000 euros/farm.

## 2. STATE OF KNOWLEDGE

The new Common Agricultural Policy 2021–2027 has integrated an important number of objectives derived from the European Green Deal (EC, 2020), adopted and developed also in the two strategies dedicated to the agricultural sector, i.e. Farm to Fork Strategy and Biodiversity Strategy.

The European Union's climate and environmental ambitions, to achieve climate neutrality by the year 2050 respectively, will involve major changes in agriculture, industries, services, employment and incomes. It is a change of paradigm affecting people's lives in a complex way, but probably it represents a necessary restarting to save the environment, the resources, and reverse the climate change trend.

The updated CAP version, which is proposed for the period 2021–2027, is mainly based on three legislative proposals:

1. The regulations of the Common Agricultural Policy Strategic Plan, which stipulates that at national level the CAP will be implemented through national strategic plans, in which each member state will outline its options on targets, having at its disposal all CAP instruments, respectively direct payments, rural development and sectoral interventions. In this context, each member state can distribute the resources that have been allocated to design specific measures that it considers appropriate for meeting its own needs.

2. The Common Market Organizations, which remain important, as the future CAP will maintain and strengthen the market orientation of the European agriculture. In this context, no changes have been proposed as regards market interventions, but there are certain specific objectives in areas where there is potential to increase competitiveness.

3. The horizontal regulations, mainly focusing on CAP subsidiarity and simplification, on a greater responsibility of Member States respectively, with the introduction of the National Strategic Plans.

The European Green Deal highlights the ways in which Europe can become the first climate-neutral continent by the year 2050. In this regard, it is planned to adopt a sustainable and inclusive growth strategy that will strengthen the economy, will improve people's health and quality of life and protect nature.

This strategy (Farm to Fork) is at the core the Green Deal concerns. The Covid-19 pandemic has highlighted the importance of a robust and resilient food system that should ensure citizens' access to sufficient quality food.

Therefore, it is considered that to support the transition to sustainable food systems it is necessary to:

- reduce the dependence on pesticides and other agro-chemicals
- reduce excessive fertilization
- increase the areas under organic farming
- focus on animal welfare and return to biodiversity
- reach climate neutrality at EU level by the year 2050
- reduce greenhouse gas emissions by 50–55% by the year 2030 compared to their level in 1990.

Another strategy that will deeply influence farm economy and agricultural policies is the EU Biodiversity Strategy – Bringing nature back into our lives<sup>1</sup>. This strategy brings to the foreground the desire and ambitions of the European Union to recover the environmental and biodiversity losses at European level, aiming to become an example of global action to support the goal of recovering all the world's ecosystems by the year 2050, while ensuring their resilience and adequate protection.

Nature's protection and recovery in Europe has in view (1) **the enlargement of the network of protected areas** through the development of an ambitious and coherent EU Nature Restoration Plan. The aim is to create a trans-European network of protected areas. In this context it is estimated that the benefits brought by Natura 2000 would be between 200–300 billion euros per year. At the same time, it is expected that the expansion of the network will lead to the emergence of about 500,000 new jobs.

Summarizing the objectives of **nature protection**, the Biodiversity Strategy sets the following targets by the year 2030:

- legally protect a minimum of 30% of the EU's land area and 30% of the EU's sea area and integrate ecological corridors as part of the Trans-European Nature Network.
- at least one third of the EU's protected areas should become **strictly protected areas**, including the remaining old-growth forests in Europe.
- effective management of protected areas, including clear definition of conservation objectives and adequate monitoring measures.

Referring to (2) **EU Nature Restoration Plan**, it is intended to improve the health of existing and new protected areas, to help restore nature, reduce pressure on soil, habitats and animal species and create sustainable ecosystems.

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<sup>1</sup> EU Biodiversity Strategy for 2030 / Bringing nature back into our lives, Brussels, 2020

### 3. MATERIAL AND METHOD

In the paper we also present the results of simulations of the effects of current proposals on conditioning direct payments level by the new restrictions on climate and environment, the implementation of eco-schemes respectively. At the same time, the paper attempts to capture the effects of direct payments redistribution upon small, medium and large-sized farms. An important role in developing the methodology of this paper was played by a team of Irish researchers, who presented the results of some scenarios on direct payments in the Republic of Ireland in the context of the new proposals for post-2020 CAP reform (Talmhaiochta & Mara, 2019).

