**ORGANIC FARMING MEASURE AND THE CONNECTED COMPENSATORY PAYMENTS IN ROMANIA: PRE-PUBLICATION EVALUATION TRACK-RECORD**

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***Abstract.*** *For the programming period 2014-2020, the European Commission established a specific voluntary Organic farming measure, recognizing the importance of organic farming in contributing to various rural development objectives and priorities. As a result, high expectations have been raised among Romanian organic farmers for the provisions of the new National Rural Development Program, with regard to an even more consistent support of the organic sector. The final version of the new program (including the Measure 11 “Organic Farming”), was submitted to the Commission in April 2015 and received the Conformity Letter in May 2015.**The paper outlines the major results of the stakeholders’ ongoing evaluation and recommendation for improvement of the measure fiche and the calculation of the compensatory payments, partially undertaken based on the inputs provided by the stakeholders within the frame of National Rural Development Network organized events, before the official published announcement of the Program approval.**During the evaluation, certain suggestions for improvements of the initial version came out regarding the application of degressivity, the avoidance of double funding of practices corresponding to the application of “greening” standards and the inclusion of support for organic farmed grasslands. Given that rural development support for organic farming has increased in the present period, the Commission recommended that Romania should set in place the necessary systems to collect and reinforce data on the Romanian situation for any future revision of the aid calculations under the Organic farming measure.*

***Key words:*** *organic farming, rural development, compensatory payments, greening standards.*

**INTRODUCTION**

In response to the increasing concern for the environmental issues, particularly with regard to biodiversity loss, climate change, soil, water and air pollution and depletion of natural resources, organic farming has become an important aspect of the European agri-environmental policy. The positive effects of organic farming practices to the environment have been systematically studied during the last decades and the most comprehensive environmental indicator assessments revealed clear results (STOLZE M. et al., 2000, GOMIERO T. et al, 2011). In recognition for the importance of organic farming in contributing to various rural development objectives and priorities, for the programming period 2014-2020, the European Commission has establish a specific voluntary Organic farming measure (during the former period organic farming support was only part of the compulsory agri-environment measure). The Commission view was that payments to farmers for the converting to, or maintaining organic farming should encourage them to participate in such schemes thereby responding to the increasing demand of society for the use of environmentally friendly farm practices and for high standards of animal welfare.

Under the former Rural Development Program, Romania has implemented a specific organic farming scheme as a sub-activity of Axis 2, Measure 214, to support the undertaking of organic farming. Since 2010, the Measure 214 was only used for maintenance payments (euro per ha), for arable land (including forage crops), annual vegetables (including mushrooms and potatoes), herbs and perennials (orchards and vineyards). The level of compensation for additional costs resulting from organic farming management was 100% (as most of the other EU countries). The support for farms under conversion was provided in the context of a quality approach, under Article 68 of the Council Regulation 73/2009.

With a substantial regard to the former rural development support, over the last years, Romania has seen a steady and rapid rise in the amount of land and number of holdings adhering to organic standards (ŞTEFĂNESCU S. L. et al., 2014). The relative low level of pollution in Romanian’s agriculture continues to provide good opportunities for conversion to organic practices and the organic yields may reach a satisfactory level under a proper management (ŞTEFĂNESCU S. L. et al., 2010). As a result, high expectations have been raised among Romanian organic farmers for the provisions of the new National Rural Development Program (PNDR 2014-2020), for an even more consistent support able to better stimulate the growth of the organic sector. The initial draft of the PNDR 2014-2020 issued for debates (including the Measure 11 “Organic Farming”) received continuously the comments and evaluation of the stakeholders; the improved final version was submitted to the Commission in April 2015 and received the Conformity Letter in May 2015.

**MATERIAL AND METHODS**

A new fische for the organic farming measure in Romania was prepared along late 2013 to early 2015 by experts from the Romanian Ministry of Agriculture and Rural Development (MADR) and the National Research and Development Institute for Soil Science, Agro-Chemistry and Environment-ICPA Bucharest, with a careful analyses of the relevant mandatory standards established pursuant to Title VI of Chapter I of Regulation (EU) No. 1306/2013, the relevant criteria and minimum activities established pursuant to Article 4 (1) (c) (ii) and (iii) of Regulation (EU) No. 1307/2013, relevant minimum requirements for fertilizer and plant protection products use as well as other relevant mandatory requirements established by the national legislation.

