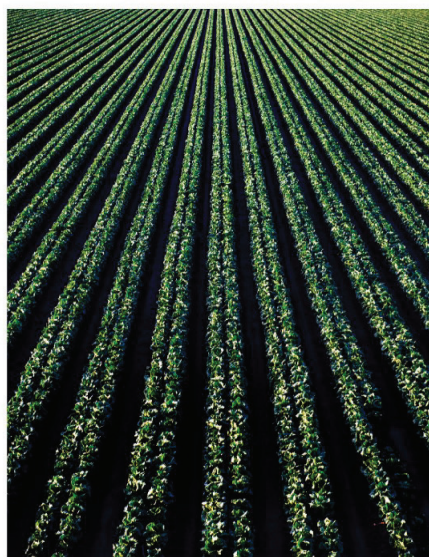


"AGRICULTURAL ECONOMICS TO SUPPORT FARMING"

**"EUROPEAN
AGRICULTURE AND FOOD VALUE CHAIN:
DYNAMICS AND INNOVATIONS"**



**ИНСТИТУТ ПО АГРАРНА ИКОНОМИКА
2019**

Vth International Scientific Forum
“AGRICULTURAL ECONOMICS TO SUPPORT FARMING”

International Conference
"European agriculture and food value chain: dynamics and innovations"
October 22-24, 2018
Sofia, Bulgaria

Agricultural Academy
Institute of Agricultural Economics
Bulgarian Association of Agricultural Economics

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Theme

The aim of the forthcoming Fifth International Scientific Forum "Agrarian Economy in Support of Agriculture" - the conference "European Agriculture and the Value Added Food Chain: Dynamics and Innovation", to be held from 22 to 24 October 2018 in Sofia ideas, sharing of scientific knowledge and experience among agricultural economists on various topics related to dynamics and innovation in European agriculture, food chains and rural development, as well as agricultural and trade development projections flocks of agricultural products. The forum will enable prominent foreign and Bulgarian researchers with longer creative experience to share the experience gained with the young generation.

Objectives

The Conference is thought to enhance the exchange of experience, ideas and knowledge from different speakers and participants across the world within its range of topics. In addition, the conference is keen to invite and to give opportunity to young scholars to present their works in the panel as well as the poster sessions. The topics will be discussed through integrated approach, cutting across sectors and taking as a global as well national prospective. The Conference has the ambition to suggest options to share its insights and conclusions with the private and public stakeholders.

The conference is held under the patronage of the Minister of Agriculture, Food and Forestry of the Republic of Bulgaria. The forum is organized by the Agricultural Academy and the Institute of Agrarian Economics in cooperation with the Association of Bulgarian Agrarian Economists, and co-organized by the Institute of Agrarian Economy - Bucharest, the Institute of Agrarian Economics - Budapest, the Institute of Agrarian Economics - Belgrade.

The researches, reports and opinions presented at the scientific forum will be published and disseminated to all interested parties - researchers, economists, politically responsible persons, representatives of the agricultural business, farmers, teaching circles, students, etc.

Topics

- Innovations and Digital Management;
- Farms' Sustainability;
- Food Value Chain;
- Agricultural and Commodity Markets;
- Socio-Economic Challenges in Rural Areas;
- CAP Insights and Evolution.

Keynote speakers:

Prof. Dr. Plamen Mishev, University of National and World Economy, Sofia, Bulgaria
Prof. Dr. Cecilia Alexandri, Institute of Agricultural Economics, Bucharest, Romania
Dr. Tomáš Ratinger, Technology Centre of the Czech Academy of Sciences, Prague, Czech Republic
Dr. Norbert Potori, Research Institute of Agricultural Economics, Budapest, Hungary

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DEVELOPMENT OF DIRECT PAYMENT MEASURES IN THE MACEDONIAN PROCESS OF HARMONIZATION WITH CAP

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ABSTRACT

Agriculture, as a vital sector for socio-economic development in Macedonia, gains more importance for the policy makers during the process of harmonization with the Common Agricultural Policy (CAP) of the European Union. Since the start of this process, the national agricultural policy is under continuous reform; thus, the scope, the form and the type of the budgetary transfers to agriculture have been under constant change in the country. The aim of this paper is to describe and evaluate the development of the Macedonian agricultural policy, with a focus on the development of the direct payment measures. The analysis is based on the annual programs for financial support of agriculture (direct payment scheme dataset) and on the completed budgetary transfers classified by the Agricultural Policy Measures Classification scheme (APMC database). More systematic and structural changes for adjusting national agricultural policy towards CAP are established with the Law on Agriculture and Rural Development adopted in 2010; therefore, the analysis covers the period from 2010 to 2017. The analysis confirmed that direct producer support measures are the dominant instrument in the Macedonian agricultural policy, distributed mainly in a form of coupled payments (per output, cultivated area or head of livestock). The main recommendations derived from the findings are: to enlarge the share of decoupled measures in the direct support scheme; and in time, to gradually direct the policy toward rural development measures.

Keywords: agricultural policy, direct payments, Macedonia, policy analysis

INTRODUCTION

After its independence, Macedonia continued on with the agricultural policy of the former Yugoslavia, gradually changing it and developing it to achieve the political aspirations for both regional and European Union (EU) integration. The ongoing EU integration process makes the agricultural policy important issue in the political agenda in the Macedonia. Over the past years, a large number of regulations, strategies and programs were adopted aiming at gradually aligning the agricultural support to the EU Common Agricultural Policy (CAP). Similar to CAP, the national policy adopted the two-pillar approach of CAP - direct producer support and rural development measures, with direct payments as dominant instrument in the Macedonian agricultural policy.

