

**STUDY REGARDING THE STATE AID POLICY FOR THE ROMANIAN
AGRICULTURE IN THE PERIOD 2011-2012**

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***Abstract:** The present paper is an approach of the state aid in the agricultural sector, of the state aid policy, of its importance and a clear evaluation of the entire state aid granted in the period 2011-2012 in Romania. State aid in the agricultural sector has an essential contribution to horizontal objectives such as research and development, environmental protection, services(of common economic interest), regional development etc.*

***Key words:** State aid, agriculture, European Commission, agricultural policy.*

STUDY

State aid rules in the agricultural sector are based on three different perspectives. Firstly, the agricultural State aid rules follow the general principles of competition policy. Secondly, State aid rules in the agriculture sector have to be coherent with the Community's common agricultural and rural development policies. Finally, the rules have to be compatible with the Community's international obligations, in particular the WTO Agreement on Agriculture.

These different perspectives have resulted in some legal instruments which are in force only in the agricultural sector. The agricultural sector is defined as the trade in and the production of products listed in Annex I of the Treaty. On the other hand some of the general legal instruments of Community competition policy are not relevant for State aids in the agricultural sector such as the rules on De Minimis aid.

This page offers you the text of the agricultural State aid instruments that are in force at the moment. Furthermore, you will find links to other relevant sites and links to Commission Decisions concerning State aids.

The maintenance of a system of free and undistorted competition is one of the basic principles of the European Community. Community policy in respect of State aids seeks to ensure free competition, an efficient allocation of resources and the unity of the Community market, whilst respecting the international commitments of the European Union.

Article 33 of the Treaty defines the objectives of the common agricultural policy. In working out the common agricultural policy and the special methods for its application, account has to be taken of the particular nature of agricultural activity, which results from the special structure of agriculture and from structural and natural disparities between the various agricultural regions, the need to effect the appropriate adjustments by degrees and the fact that agriculture constitutes a sector closely linked with the economy as a whole.

The entry into force of Council Regulation (EC) no 1698/2005 prompted the initiative to revise, update and consolidate the rules followed by the Commission when assessing proposals from Member States to grant State aid in the agricultural sector and applying one of the exemptions established by art.87 paragraphs 2 and 3 of the EC Treaty. In 2006, following multilateral consultations with the Member States, the Commission

adopted new comprehensive Community Guidelines for State aid in the agricultural sector that entered into force on January 1, 2007.

In providing a new clear framework for the different types of State aids allowed, the guidelines take particular account of the new developments in agricultural policy and especially of the need, on the one hand, to improve and promote the quality of agricultural products and, on the other hand, to preserve the environment and the traditional heritage in the countryside.

The starting point for the new guidelines is that any State aid for the agricultural sector must be compatible with the Community's common agricultural and rural development policies and with the Community's international obligations, in particular the WTO Agreement on Agriculture. In particular, any State aid which will interfere with the mechanisms of the common organisations of the market is prohibited because the Member States, when adopting the CMO regulations, have decided to rule out the possibility for unilateral aid measures which interfere with Community support for product prices.

Furthermore, in accordance with the principles laid down by the Court of Justice, State aid must make a real contribution to the development of certain economic activities or certain regions. State aid which is simply intended to improve the financial situation of the recipient, without any counterpart from the beneficiary, can never be considered compatible with the EC Treaty.

In the light of these general principles, the guidelines describe the main types of aid, which the Commission can accept, and the conditions attaching to the granting of the aid. These can be summarised as follows:

- aids for investments on farms can normally be permitted at up to 40% of eligible expenses, or 50% in the less favored areas; higher rates of aid may sometimes be allowed for investments linked to the conservation of traditional landscapes, the relocation of farm buildings in the public interest, or to the improvement of the environment, animal welfare or hygiene;
- aids for investments in the processing and marketing of agricultural products will from now on be governed by the provisions applicable to State aid in the industrial sector. The aid intensity, however, will be, in general, higher than for the industrial sector
- aids granted in return for agri-environmental undertakings given by farmers and other environmental aids;
 - aids to compensate for handicaps in less favored areas;
 - aids to help the setting-up of young farmers;
 - aids for early retirement, the cessation of farming activities, or the closure of production, processing and marketing capacity;
 - aids for the establishment of producer groups;
 - aids to compensate for damage caused to agricultural production or the means of production caused by natural disasters or exceptional occurrences, adverse weather conditions or outbreaks of animal or plant disease, and aids granted to encourage insurance against such risks;
 - aids to encourage the production and marketing of quality agricultural products, the provision of technical support for producers and the improvement of the genetic quality of livestock;
 - aid for meeting standards;
 - aid for advertising of agricultural products;
 - aid relating to exemption from excise duties as provided for in Directive 2003/96/EC (taxation of energy and electricity);
 - aid for the forestry sector.

In addition to these categories of aid, which are specifically covered in the guidelines, aid may also be granted in accordance with other Community texts for research and development, for rescue and restructuring farms in difficulty, and to support employment.

In practical terms, the treatment at Commission's level of the specific cases related to state aids in the agricultural sector are under the responsibility of the Directorate General of Agriculture.

By state aids on agriculture it should be understood all State aids, including aid measures financed by parafiscal taxes, granted in connection with activities related to the production, processing and marketing of agricultural products.

ANALYSIS

Agriculture has had available funds of 3.5 billion Euros for 2012, 90% of this money went to farmers in the form of State aid, direct payments for agricultural land but also in the form of European funds. Of the 3.3 billion Euros that came from farmers about one-billion-euro stipulations have cereal production through direct payments per hectare, the State has supported the production of animals with 500 million Euros in State aid, and the remaining 2 billion Euros were turned in equipment or storage units as a result of EU-funded projects. More than half of the payments were in the accounts of small animal owners and those that operate up to 20 hectares of land whose products do not arrive on the market. The impact on prices is thus diminished. Romania has 3.8 million farmers, but only 31,000 companies registered as businesses.. Most of it is covered by the individuals who generally operate a few acres of land. However, the State budget leaves the same payment per hectare of agricultural land for both those with two hectares, but for those with 200 hectares. In 2012 the agriculture has paid for each hectare of land about 130 Euros, a total of one billion Euros. Romanian farmers have received subsidies for diesel fuel in 2012, insurance but also for cows, sheep and goats by about 500 million Euros, down by almost 10 percent this year.

One third of this money ended up in the accounts of the owners of cattle in the form of direct payments per animal. However the effect of subsidies paid out of a concrete State budget is slightly visible in Romania has lost in the last eight years a herd of 750,000 cattle. In money, the decline means a loss of 800 million Euros. Moreover, imports of milk, cheese and cream are almost five times higher than exports. In the first eight months of the year 2012 on domestic market of dairy products reached 140,8 million Euros, while exports have been 29.8 million euros, according to MASR. The processors in the field of milk other than stubs are milk producers and companies from abroad. These companies have made factories in Romania to process there their merchandise. The official from the Ministry of agriculture says that the effect of subsidies is clearly visible in the increased milk production, but that this money is not seen in the price of the shelf because a good portion of Romanian producers do not get milk to be processed by companies that open for the local market. The Ministry of agriculture has spent in 2012 36.4 million for goods and services, with 2.8 million Euros more than in the previous year. On the rise were in 2012 and displacements of the Ministry budgets, the reasoning being that the officials must attend weekly meetings of the committees and internal organizations, national agricultural crop.

Denumirea ajutorului de stat	2011	2012				Total
	trim.IV	trim. I	trim. II	trim. III	trim. IV	
Realizarea angajamentelor asumate în favoarea bunăstării păsărilor	0	0	195.000	0	0	195.000
Realizarea angajamentelor asumate în favoarea bunăstării și protecției porcinelor	0	0	155.000	0	0	155.000
În sectorul creșterii animalelor - pentru colectarea cadavrelor de animale	1037	1037	1037	1037	1037	5.815
Ajutor de stat pentru motorina utilizată în agricultură	106865	56960	71618	113140	32412	380.995
Plata primelor de asigurare	0	0	20000	0	22549	42.549
					Total	779.359

AJUTOARELE DE STAT
care se acordă producătorilor agricoli pentru perioada 2011-2012 și suma totală alocată acestor ajutoare de stat