The fiche was backed by a comprehensive study for the calculation of the compensatory payments to be provided under the Art. 29 of the Regulation (EU) No. 1305 for the period 2014-2020, prepared by experts from the GBI Consulting Mehlmauer-Larcher & Kastner OG from Vienna, as well as experts from the National Research and Development Institute for Soil Science, Agro-Chemistry and Environment-ICPA Bucharest.

Organic farming is characterised by certain limitations and restrictions on practises that are allowed in conventional farming. Consequently the cost structure in organic farming differs from the conventional one as farmers must revert to other means to maximise profit (ORTNER K. M. et al., 2014)*.* In crop production, soil fertility and biological activity should be maintained by the use of a diverse crop rotation scheme, leguminous plants and green manure or other types of organic fertilization. In orchard and vineyards, biological control methods are used for the protection of these crops against diseases and pests. Moreover, organic farming requires more labour, i.e. for sowing, supervising, weed control etc., and affords higher costs for alternative inputs to substitute for limited and/or prohibited inputs.

On the income side, prices of organic products, and possibly premiums and subsidies, are important factors in respect of the amount of compensation required to counteract lower yields which may result in lower values of output. In general yields in organic crop production are assumed to be 25 % lower than in conventional crop production. However, these yield differences are highly contextual, depending on the system and site characteristics (SEUFERT VERENA et al., 2012). The reasons for lower yields in organic farming are mainly low nitrogen supply in spring on the one hand and weeds, diseases and pests which must not be tackled by synthetic mean on the other.

The general frame of the methodology for the calculation of compensation rates (CRs) was based on the calculation of additional costs and income foregone resulting from the commitments to comply with organic farming practices, by the general formula (ORTNER K. M. et al., 2014):

CR per ha = income foregone + (net) additional costs, where,

CR = (Vc – Vo) + (Co – Cc) = Vc – Cc - Vo + Co = (Vc – Cc) - (Vo – Co) = GMc – GMo

V = price x production = value of production;

C = variable costs;

GM = gross margin = the gap between value of production (V) and variable costs (C);

Subscripts: c = conventional production (reference) and o = organic production, conversion to organic production.

Variable costs are the sum of: (i) direct costs (seed, fertilizer, crop protection), (ii) variable machinery costs (fuel, machinery repair) and (iii) hired labour costs. GM per ha is an indicator of the profitability of producing a particular crop or producing it in a particular way on a hectare of land. The purpose of compensation was to fill the gap between GMc and GMo in order to make the two ways of production (conventional and organic), equally profitable.

The content of both measure fiche and study for compensatory payments were subject of the debates and the ongoing evaluation made by stakeholders during a series of regional events of the Thematic Working Group-5 (Organic farming), established under the National Rural Development Network (RNDR) which groups, at a national level, all the organizations and authorities involved in the rural development process. RNDR has as a general objective to enlist the energy of all actors in the rural development process, and to promote an effective flow of information, exchange of ideas and good practices, and cooperation among the actors, in order to: (i) create an agricultural and forestry economy based on those holdings which should be modernized; (ii) develop the agriculture which has to favors diversity and environment preservation; (iii) improve the quality of life and the economic development in rural areas and (iv) improve the local governance in order to draw up and implement the local development strategies.

The feedback of the stakeholders was analyzed by the Ministry of Agriculture and Rural Development and, as a result, certain improvements occurred in the contents of both the measure fiche and the study for the organic farming compensation rates.

**RESULTS AND DISCUSSIONS**

The organic farming measure aims at encouraging farmers to convert from conventional farming methods and to apply organic farming methods as defined in Council Regulation (EC) No. 834/2007 as well as to maintain these methods after the initial period of conversion (MADR,2015). In both cases, support is paid for carrying out the environmentally favorable production methods which are intrinsically linked to organic farming. The payments will be granted annually and will compensate beneficiaries for all the additional costs and income foregone resulting from the commitments made and regarding the conversion to or maintenance of organic farming practices and methods as defined in Organic farming legislation.

With regard to the measure fiche, the evaluation of the stakeholders induced modifications of the first version. In the initial recommendation of the Commission, the fiche was supposed to tackle two types of beneficiaries eligible for the support under organic farming: (i) farmers and (ii) groups of farmers. The eligibility of groups of farmers stems from the potential of such groups to multiply the environmental and climate benefits related to organic farming practices and can play a significant role in providing environmental public goods. However, in the first stage, the MADR overlooked the inclusion of the groups of farmers. Moreover, the principle of degressivity applied to the amounts and support rates faced critics during the meetings of the Thematic Working Groups (ŞTEFĂNESCU S. L. et al., 2014, 2015). The stakeholders feared that degressivity application might lead to a breakage of the larger organic holdings. Finally, a compromise has been reached by extempting from the degressivity the agricultural cooperatives set according to the National Law No. 566/2004.