The large number of sub-sectors, different objectives and behaviour of the many stakeholders that sector involves, emphasize the (manifold) role of the agricultural policy– to regulate, but also to support the actors by meeting the needs of both, the producers and the public. This makes the policy making a complex issue, with no single policy solution, and often requires making choices and trade-offs (Cochran et al. 2009). Policy makers use policy analysis as a tool for choosing among alternatives, or for measuring the impact of the policy.

In the process of harmonization with the CAP of the EU, the agricultural policy in Macedonia is under continuous reform in terms of the scope, the form and the type of the budgetary transfers to agriculture. Therefore, the aim of this paper is to describe and evaluate the development of the Macedonian agricultural policy, with a focus on the development of the direct payment measures.

The analysis covers the development of the agricultural policy after independence (1991-2018), the budgetary transfers based on the agricultural policy measures database (2002-2017) (and the direct payment scheme dataset (2010-2018).

Following the introduction, the paper gives brief description of the sources of data and methods used. The third section covers the overall development of the agricultural policy and the main strategic and programming documents defining agricultural policy in the country. Then the budgetary transfers, with a focus on direct payments and the direct payments scheme are presented. The analysis covers the development of the agricultural policy after independence (1991-2018), the budgetary transfers based on the agricultural policy measures database (2002-2017) and the direct payment scheme dataset (2010-2018). The last section concludes the findings and provides policy recommendations.

MATERIAL AND METHOD

The analysis starts with a literature review of the development of the agricultural policy in the country. It focuses on the strategic documents and the developmental goals defined in them. The quantitative analysis of the policy stems on two datasets: agricultural policy measures dataset (APM Database 2010 in Dimitrievski et al. 2010; APM Database, 2018 and) and direct payment scheme dataset (DP scheme, 2018). The APM database is based on the realized budgetary transfers data obtained from the Agency for financial support of the agriculture and the rural development (AFSARD), and the final financial statement of the national budget. These transfers classified by the Agricultural Policy Measures Classification (APMC) scheme (Rednak and Volk, 2010, 2018) enable uniform classification of the agriculture policy measures combining the pillar concept of the CAP and the OECD classification. The DP scheme is based on the annual programs for financial support of agriculture, the present list of measures categorized in four groups (per output, per hectare, per head, and other criteria), describing minimum requirements, modulation scheme and annual programmed payments per unit. The datasets cover the periods 2002-2009 and 2010-2017 (transfers) and 2010-2018 (DP scheme).

AGRICULTURAL POLICY DEVELOPMENT

Since its independence, agricultural policy development followed five developmental (five to seven years long) periods, each characterized with a specific issue, main developmental documents and supporting policy instrument (Table 1).

The **first period, 1991-1995**, starts with the country independence in 1991 when the Republic of Macedonia begun building its own agricultural policy. The initial Macedonian agricultural policy was based on inherited principles and measures from the former agricultural policy of SFR Yugoslavia. Price liberalization, characteristic for this period, resulted in drastic price increases, decreased production due to decrease in demand and decrease of the population's relative purchasing power. Therefore, the policy was based on the "market-price" activities, such as market interventions through tariff protections and trade limitations and the subsidizing the prices of certain agricultural products. This policy approach, along with the low budget of MAFWE (around 1% of the country's budget), further increased the problems of this sector, putting family farms in a subordinate position in relation to the large farm enterprises (agro-combinates, agricultural companies and cooperatives).

The **second period, 1996-2000**, was characterized by the privatisation and the frequent changes of *ad hoc* policies and government actions of "putting out fires". This limited the possibilities of monitoring and evaluating the effects of the applied measures that was additionally emphasized by the delayed payment of the support. The first step in redefining these conditions was the Strategy for agricultural development in 1996, by setting the following goals: (i) complete and better use of the available land resources and the current and future irrigation systems; (ii) more equal and complete use of the means of production and labor force yearlong; (iii) production structure in line with the market conditions and needs; (iv) more favorable working capital included in the production process, as well as the technological demands of certain crops (crop rotation, agricultural practices, etc.); (v) complete use of the by-products in the plant and livestock production; and (vi) monitoring the development trends in the developed countries.

Table 1: Development of the agricultural policy of Republic of Macedonia

Period	Main event	Main document	Main policy instrument
1991-1995	Market liberalization	(former YU policy)	Market-price; Intervention support
1996-2000	Privatization	Strategy for agricultural development 1996	Market-price; Intervention support
2001-2006	Stabilization and Association Agreement (2001) World Trade Organization membership (2003) EU candidate (2005)	Agricultural Developmental Strategy in the Republic of Macedonia to 2005	Direct payments (since 2004)

2007-2013	Policy consolidation/ Harmonization with EU	National Agriculture and Rural Development Strategy (NARDS) for the period 2007-2013 Law on Agriculture and Rural Development 2007 Law on Agriculture and Rural Development 2010	Direct payments
2014-2020	further policy harmonization with EU	National Agriculture and Rural Development Strategy 2014-2020	Direct payments

Source: own interpretation

The **third period, 2001-2007**, is characterized with the start of the process of integration of the Republic of Macedonia towards WTO and EU. Since the goals set in 1996 did not reflect the new needs, a new Agricultural Developmental Strategy in the Republic of Macedonia to 2005 was prepared, defining goals consistent with the National Strategy for Economic Development of the Republic of Macedonia. The new set goals were: “(i) better exploitation of human and natural resources and their maintenance (density of population, agricultural land, waters, etc.), with a medium intensity and an orientation towards a permanent increase in the competitiveness of the agricultural production; and (ii) better satisfaction of the domestic demand for cheap and high-quality food and export of fresh agricultural products and their end-products in the food processing industry”. These goals were more market oriented, gradually preparing the agricultural producers to the market liberalization.