In this context, we consider it useful to compare the direct support schemes used in the present CAP with those foreseen for the future post-2020 CAP<sup>2</sup> (Table 1).

As regards ECO-schemes, these must be allocated an annual payment per eligible hectare, which is an additional payment to the basic income support for sustainability (BISS), to compensate beneficiaries for the additional costs incurred and the income losses determined by the application of eco-schemes.

*Table 1*

Situation of direct payments – present state and Commission’s proposals for the 2021–2027 programming period

Elements of current direct payments (2015–2020)	Elements of direct payments proposed for the period 2021–2027
Basic Payment Scheme (BPS) + Greening payment (for agricultural practices beneficial for the climate and environment)	Basic income support for sustainability (BISS) The basic payment will mean higher conditionality requirements including additional SMR/GAEC
	ECO schemes Mandatory for member states, voluntary for farmers to participate. Annual environmental schemes. Conformity with a specific set of greening obligations.
	Sectoral allocations for producer groups/producer organizations from other sectors (up to 3% of the allocation for direct payments)
Capping direct payments Member states must reduce basic payments (BPS) by at least 5% for amounts over 150000 euros. Ireland has applied capping by 100% for payments over 150000 euros/farm. Capping does not apply to other direct payments.	Capping direct payments Capping application is proposed for all direct payments. Capping is set at 100000 euros with degressivity starting from 60000 euros.

<sup>2</sup> Proposed CAP Post-2020 Direct Payment Modelling Exercise/ September 2019, authors: An Roinn Talmhaiochta, Bia agus Mara, Department of Agriculture and the Marine, Ireland

Scheme for eligible young farmers.	Complementary support to young farmers. The support will be granted to eligible farmers and will amount up to 2% of the total amount allocated for direct payments.
Coupled (voluntary) support Allocation can amount up to 13% of the ceiling for direct payments plus 2% for protein crops.	Coupled voluntary support. Maximum 10% of the ceiling for direct payments plus 2% for protein crops.
Redistributive payments Member states may voluntarily transfer funds from large farms to small and medium-sized farms.	Complementary redistributive payments as a support for sustainability. Member states must <b>obligatorily</b> transfer amounts from large farms to small and medium-sized farms to enhance sustainability
Small farm scheme Member states may voluntarily establish a payment to small farms to replace direct payments. Participation of eligible farmers is voluntary.	Small farm scheme Member states may voluntarily establish a payment to small farms to replace direct payments. Participation of eligible farmers is voluntary.

*Source:* Taken over from Proposed Post-2020 PAC Direct Payment Modelling Exercise/ September 2019, authors: An Roinn Talmhaíochta, Bia Agus Mara, Department of Agriculture and the Marine, Ireland.

This support will be funded directly from the ceiling provided for direct payments across the country. The Commission does not specify a certain (minimum) percentage of the direct payments to be spent on eco-schemes; nevertheless, COMAGRI proposed that at least 20% of direct payments be allocated for ECO-schemes, while the Commission proposed 30%. The financial allocation to these ECO-schemes is large enough, significantly affecting the payment per hectare received by farmers. Thus, in Ireland’s case, in the case of an allocation of 20% from the direct payments ceiling, farmers could receive a supplement of 53 euros/ha, and in the case of an allocation of 30% from direct payments ceiling, a supplement of 79 euro/ha, in the case of participation in these ECO-schemes.

At the same time, it is proposed that 3% of the direct payments ceiling be spent on actions to recognize producer groups in sectors other than vegetables, fruit, bee farming, wine, hops, oil, and olives. These “other sectors” could include the following: cereals, beef and veal, pork, mutton, eggs, poultry meat.

In addition, it is proposed that states apply a mandatory limitation on the amounts received by farms (the so-called capping), which is provided under two variants:

- either a gradual reduction, i.e. by 25% for payments between 60,000–75,000 euros/farm, by 50% for payments between 75,000–90,000 euros/farm, by 75% for payments between 90,000–100,000 euros/farm and by 100% for payments over 100,000 euros/farm.
- or a reduction by 100% for direct payments over 60,000 euros/farm.