Another point raised during the meetings was whether the payments should be given to farmers only upon the total conversion to organic farming of the entire holding. As no common agreement has been reached, the measure makes no reference to this issue.

The calculation of the compensation rates (including the certification costs, at the request of the stakeholders), was very satisfactory rated during the ongoing evaluation, in terms of research quality as well as results. The study allowed a significant increase of the compensatory for maintenance of organic farming payments, compared to the former programming period (fig. 1), and fair compensations for the conversion to organic farming.



Figure 1. Compensatory payments for maintaining organic farming practices 2014-2020 vs. 2007-2013 (euro/ha)

Strong debates were also recorded on the issue whether organic farms should be exempted from having to prove that they comply with the "greening" rules envisaged by the new Rural Development regulation (three-tier crop rotation, ban on conversion of grassland and provision of ecological focus areas). Because organic farming systems convey recognised environmental benefits, farmers who practice organic farming should benefit from the "greening" component without needing to fulfil any further obligation (Regulation (EU) No. 1307/2013, art. 43, alin. 11). The CRs resulted by the use of the calculation methodology did not lead to an over-compensation of Measure 11 beneficiaries, thus avoiding the double funding of practices corresponding to the application of “greening” standards.

A “last minute” reaction of the most influential Romanian organic farmers association (BIO România), has changed the decision makers’ view on the content of the measure fiche: as a follow up, the study for calculation for compensatory payments was extended. Beyond the existent five packages of the fiche (arable crops on arable land including fodder crops, vegetables, orchards, vineyards, medicinal and aromatic plants), the sixth was added: permanent grassland, with two sub packages, mechanized and manual works (MADR, 2015). Nevertheless, the initial choice for calculation for apiculture support (ŞTEFĂNESCU S. L. et al., 2014) was dropped, based on some unclear grounds of the decision makers (the compensatory rates were calculated per beehive and not per ha, as stated by the Commission recommended draft fiche), as well as the absence of the beekeepers associations’ operative intervention.

It is to be noted that the study for calculation of the payments rates were based on national average yields, producer prices and variable costs which depend on yields (ORTNER K. M. et al., 2014). The amounts of compensatory payments depend very much on income foregone, i.e. differences in the value of production. These differences originate from differences in production per hectare (yield/ha) and producer prices of conventional and organic products. Since data on yields and producer prices of organic production do not exist in Romania, they were estimated on the basis of expert information, i.e. assumptions, which signal both some weaknesses of the national research area for organic farming to provide reliable data and the lack of databases in the sector. However the calculations were based as far as possible on Romanian data and information sources.

The assumptions used in the study includes, among other: (i) conventional and organic production of main arable crops and vegetables, respectively, is carried out in commercial arable farms with up-to-date management methods, (ii) the reference conventional farm uses its arable (vegetable) land with the same shares as the national average land is used, and (iii) the comparative organic farm uses its arable land with the same shares as the national average of organic land is used; it has no livestock and uses purchased organic certified compost for fertilization. These assumptions may seem still disputable for the chosen methodological approach but certainly they have led to the avoidance of double funding of practices corresponding to the application of “greening” standards. Further on, it is to be clarified in what extent the comparative organic farm used in the study fits the reality of organic farming in the hilly area of the Northern part of Romania (where livestock is common within the existing organic farms).

**CONCLUSIONS**

The new measure fiche for organic farming under the Measure 11 in PNDR 2014-2020 and the calculated compensation rates for maintenance of and conversion to organic farming provide good grounds for the continuous development of the organic sector in Romania. During the process of pre-publication ongoing evaluation undertaken by the stakeholders within the events of the National Rural Development Network, certain improvements of the initial versions occurred regarding the application of degressivity, the avoidance of double funding of practices corresponding to the application of “greening” and the inclusion of support for organic farmed grasslands.

Further on, as the Commission noted in September 2014 on the observations on the Rural Development Program 2014-2020 in Romania, particular attention should be paid to the aid calculation as it is indicated that productivity levels and producer prices for organic farming are not available in Romania and that calculation is based primarily on expert assumptions and to the extent possible to data and sources in Romania. Given that rural development support for organic farming has increased in the present period, and support for conversion is now added under the new PNDR alongside maintenance, Romania should set in place the necessary systems to collect and reinforce data on the Romanian situation for any future revision of the aid calculations under this measure.

Another point of further debates is whether Romania should tackle the support for organic farming on a regional based approach.

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