The Stabilization and Association Agreement (SAA) with the EU signed in 2001 and the full membership in World Trade Organization (WTO) in 2003, increased the necessity to redefine again the goals of the agricultural policy. Thus, the new goals for the agricultural development set in 2002 were: (1) strengthening of the competitiveness of the Macedonian agriculture on the integrated regional markets of the European Union and South-East Europe by introducing measures for increasing the efficiency of the agricultural production, processing and marketing; (2) building appropriate, effective public and private institutions; (3) improving the agricultural income; (4) ensuring that consumers have access to safe and healthy food; (5) optimizing the use of the limited resources of land, forests and water in an ecologically sustainable manner; and (6) building sustainable rural communities for rural development. During this period, the agricultural support was mainly with a group of market-price measures, such as: subsidies for produced quantities of selected products (wheat, milk, lamb meat), guarantee price for more significant products (wheat and tobacco), intervention purchase (wheat and tobacco), customs protection (*ad valorem*). Dominantly social in character, these measures lacked clearly defined criteria for applying support, whereas the system lacked monitoring, control and impact assessment. Certain shifts towards the gradual approximation to the EU’s CAP occurred in 2004 by introducing the producer support based on the payment per cultivated area or the number of livestock heads. The EU candidate status received in December 2005 further defined the developmental path of the agricultural policy in the country.

The **fourth period, 2007-2013**, characterizes with consolidation of the policy, in structure and size. The country has been described as a moderate reformer in the transition process (Csaki and Zuschlag, 2004), thus the first signs of policy consolidation were noticed even two decades after its independence, mostly as a result of the government's ambition to move closer to EU policy in its preparations for EU integration. The country aimed to increase the capacity of the domestic economy to function within the single EU market, as well as to align with EU standards of food quality and safety. Thus, a list of strategies and operating documents has been prepared.

In June 2007, the first seven-years-time-framed strategic document was accepted: the National Agriculture and Rural Development Strategy (NARDS) for the period 2007-2013. Its goal was to contribute to reaching the strategic aim stated in the National Strategy for Economic Development 2007-2009: "to increase the international competitiveness of the country necessary for a sustainable economic growth and a higher level of employment". Herewith, agriculture and rural development became the key pre-accession elements on the Macedonia's path towards EU. To reach this strategic aim, NARDS 2007-2013 includes five major goals: (i) increasing the sector's competitiveness; (ii) reaching quality and safety of food; (iii) reaching sustainable management of resources; (iv) improving the living conditions in rural areas; and (v) reforming the regulatory and institutional framework.

In addition to NARDS, an important contribution towards the adjustment of Macedonian legislation with EU legislation is the very first Law on Agriculture and Rural Development (LARD), adopted in November 2007, which confirmed the goals stated in NARDS 2007-2013. LARD 2007 was replaced with a new LARD in April 2010. Since then, it is the main legal framework determining the implementation of the agricultural policy in Macedonia, even though supplemented with a dozen of other laws and by-laws to regulate specific issues. As a fundamental law, it created a legal framework for regulating this sector and its capability for more intensive development, comprising policy planning, market regulation, sector financing, dealing with institutions, management bodies, rural development, etc. Regarding the legislative harmonization with the EU *acquis*, a National program for adoption of the *acquis* has been accepted. A certain number of important parts of the primary legislation and sub-legal acts have been coordinated with the EU. The direct payment measures represent the basic instrument of the national policy for the agricultural support. They consist of direct payments per hectare in the plant production and per head in the livestock sector. The institutional reforms were directed towards the institutional capacity (establishment of new necessary institutions and reorganization of the existing ones) and towards strengthening of their human resources (their training to conduct the policies and the new legislative coordinated to the EU). NARDS defines stepwise budgetary programming: first a three-year programming cycle (2007-2010) projecting an annual budgets of 150 million EUR (MAFWE 2007); and later, annual programs, separately for agriculture (mostly direct payments), rural development (including modernization and restructuring of agriculture), and aquaculture.

The **fifth period, 2014-2020**, is a continuation of the fourth period, with more intense policy harmonization towards CAP. The priorities of agricultural policy development in Macedonia were again redefined and fine-tuned in the second NARDS 2014-2020. The new defined priorities of the agricultural policy aim to: (i) promote restructuring and modernization of the agro-food sector,

(ii) market regulations, (iii) socio-economic conditions in rural areas, (iv) knowledge and the human capital in agriculture, (v) food safety standards, and (vi) natural resources management (MAFWE 2014). It also identifies some aspects for further improvement and adjustment of the Macedonia's agricultural policy towards the CAP: increasing the rural development support, gradual 'decoupling' of the direct payments, increasing the agro-environmental measures, supporting young farmers, establishing cooperatives and vertical integration, introducing market boards and minimum quality standards, mitigating the impact of climate change, improving waste management and energy efficiency. These further adjustment towards CAP, up to their full approximation, are foreseen upon the full EU membership of Macedonia (MAFWE 2014), although due to the slow progress in EU integration process a specific timeline for a full alignment of agricultural policies to CAP is not provided. In addition to this, the ongoing CAP reforms make the EU, in terms of conditions that need to be met, a moving target.

The main funding of the agricultural policy is from the national budget, and since 2013 supplemented with the EU finds, through the Instrument for Pre-Accession Assistance for Rural Development (IPARD) programmes: IPARD I (2013-2017) and IPARD II (2014-2020) and some donor projects.