At the moment, November, 2020, it seems that compulsory capping will be waived, while the redistribution of payments from large farms to small and medium-sized farms will remain mandatory.

The simulation made for the situation in Ireland has provided information on the payments that could be received by farmers, following the implementation of the European Commission's proposals on the composition of direct payments in the 2021–2027 programming period. One of the conclusions is that the implementation of eco-schemes must be well clarified, for farmers to be able to access the large amount of funding provided to them. Otherwise, it may happen that the level of payments per hectare decreases in the case of farms that do not know how or cannot participate in these eco-schemes.

## 4. RESULTS AND CONCLUSIONS

### 4.1. THE FUNDS ALLOCATED TO ROMANIA FOR DIRECT PAYMENTS AND RURAL DEVELOPMENT IN THE PERIOD 2021–2027

#### *Scenarios for the allocation of funds from CAP Pillar 1*

We shall next try to make a calculation exercise to see the consequences of the present proposals regarding the composition and conditions of receiving direct payments on the subsidies per hectare that can actually be received by farmers during the 2021–2027 financial framework.

As we know, the total amounts allocated at EU level for CAP financing in the next financial framework have remained at about the same level in nominal terms, yet in real terms there will be a decrease by about 5% of these funds, due to euro depreciation.

As regards the granting of direct payments, the Commission proposed a series of changes, among which the most significant would be the allocation of a great part from the total ceiling (20% or 30%) for financing the farms that implement increased measures for climate and environmental protection (Eco-schemes) and also funding a number of other mandatory schemes, among which coupled support, support to young farmers, redistributive complementary support or small farm payments.

All these mandatory schemes, the financial allocation of which is deducted from the national direct payments ceiling, are presented in Table 2, and the respective percentages are presented in Table 3. These payments, less the National Reserve, are calculated from the national direct payments ceiling.

Table 2

How we calculate the ceiling for basic income support for sustainability (BISS)

National direct payments ceiling
We subtract the total necessary funding for all other mandatory and optional allocations (schemes), namely: support to young farmers, coupled support, sectoral interventions for producer groups, ECO-schemes, complementary redistributive support, small farm payments
What remains represents the ceiling for the basic income support for sustainability (BISS)
We subtract the fund required for the national reserve
The resulting amount is available for distribution through basic payment (BISS)

Source: Proposed CAP Post-2020 Direct Payment Modelling Exercise/ September 2019, authors: An Roinn Talmhaíochta, Bia Agus Mara, Department of Agriculture and the Marine, Ireland.

In Table 3, corresponding to the percentages for ECO-schemes, we have completed 30% or 20%, as there are various proposals for these values, but the actual value has not been decided yet.

Table 3

Percentages provided for mandatory schemes, which are deducted from the national direct payments ceiling

Eco-schemes	30% or 20%
Producers groups	3%
Young farmers	2%
Coupled support	12%
Redistribution	5% or 10% or 20%
National reserve	3%

Source: Proposed CAP Post-2020 Direct Payment Modelling Exercise/September 2019, authors: An Roinn Talmhaíochta, Bia Agus Mara, Department of Agriculture and the Marine, Ireland.

At the same time, as regards the complementary redistributive support, this is mandatory, but its size, its percentage respectively, will be decided by each member state. In this paper, a number of calculations were made regarding the effects of this redistribution upon the payments per hectare received by different farm categories, in the situation when 5%, 10% and 20% would be allocated from the allocations for direct payments at national level.

The segment of farms that would benefit from this complementary support would consist of farms between 1 and 30 hectares. *We mention that these calculations are for guidance purpose only and at the time of publication of this article no decision has been made on the percentage of funds earmarked for redistribution or on the farms that will receive this complementary support.*

For the assessment of the size of direct payments under these three variants regarding redistribution, we started from the situation of farms that received direct payments in 2019, namely the number of farms and the eligible area by farm category, according to data provided by the Agency of Payments and Intervention in Agriculture (APIA).