Nr. crt.	Specificare	Denumirea ajutorului de stat	Perioada pentru care se acordă ajutorul de stat	Suma totală alocată fiecărei perioade - mii lei -
1.	Activități de dezvoltare rurală - realizarea angajamentelor referitoare la agromediu și bunăstarea animalelor [art.4 lit. s) pct.3 din Ordonanța Guvernului nr. 14/2010 privind măsuri financiare pentru reglementarea ajutoarelor de stat acordate producătorilor agricoli, începând cu anul 2010, aprobată cu modificări și completări prin Legea nr. 74/2010]	Realizarea angajamentelor asumate în favoarea bunăstării păsărilor	16 octombrie 2011-15 aprilie 2012	195.000
		Realizarea angajamentelor asumate în favoarea bunăstării și protecției porcinelor	16 octombrie 2011-15 aprilie 2012	155.000
2.	Ajutoare pentru sectorul creșterii animalelor [art.10 lit.g) din Ordonanța Guvernului nr. 14/2010, aprobată cu modificări și completări prin Legea nr. 74/2010]	În sectorul creșterii animalelor, pentru colectarea cadavrelor de animale	1 octombrie 2011-30 septembrie 2012	5.815
3.	Aplicarea Directivei 2003/96/CE a Consiliului din 27 octombrie 2003 privind restructurarea cadrului comunitar de impozitare a produselor energetice și a electricității sub formă de rambursare	Ajutor de stat pentru motorina utilizată în agricultură	1 octombrie 2011 - 30 septembrie 2012	380.995
4.	Plata primelor de asigurare [art.10 lit. d) din Ordonanța Guvernului nr. 14/2010, aprobată cu modificări și completări prin Legea nr. 74/2010]	Plata primelor de asigurare	1 ianuarie 2012-31 decembrie 2012	42.549
TOTAL:				779.359

OBSERVATION

In 2012, but Romania was faced with a special situation with regard to state aid granted by the European Commission. so that the latter has recovered from the Romanian State 74.9 million Euros of funds from the EU'S agricultural policy and spent incorrectly.

During the checking procedure and settlement of accounts, the European Commission has claimed a total amount of 530 million Euros of funds from EU agricultural policy spent incorrectly in Member States. Thus recovered funds from Bulgaria, Denmark, Greece, Spain, France, Italy, Portugal, Romania and the United Kingdom, and Germany will pay a small amount.

The reason for the correction applied in the case of Romania, the weaknesses of the LPIS-GIS-related administrative checks, providing inaccurate information to farmers and on the spot controls ineffective (also relates to rural development measures on the surface), in the preceding financial year.

The money came from the EU budget, as they have not been complied with EU regulations and procedures for the control of agricultural expenditure have been inadequate.

According to the EC, Member States are responsible for making payments and controlling expenditure under the common agricultural policy (Cap), and the Commission has an obligation to ensure that Member States have used the funds properly.

Member States are responsible for managing the majority of payments under the CAP, especially through paying agencies. In addition, Member States are responsible for the checks, such as verifying the claims of direct payments for farmers. The Commission carries out more than 100 audits every year, by checking whether the controls and reactions regarding the shortcomings are sufficient, and has the right to recover the funds after audits found that the reactions whether the Member State is not sufficient to guarantee that EU funds have been spent properly.

Financial correction is proportional to the rate of errors. The decision was taken following a conciliation process between the Commission and the Member States, on the basis of targets on the ground and the risk of misuse of funds.

INTERPRETATION

The positive impact of State aid in agriculture depends on how well the market failures are identified, if the effect is stimulating enough, and, last but not least, if the aid is proportional to the problems to which they are addressed. These criteria show that the skills of State aid in the agriculture sector to demonstrate the functioning of the market. We must be aware that the State aid in the agricultural sector is a measure-remedy and cannot solve all the problems you absolutely. It should be used with caution, however, flexibility and transparency. The credibility of the European rules on State aid for agriculture should be established by the competent authority in the field of agriculture in Romania, but also by the suppliers. They should promote the rules of State aid among farmers, but also among the general public, who bear the consequences of the infringement of these rules.

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