BUDGETARY TRANSFERS TO AGRICULTURE

Another way to present agricultural policy development is through the budget aimed at this sector, and its allocation among different measures and sectors. We divide the analysis in three periods: 1994-2001, 2002-2009, 2010-2017.

Budgetary transfers to agriculture 1994-2001. The agricultural policy in the first period of country independence focuses on the price subsidies, infrastructural development projects and trade policy. Producer support, either as price subsidies for selected commodities or input subsidies for purchase of seed and taking credits, were allocated until 1997 and 1996, respectively (Table 1). Price subsidies decline in amount, from 3.2% from the state budget in 1994 to 0.4% in 2000 (Galev and Dimitrievski, 2001).

Table 2: Agricultural sector budgetary support, 1994-2001 (million EUR)

Budgetary support	1994	1995	1996	1997	1998	1999	2000	2001
Input subsidies (seed credits)	21.72	6.30	3.10	0	0	0	0	0
- seed	3.40	3.43	3.10	0	0	0	0	0
- credit	18.32	2.87	0.00	0	0	0	0	0
Price subsidies (premium)	17.07	14.25	6.77	1.26	0.0	0.0	0.0	0.0
Developmental project	1.44	2.06	4.33	6.70	4.49	5.15	5.45	9.95
- extension	1.44	1.77	4.04	6.43	3.85	4.03	3.77	7.37
- village revitalization	0	0.29	0.29	0.27	0.33	0.33	0.33	0.41

- investments	0	0	0	0	0.31	0.79	1.35	2.17
Total	40.24	22.62	14.19	7.96	4.49	5.15	5.45	9.95

Source: Galev and Dimitrievski, 2001; Note: to convert in EUR, ratio of 1.956 EUR/DEM is used.

Budgetary transfers to agriculture 2002-2009. Budgetary support to agriculture in Macedonia was very low during the first years of this period (1.86 mill.EUR), but there have been an increase in support after 2004 (6.07 mill.EUR), and especially in 2008 (43.13 mill.EUR) and 2009 (69.53 mill.EUR). In 2009, the support amounted to EUR 69.5 million.

Table 3: Budgetary support to agriculture, 2002-2009 (in EUR million)

Pillar/Year	2002	2003	2004	2005	2006	2007	2008	2009
Market and direct producer support	1.53	0.83	5.50	6.62	16.18	14.26	38.30	58.55
- Direct payments to producers	1.52	0.53	1.73	6.01	16.18	13.93	37.24	56.83
- Input subsidies	0.0	0.25	3.77	0.44	0.00	0.33	1.06	1.72
- Disaster payments	0.00	0.05	0.00	0.17	0.00	0.00	0.00	0.00
Structural and rural development	0.33	0.29	0.58	0.74	0.41	1.83	4.83	10.98
TOTAL	1.86	1.12	6.07	7.36	16.59	16.09	43.13	69.53

Source: Own calculation based on publicly available data and internal documents of MAFWE and Ministry of Finance (compiled in APM database 2010).

Market and direct producer support are dominant measures of agricultural support, both in absolute value and relative terms. On average, their participation in total budgetary support was 87%, with variations from 74% (2003) to 97% (2006). Budgetary transfers aimed to support rural development were rather low, with a share below 20 % of total budgetary support for all years in the observed period (about 16 % in 2009). Within market and direct producer support measures, direct payments prevail (95.57%). These are given as payment per area for crop production and payment per head for livestock production, and for milk and tobacco as subsidies per quantities sold. In addition, producers were also supported by input subsidies in most of the years. Disaster payments were paid only in 2003 and 2005, whereas other market interventions were not implemented.

Budgetary transfers to agriculture 2010-2017. The budgetary transfer to agriculture (from national budget) is increased from 83.95 million EUR in 2010, up to 136.27 million EUR in 2017 (Figure 1). Although the National Program for Agricultural Policy 2013-2017 (MAFWE 2013) foresaw 150 million EUR annual transfers, the actual budgetary transfers reached the plateau of 136 million EUR in 2017; after 2014 at a level of about 130 million EUR per year. There is no significant change observed in the structure of support over time; direct producer support measures are being dominant (76.38%), whereas the rural development measures and the general support to agriculture account for only a smaller share in the total agricultural budget. The share of the structural and rural development measures of 15.320% in the total budget (Figure 1), was increased in 2016 (on behalf of the direct producer support) due to the intent to increase its share up to 30%,

as projected in the NARDS 2014-2020. The general support to agriculture takes only smaller share of agricultural budget (8.30% in average), with a minor increase in the last few years (10.64 million EUR in 2016 and 9.62 million EUR in 2017).