*Table 4*  
Situation of payments from European funds received by farms in 2019

Farm size class	Number of farms determined for SAPS payment	Area determined for SAPS payment (thou. ha)	Single Area Payment Scheme SAPS (thou. euro)	Redistributive payment scheme (thou. euro)	Payment scheme for climate and environment (thou. euro)	Payment scheme for young farmers (thou. euro)	Coupled support payment schemes (total) (thou. euro)	Total (thou. euros)	Euro/ha
Without SAPS area	43.814								
under 1 ha	600	0	7	0	4	0	51	62	143
1 -3 ha	429,687	783	80,042	3,900	46,419	1,169	9,514	141,043	180
3 -5 ha	155,228	594	60,658	2,956	35,193	1,177	8,422	108,404	183
5 -10 ha	111,678	761	77,761	12,503	45,074	2,474	18,738	156,550	206
10 -30 ha	60,833	1,011	102,516	35,220	58,299	5,653	43,412	245,101	243
30 -50 ha	15,042	597	60,279	18,296	34,299	3,910	28,199	144,983	243
50 -100 ha	8,963	639	64,371	10,884	37,032	3,810	25,841	141,939	222
100 -250 ha	7,646	1,188	119,613	9,267	68,963	2,965	26,180	226,990	191
250 -500 ha	3,139	1,102	111,077	3,798	64,063	754	15,645	195,338	177
500 -1000 ha	1,632	1,132	113,956	1,974	65,879	230	15,817	197,856	175
1000 -5000 ha	848	1,455	146,789	1,026	84,647	81	22,585	255,129	175
5000 -10000 ha	27	192	19,198	33	11,100	0	4,879	35,209	184

Source: Agency of Payments and Intervention in Agriculture

We can see from the table above (Table 4), that in the year 2019, the largest payments per hectare from European funds were received by the farms from the segment 5–100 ha, that is over 200 euros/ha. At the same time, only the payments from European funds are included in Table 4 and the table does not include the transitional national aid schemes or Measure 10 – agri-environment-climate payments, Measure 11 – organic farming and Measure 13 – payments for areas facing natural constraints.

Next, in Table 5, we try to see the financial allocation for the basic income support for sustainability, in the period 2021–2027, in the case of the three redistribution variants proposed (5%, 10%, 20%) for the next financial framework.

The sums allocated to Romania under Pillar 1 will increase from 1864.2 thousand euros in 2021 to 2029.6 thousand euros in 2027. Eco-schemes will receive 30% of the direct payments ceiling, but it is highly possible that this percentage will be only 20%. We maintained the percentages for the other mandatory schemes, i.e. for producer groups, young farmers, coupled support and



redistribution. As the small farm scheme was not applied in the current financial framework, we assumed that it will not be applied in the next 2021–2027 financial framework either. In total, the percentages that were retained for these schemes were 52% in the case of 5% redistribution, 57% in case of 10% redistribution and 67% in case of 20% redistribution.

Table 5

Amounts allocated for Pillar 1 and amounts remaining after deduction of allocations for mandatory schemes (million euros) / (5%, 10%, 20% redistribution)

	2021	2022	2023	2024	2025	2026	2027
Amounts allocated for Pillar 1	1864.2	1891.8	1919.4	1946.9	1974.5	2002	2029.6
Eco-schemes (30%)	559.3	567.5	575.8	584.1	592.4	600.6	608.9
Producer groups (3%)	55.9	56.8	57.6	58.4	59.2	60.1	60.9
Young farmers (2%)	37.3	37.8	38.4	38.9	39.5	40.0	40.6
Coupled support (12%)	223.7	227.0	230.3	233.6	236.9	240.2	243.6
Small farm	0	0	0	0	0	0	0
5% Redistribution	93.2	94.6	96.0	97.3	98.7	100.1	101.5
10% Redistribution	186.4	189.2	191.9	194.7	197.5	200.2	203.0
20% Redistribution	372.8	378.4	383.9	389.4	394.9	400.4	405.9
<b>Remaining after redistribution (R5%)</b>	<b>894.8</b>	<b>908.1</b>	<b>921.3</b>	<b>934.5</b>	<b>947.8</b>	<b>961.0</b>	<b>974.2</b>
<b>Remaining after redistribution (R10%)</b>	<b>801.6</b>	<b>813.5</b>	<b>825.3</b>	<b>837.2</b>	<b>849.0</b>	<b>860.9</b>	<b>872.7</b>
<b>Remaining after redistribution (R20%)</b>	<b>615.2</b>	<b>624.3</b>	<b>633.4</b>	<b>642.5</b>	<b>651.6</b>	<b>660.7</b>	<b>669.8</b>

Source: Author's own calculations based on APIA data

The remaining amounts are presented in the last 3 rows of Table 5, representing 48%, 43% and 33% respectively of the national direct payments ceiling. The national reserve of 3% is deducted from these amounts.