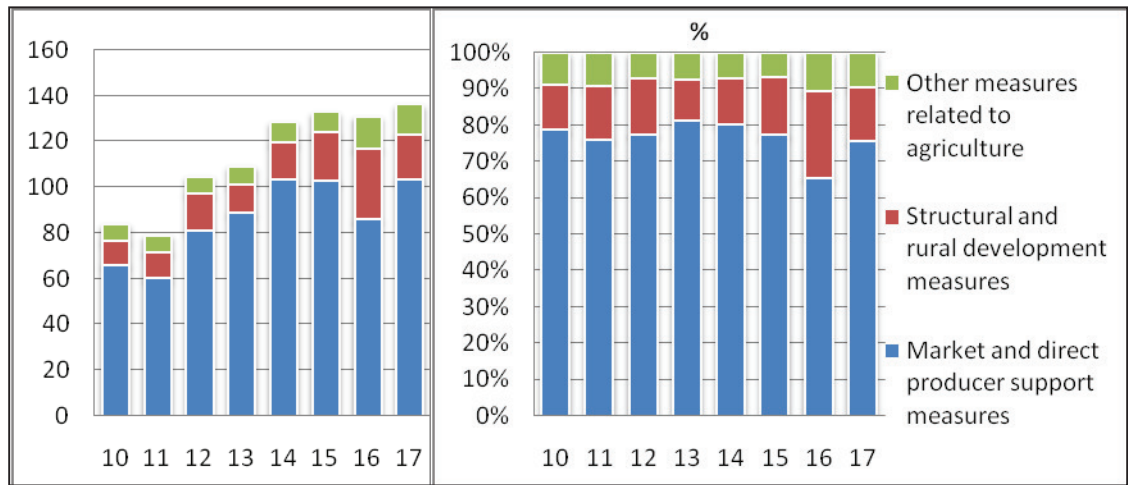
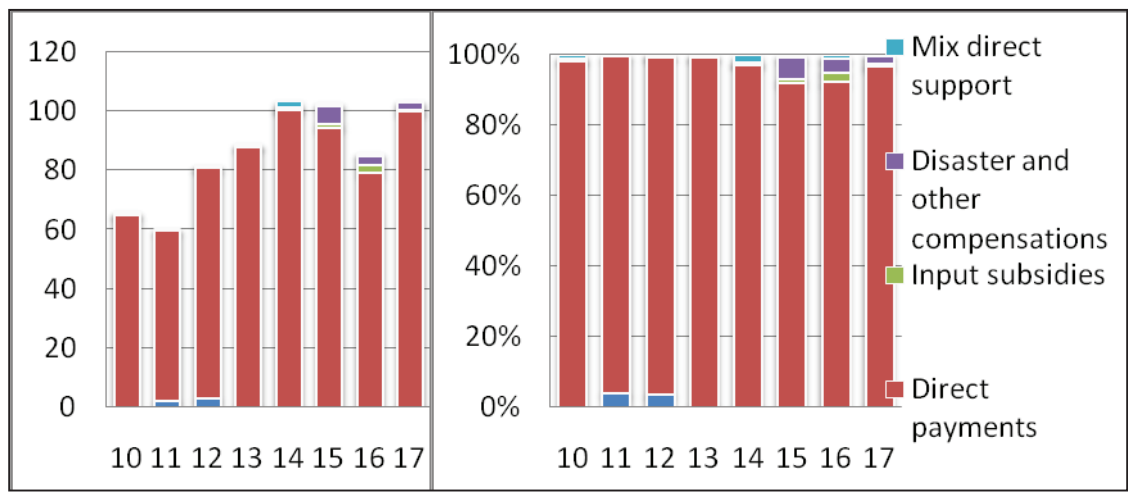


Figure 1: Total budgetary support to agriculture (million EUR and %)

Source: APM Database–Macedonia, 2018

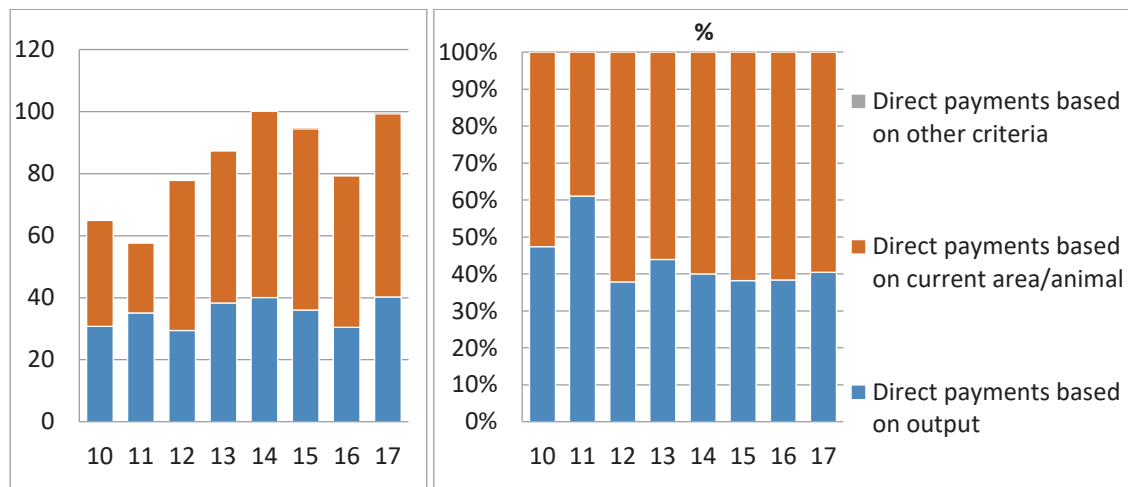
Direct payments have been a main instrument of the agricultural policy, with 96% share (Figure 2). Input subsidies are only minor, negligible in the budget structure, as well as the disaster payments that occurred in the recent years due to the few weather disasters (floods, hail, and late frost). Most of those payments are coupled, either per unit of agricultural product, or per production capacity (per area of agricultural land or per head of livestock) (Figure 3), conditioned with cross-compliance measures to ensure application of good agricultural practice. The intended tendency to increase the share of capacity-coupled payments on behalf of the output-coupled payments stopped at a ratio 60:40 (Figure 3).