*Scenario 1 – The redistribution percentage is 5% of the national direct payments ceiling*

We mention that the estimates made below refer exclusively to the year 2021. Table 6 presents the results obtained following the simulation of a 5% redistribution from the total fund for Pillar 1, assuming that the beneficiaries of this

redistribution would be farms between 1 ha and 30 ha. The total area that would benefit from redistribution would be 4,267,480 hectares, which includes the first 30 ha of eligible farms for direct payments, and the amount allocated for redistribution would be 93.2 million euros.

We can see from Table 6 that the main beneficiaries of redistribution would be the farms between 1 ha and 30 ha, which would receive a payment of 112.4 euros/ha. Further on, the amount received per hectare decreases, as the farm size increases and the share of the first 30 ha in total area decreases.

Table 6

Level of Direct Payments by farm size, under the hypothesis that the redistribution fund is 5%

Farm size class	Number of farms determined for SAPS payment	Area determined for SAPS payment (ha)	Single Payment Area Scheme SAPS (euro)	Area for redistributive scheme under 30 ha (ha)	Amount for redistributive payment of 5%, euro	Euro/ha
Total		9,588,947	867,932,329	4,267,480	93,210,000	
under 1 ha						
1 -3 ha	429,687	782,935	70,866,424	782,935	17,100,805	112.4
3 -5 ha	155,228	593,728	53,740,555	593,728	12,968,154	112.4
5 -10 ha	111,678	761,043	68,884,883	761,043	16,622,638	112.4
10 -30 ha	60,833	1,010,656	91,478,302	1,010,656	22,074,665	112.4
30 -50 ha	15,042	597,003	54,037,027	451,260	98,56,388	107.0
50 -100 ha	8,963	638,908	57,830,049	268,890	5,873,076	99.7
100 -250 ha	7,646	1,188,198	107,548,341	229,380	5,010,101	94.7
250 -500 ha	3,139	1,101,635	99,713,167	94,170	2,056,854	92.4
500 -1000 ha	1,632	1,132,330	102,491,519	48,960	1,069,381	91.5
1000 -5000 ha	848	1,454,955	131,693,512	25,440	555,659	90.9
5000 -10000 ha	27	191,777	17,358,516	810	17,692	90.6
over 10000 ha	7	135,781	12,290,033	210	4,587	90.5

Source: Author's own calculations based on APIA data

*Scenario 2 – The redistribution percentage is 10% of the national direct payments ceiling*

In this scenario, described in Table 7, we can notice that the amount allocated to redistribution is double compared to the previous scenario (186.4 million euros), with a commensurate effect upon the payments per hectare received by different categories of farms following redistribution.

Table 7

Level of Direct payments by farm size, under the hypothesis that the redistribution fund is 10%

Farm size class	Number of farms determined for SAPS payment	Area determined for SAPS payment (ha)	Single Area Payment Scheme SAPS (euros)	Area for the redistributive scheme under 30 ha, (ha)	Amount for redistributive payment of 10%, euros	Euros/ha
Total			777,557,820	4,267,480	186,420,000	
under1 ha						
1 -3 ha	429,687	782,935	63,487,372	782,935	34,201,609.0	124.8
3 -5 ha	155,228	593,728	48,144,754	593,728	25,936,308.5	124.8
5 -10 ha	111,678	761,043	61,712,161	761,043	33,245,275.9	124.8
10 -30 ha	60,833	1,010,656	81,953,013	1,010,656	44,149,329.5	124.8
30 -50 ha	15,042	597,003	48,410,356	451,260	19,712,776.9	114.1
50 -100 ha	8,963	638,908	51,808,425	268,890	11,746,152.1	99.5
100 -250 ha	7,646	1,188,198	96,349,739	229,380	10,020,202.9	89.5
250 -500 ha	3,139	1,101,635	89,330,413	94,170	4,113,708.7	84.8
500 -1000 ha	1,632	1,132,330	91,819,465	48,960	2,138,761.6	83.0
1000 -5000 ha	848	1,454,955	117,980,765	25,440	1,111,317.3	81.9
5000 -10000 ha	27	191,777	15,551,039	810	35,383.9	81.3
over 10000 ha	7	135,781	11,010,319	210	9,173.6	81.2