Figure 2: Market and direct producer support measures (million EUR and %)



Source: APM Database–Macedonia, 2018

Figure 3: Direct producer support measures



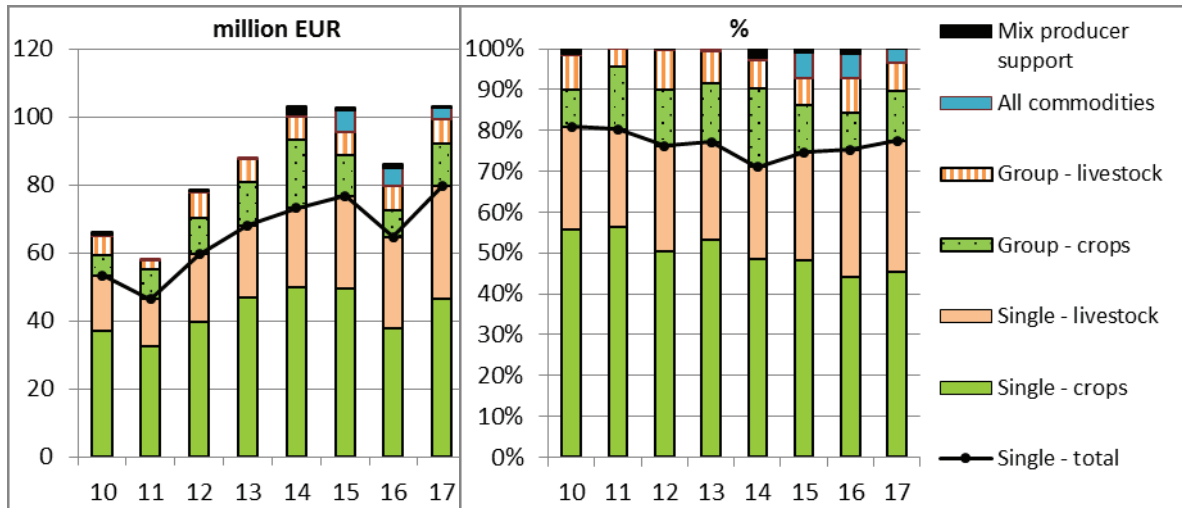
Source: APM Database–Macedonia, 2018

Figure 4 depicts how strong this coupling is, since more than 74% of the payments are coupled for single commodities, mostly crops, whereas about 26% are for grouped commodities, and only in recent years have been applied measures intended for all commodities. Due to the market disruption in 2017, there was an introduction of new payments per output, for grapes and peaches.

Among the crop commodities, arable crops (excluding vegetables) takes the biggest share, among which tobacco is the most supported single commodity (27.30% in average 2010-2017, where as arable crops excluding tobacco and vegetable take 11.41% in average. Permanent crops take about 15%, out of which bigger share for grape (10.78%), whereas fruits (4.01%). Vegetables are supported in average with 4.86% of the direct payments support.

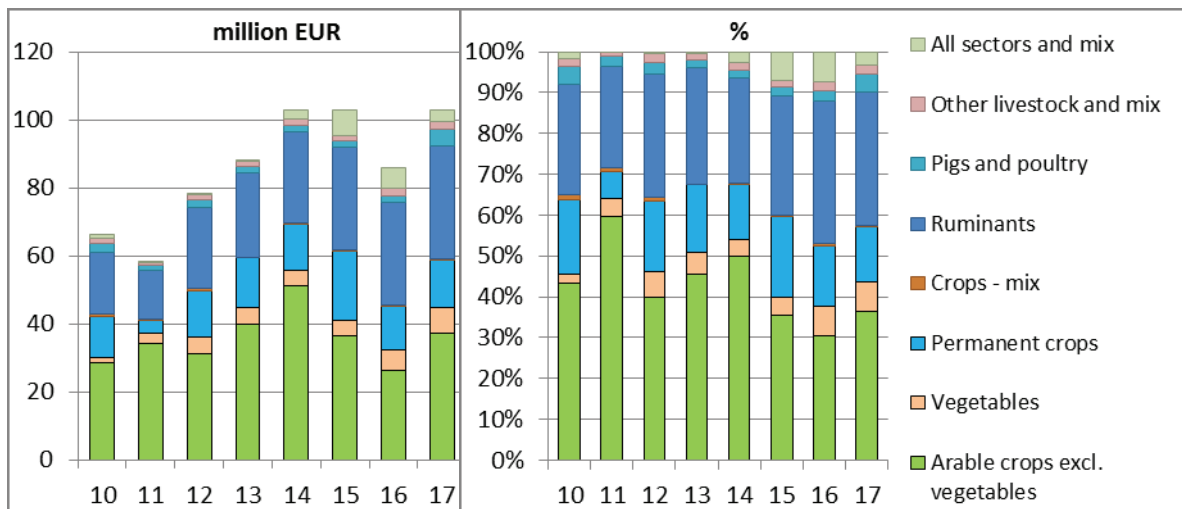
Among headage payments, sheep and goats are the highest, with an average share in support of 13.22%. Among the per output payment, milk (cow, sheep and goat) as commodity takes a share of 8.17%, whereas milk and beef takes average share of 7.13% in 2010-2017 (Figure 9).

Figure 4: Direct producer support measures by commodity type and main sector (2010-2017)



Source: APM Database–Macedonia, 2018

Figure 5: Direct producer support measures by sub-sector (2010-2017)



Source: APM Database–Macedonia, 2018

Direct payment scheme 2010-2017

A wide range of direct support measures were implemented during the period 2010-2017 (Table 2). Some of the measures are present during the whole period, without significant changes, some were adjusted annually, whereas others were implemented occasionally.

Area payments are granted for cultivation of specific crops, except for tobacco. Certain field crops receive additional payment to the basic area payment, such as cereals produced from certified seeds, sunflower, rice and forage crops. The area payments for vegetables vary depending on the variety and type of production (in some years even depending on the legal status of the producer). Fruits and wine sectors are supported per area of cultivated orchards and vineyards. Area payments are also allocated for production of seeds and snail production. For honey plants such payments are granted until 2012, whereas since 2017 are introduced payments for fast-growing seedlings.

Headage payments (payments per head of livestock) are granted for rearing cattle, sheep and goats (all categories), sows, wintered beehives, and ostrich farming, as well as for slaughtered animals (cattle, pigs, broilers and laying hens). Additional payments to the headage payments are for calves produced by artificial insemination, per female offspring (cattle, sheep and goat) and for bee queens included in the selection programme. Disaster payments are also given per head of dead cattle, sheep and goats. In addition, headage payments are granted for indigenous breeds of livestock, for preserving biodiversity and for indigenous breed of shepherd dog Sharplaninec for supporting traditional sheep-breeding.

The output payments are less important in their number, but are significant in the size of the budgetary transfers. Output payments are allocated for tobacco and milk (cow, sheep and goat), for day-old broiler or female chicks, and cereals seed and seedlings production. Additional payments to the area payments are programmed per kilogram of barley and rice, for fruits and vegetables sold to the processing industry, and for production of raw material for the products with protected geographical indication (PGI).

Direct payments were also allocated for organic production and for area facing natural constraints. These payments are present during the whole period of analysis, and are added as a percentage increase to the direct payments (area or headage) for the appropriate commodity. The organic production was supported with additional 30% to the support programmed for conventional production. This support has increased and varies from 30% for field crops, 50% for livestock, 70% for orchards and vineyards to 100% for vegetable production. In addition, organic production is supported with direct payments for farm registration and control and certification, as well as for processing and trade of organic production. The support for the area with natural constraints is granted as additional payment amounting to 15% of the support programmed in general.

Additional payments to the direct payments are programmed for young farmers (up to 40 years), for registered farm and farm holder in the Ministry register, or for farmers that are members of a cooperative. There are few new policy measures starting in recent years, such as direct payments for increased herd size, for changing the production orientation (from cereals production to other crop production).

Table 4: Direct payment programme (2010-2018; EUR per unit)

Short name of the measure	Unit	Occurrence	Min	Max	Mean
Direct payments based on output					
Tobacco (small-leaf) premium	kg	since 2010	0.97	0.98	0.97
- Additional DP for rice	kg	on 2012	-	-	0.06
- Additional DP for barley	kg	since 2018	-	-	0.02
- Additional DP for vegetables for processing	kg	since 2010	0.02	0.11	0.04
- Additional DP for fruits for processing	kg	since 2012	0.03	0.05	0.03
DP for produced and sold wine grape	kg	2010-2012	0.03	0.03	0.03
DP for production of cereal seeds	kg	since 2013	0.13	0.32	0.23
DP for seedlings production	kg	since 2010	0.08	0.57	0.28
Milk premium	litre	since 2010	0.04	0.06	0.06
DP for produced day-old chicks	piece	since 2010	0.03	0.08	0.05
Direct payments based on area					
Area DP for field crops	ha	since 2010	97.43	146.27	127.23
- Additional DP for field crops	ha	since 2016	77.92	93.54	83.14
- Additional DP for area under forage crops	ha	since 2012	16.23	17.86	16.47
- Additional DP for rice and sunflower	ha	since 2011	48.69	97.43	62.74
- Additional DP for cereals from certified seed	ha	since 2010	40.64	97.43	64.06
Area DP for vegetables	ha	since 2010	97.37	584.61	293.50
- Additional DP for vegetables	ha	since 2010	1,300.60	2,437.84	1,568.25
Area DP for vineyards	ha	since 2010	649.14	650.30	649.66
- Additional DP for vineyards	ha	in 2018	-	-	194.87
Area DP for orchards	ha	since 2010	243.43	1607.66	568.98
- Additional DP for orchards	ha	since 2018	73.08	160.77	118.54

DP for seed production	ha	since 2010	195.03	324.78	245.42
DP for snail farming	ha	since 2010	1,460.56	1,463.18	1,461.75
DP for honey plants	ha	until 2012	40.63	40.64	40.63
DP for decorative and fast-growing seedlings	ha	since 2017	97.40	97.43	97.42
Direct payments based on livestock number					
DP for cattle	head	since 2010	40.64	45.51	44.75
- Additional DP for calves	head	since 2010	19.47	19.51	19.49
DP for cattle slaughtered in registered slaughterhouse	head	since 2010	24.34	24.39	24.36
- Additional DP for beef production	head	since 2012	32.48	64.96	49.87
DP for sheep and goats	head	since 2010	13.01	17.86	15.92
- Additional DP for sheep and goats	head	since 2013	11.36	11.37	11.36
DP for sows	head	since 2010	11.38	16.24	15.16
- Additional DP for sows	%	in 2018			0.32
DP for pigs sold to slaughterhouse	head	since 2010	16.23	16.26	16.24
DP for broilers and laying hens sold to slaughterhouse	piece	since 2010	0.36	0.54	0.43
DP for ostrich farming	head	since 2010	27.59	27.64	27.61
DP for registered wintered bee hives	hive	since 2010	8.13	9.75	9.38
- Add. DP for beehives in selection progr.	hive	since 2015	16.23	16.24	16.24
Add. DP for indigenous breeds of livestock	head	since 2014	24.34	32.48	25.98
DP for indigenous breed of dog Sharplaninec	head	since 2015	40.57	48.72	42.21
Purchase of bee queen	piece	2010-2012	5.69	8.13	6.50