Source: Author's own calculations based on APIA data

The farms in the target group, i.e. those in the size class 1 – 30 ha would receive about 124.8 euros/ha, and next the amounts would decrease as the farm size increases. Thus, the large farms, over 5000 ha, would receive around 81.3 euros/ha, the gap compared to small farms being about 43.5 euros/ha.

*Scenario 3 – The redistribution percentage is 20% of the national direct payments ceiling*

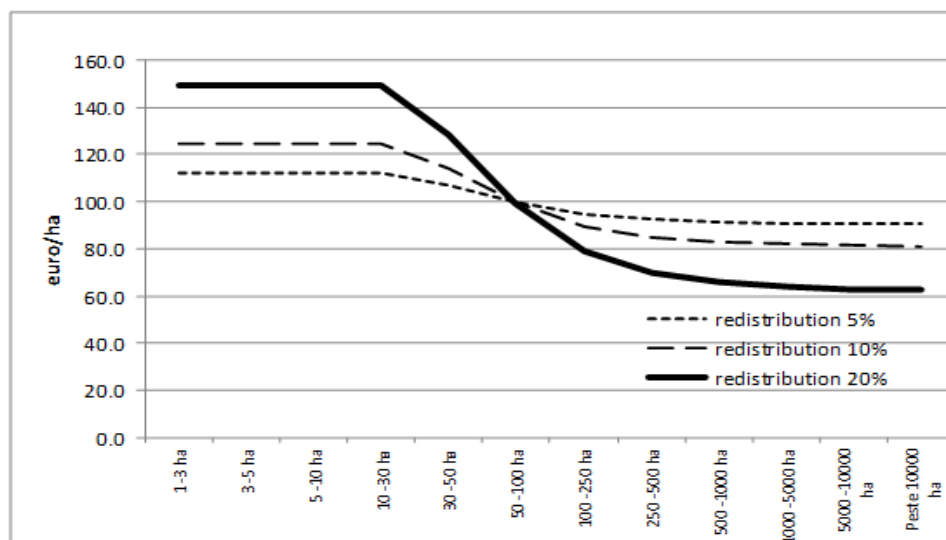
The amount allocated for redistribution to farms in the size class 1–30 ha would reach 372.8 million euros, and the gaps between the payments per hectare received by the farms in the target group (149.6 euros/ha) and by the large and very large farms gets larger (62.6 euros/ha for the farms over 5000 ha). Therefore, around 87 euros/ha more for the small and medium-sized farms, under 30 ha. This is a significant difference, but in judging this opportunity we must have in view not only economic, but also social and environmental criteria, as the European Commission recommends for the evaluation of vulnerable sectors.

Table 8

Level of Direct Payments by farm size, under the hypothesis that the redistribution fund is 20%

Farm size class	Number of farms determined for SAPS payment	Area determined for SAPS payment (ha)	Single Area Payment Scheme SAPS (euros)	Area for the redistributive scheme under 30 ha, (ha)	Amount for redistributive payment of 20%, euros	euros/ha
Total		9,588,947	596,730,420	4,267,480	372,840,000	
under 1 ha						
1 -3 ha	429,687	782,935	48,722,867	782,935	68,403,218	149.6
3 -5 ha	155,228	593,728	36,948,300	593,728	51,872,617	149.6
5 -10 ha	111,678	761,043	47,360,495	761,043	66,490,552	149.6
10 -30 ha	60,833	1,010,656	62,894,173	1,010,656	88,298,659	149.6
30 -50 ha	15,042	597,003	37,152,134	451,260	39,425,554	128.3
50 -100 ha	8,963	638,908	39,759,954	268,890	23,492,304	99.0
100 -250 ha	7,646	1,188,198	73,942,823	229,380	20,040,406	79.1
250 -500 ha	3,139	1,101,635	68,555,898	94,170	8,227,417	69.7
500 -1000 ha	1,632	1,132,330	70,466,101	48,960	4,277,523	66.0
1000 -5000 ha	848	1,454,955	90,543,378	25,440	2,222,635	63.8
5000 -10000 ha	27	191,777	11,934,518	810	70,768	62.6
over 10000 ha	7	135,781	8,449,779	210	18,347	62.4