Other DPs

Young farmers (up to 40 year) as farm holder	%	since 2010	10.00	10.00	10.00
Registered farm	%	since 2010	5.00	5.00	5.00
Registered farm holder	%	since 2015	20.00	20.00	20.00
Farm holder, member of cooperative	%	since 2018			10.00
Insurance subsidy	%	since 2010	60.00	60.00	60.00
Purchase of breeding animals	%	in 2010	35.00	35.00	35.00
DP for increased herd size	%	in 2018			30.00
DPs for farm registration	farm	In 2010	32.52	32.52	32.52
DPs for control and certification of OP	%	since 2010	50.00	50.00	50.00
DP for processing organic products	%	since 2010	2.00	2.00	2.00
DP for trade/export of raw and processed OP	%	since 2010	5.00	5.00	5.00
Aid for agricultural production in LFA	%	since 2010	15.00	15.00	15.00
DP for dead cattle	head	In 2015	162.31	486.93	324.62
DP for dead sheep and goats	head	In 2015	64.92	64.92	64.92
Add. DP for changing production orientation	%	since 2016	30.00	30.00	30.00
Area DPs for establishing vineyards	ha	2010-2012	2275	2275	2275
Area DPs for establishing new orchards	ha	2010-2012	568.83	1625.22	1191.91
Add. DPs for raw material production for PGO	kg or l	2010-2012	0.01	0.01	0.01

Source: own calculation, data from MAFWE 2015

The program for financial support of agriculture that covers the direct payments, programmed inputs subsidies as well. Input subsidies were granted for insurance (60% of the insurance premium). To improve the breeding structure in the livestock sector and thus increase the animal sector productivity, during the first three years of the study period within the direct support scheme, the purchase of breeding animals was subsidised (although this support is usually categorised as an on-farm restructuring support and granted through the rural development programme). This support was granted as an input subsidy, either as 50% of the investment value or as a headage payment varying from 70 to 650 EUR/head depending of the livestock type and the breed.

General critics on the agricultural policy

The first remark regarding the development of the agricultural policy in the country is the existing discrepancy between the actually implemented policy instruments and their planned budgetary allocations. The main factors contributing to this are: (i) frequent amendments and adjustments to the underlying regulations and deviation of their implementation relative to the outlined long-term plans; (ii) demanding administrative procedures which cause the delay of payments to the next calendar year; and (iii) relatively insufficient experience, education, and skills of farmers' which constraints them to understand the complex administrative requirements and to collect and prepare all necessary documentation. Public policy literature identifies other factors that often affect policy implementation, such as: clarity of the laws, skill level of the policy administration, availability of financial resources, socioeconomic conditions of the affected groups by the public support, and media attention (Cochran et al. 2009). Each of those issues deserves a special attention to improve the effectiveness of the public administration and the implementation of the adopted instruments.

The complexity of the legal framework and the frequent amendments hampers the clarity of the law and related regulations. This complicates the work of the public administration and the understanding from the farmers. This is an important issue since "the more complex the implementation process, the more likely that the intent of the policy will become distorted or lost" (Cochran et al. 2009, p. 10).

The constant migration of employees and frequently under-equipped paying agency, the skills and resources of the public administration are under constant tension. There is a need for continuous capacity building to maintain and update the quality of the complex administrative procedures and the frequently changing legal framework.

Socioeconomic conditions of the beneficiaries, especially the primary producers, cannot be easily addressed; they need time, commitment and focused governmental actions. Previous research confirms farmers' recognition and appreciation of the governmental support. It emphasizes the importance of the farmers' attitude and the need of better access to credit and finance to ensure the success of the rural development policy in Macedonia (Kotevska and Martinovska Stojceska 2015).

The agricultural policy design and implementation is hampered by the contradicting interests of different stakeholders, thus the difference in their relative power determines the direction of the agricultural policy development. The media attention of agricultural support may improve the awareness among stakeholders, regarding the benefits they all obtain (e.g. higher income, improved food quality, protection of environment, preservation of rural livelihoods, etc.).

Finally, the agricultural policy development and design in Macedonia appears not to be based on the evidence-based policymaking by applying a regular monitoring of the policy implementation, for evaluation of the goals achievement and impact assessment.

CONCLUSION

The budgetary transfers to agriculture are stable in its structure. The direct producer support is the dominant instrument, accounting for the largest share of the total budget (77% on average for

the period 2010-2017). It is distributed in form of coupled payments granted either per unit of production, per cultivated area of specific crop or per head of livestock. Rural development support and general support to agriculture represent a smaller share of total agricultural support (15% and 8% respectively). Since, the Macedonian agriculture requires enhanced development through investments and modernization in production capacities; thus, the frequent recommendations for increasing the share of structural and rural development support.

The evidence shows that certain policy instruments are being implemented consistently over few successive years. Due to the regular amendments of the policy instruments, there is a general perception of policy instability in the country. This impedes the monitoring of the policy implementation and impact analysis, as needed to identify the pros and cons of the applied measures. This is not recognized as problem, since there is missing an evidence-based policy making and design in the development of the Macedonian agricultural policy.

There is discrepancy between the actually implemented policy instruments and their planned budgetary allocations. The factors behind this are multiple: frequent amendments of regulations, demanding administrative procedures, low level of education and skills of farmers, large number of measures, complexity of the legislation, insufficient skills of the policy administration, socioeconomic conditions and low power of the stakeholders. Each of those issues deserves a special attention to simplify the support schemes and to improve the effectiveness of the public administration in agricultural and rural development policy design and the implementation of the adopted instruments.

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