Source: Author's own calculations based on APIA data



Source: Author's own calculations

Figure 1. Level of payments per hectare (Basic income support for sustainability + redistribution), in the situation when ECO-schemes are allocated 30% of the national ceiling

Table 9

Comparing the situation of payments per hectare under the three redistribution scenarios  
(euros/ha)

	5% redistribution	10% redistribution	20% redistribution
1 -3 ha	112.4	124.8	149.6
3 -5 ha	112.4	124.8	149.6
5 -10 ha	112.4	124.8	149.6
10 -30 ha	112.4	124.8	149.6
30 -50 ha	107.0	114.1	128.3
50 -100 ha	99.7	99.5	99.0
100 -250 ha	94.7	89.5	79.1
250 -500 ha	92.4	84.8	69.7
500 -1000 ha	91.5	83.0	66.0
1000 -5000 ha	90.9	81.9	63.8
5000 -10000 ha	90.6	81.3	62.6
over10000 ha	90.5	81.2	62.4

Source: Author's own calculations based on APIA data

In Table 9 we calculated the possible payment level per hectare, when 30% of the total ceiling is retained for Eco-schemes and it would be evenly distributed with the area utilized by farms.

According to calculations, the amount to be retained for Eco-schemes in the year 2021 would be 559.3 million euros (see Table 5), and assuming that it would be evenly distributed with the area, i.e. absolutely all farms would join ECO-schemes, plus 58.3 euros/ha would be received.

Table 10

Situation of payments per hectare in all three scenarios,  
if all farms are to receive payments for ECO-schemes (58.3 euros/ha)

	5% redistribution	10% redistribution	20% redistribution
1 -3 ha	170.7	183.1	207.9
3 -5 ha	170.7	183.1	207.9
5 -10 ha	170.7	183.1	207.9
10 -30 ha	170.7	183.1	207.9
30 -50 ha	165.3	172.4	186.6
50 -100 ha	158.0	157.8	157.3
100 -250 ha	153.1	147.8	137.4
250 -500 ha	150.7	143.1	128.0
500 -1000 ha	149.8	141.3	124.3
1000 -5000 ha	149.2	140.2	122.1
5000 -10000 ha	148.9	139.6	120.9
over10000 ha	148.9	139.5	120.7

Source: Author's own calculations based on APIA data.

As a final conclusion, we could say that the differences between the payments per hectare to small, medium and large-sized farms, as a result of redistribution, appear to be significant mainly in the case of 20% redistribution, but also in the case of the 10% redistribution.

But, having in view the fact that Romania has not accepted the possibility of capping payments to large farms, the redistribution by a more consistent percentage (10% for instance) represents an option to reduce the income gaps between farmers and to support incomes of small and medium-sized farms.

It is worth noting that small and medium-sized farms, in the European Union's vision, are becoming more and more important in terms of environmental and climate criteria and have an increased social importance, as they have proved to be surprisingly resilient over time and have greatly contributed to the vitality and conservation of rural areas. They also have an important role in ensuring food security, by providing ecologically clean foodstuffs, mainly in the category of vegetables, fruits, but also dairy products, honey and various meat products.

At the same time, large farms also benefit from the effect of the economies of scale, and they have accessed consistent funds from CAP Pillar 2, which have helped them to make investments in agricultural machinery, warehouses, silos, as well as other investments, which increased skills and educational level in terms of farm management and access to funds from the rural development program.

These decisions on the extent of the redistribution of direct payments will be taken with the completion of the national strategic plan and the ultimate choice will be between having a country with a predominantly cereal agriculture, where large farms prevail, with great exports of production, or a country that maintains the diversity of its production and farms, producing clean, ecological products and where the rural poverty rate can reach a downward trend.

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