

BG1 (Pazardjik, Bulgaria):

Farm survey and expert evaluation of CAP implementation

Objective

The objective of this study is the analysis of individual's value of landscape attribute for wine producing farmers and CAP implementation.

Methodology

To achieve the objective of the study we conducted a survey among 45 farmers. All are beneficiaries of the Rural Development Programme (RDP), commonly known as the second pillar of the CAP. A questionnaire was designed to investigate the effects achieved by the measures applied in the farms. The collected data was processed using the following methods: descriptive analysis, graphical analysis, expert judgment and statistical method for correlation analysis.

Results

All investigated farms claim that their activities are financed by the RDP. Some of them are financed by more than one measure. The most claimed measure is number 121, which covers investments in technical equipment. Other popular measures are 311 and 123. We can state that mainly measures in axis 1 are more preferred than measures in pillar 2 across vine growing holdings. Cooperatives and corporate entities have a higher investment activity than family farms and they use as financial source mainly measures in axis 1. These entities have two or more projects financed by different measures.

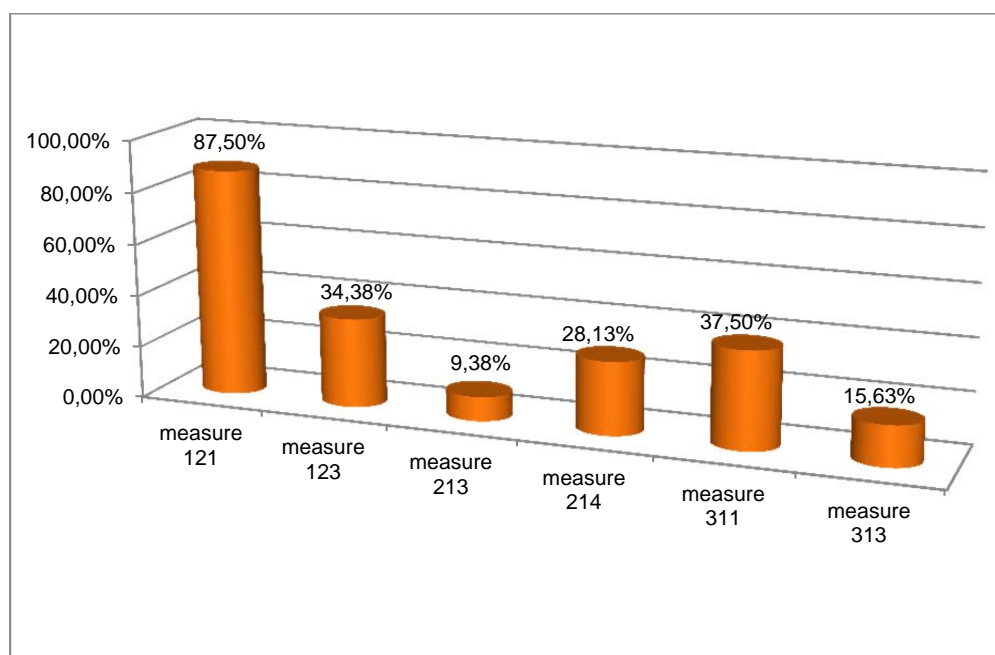


Figure 1. Share of farmers funded by each measure. Source: own calculation.

The occurrence of second order effects is measured with applying all three axis of the RDP. There is a big contribution of measures of axis 3, known as diversification of activities and conservation of local traditions and customs. Second order effects emerge by applying measures under axis 1, which improve competitiveness of farm holdings. All vine growers have the opinion that the RDP has a positive effect on their activity. Despite of that, a small group of them claims that attractiveness of their business is higher for their successors under RDP influence. All measures under axis 2 form only weak second order effects and just in areas of the region. Such effects emerge in management of low productivity land, preservation of biodiversity and recreation of degraded land. It is necessary to explain that the type of holding plays a major role in the contribution of second order effects.

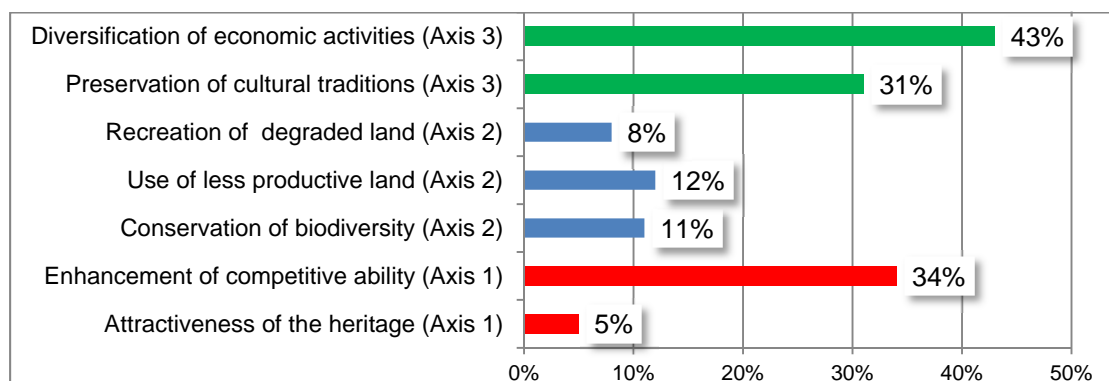


Figure 2. Second order effects of each Axis of RDP. Source: own calculation.

The holding's activity on RDP measures depends on the constraints which they are facing in application and implementation of projects. Fig. 3 shows that five of the seven restrictions occur everywhere and they are evaluated as very strong. It is noteworthy that almost all vine growers experience problems with the market, independent from their profile. Other difficulties are: project management, institutional constraints, bureaucracy obstacles and difficulties in securing co-financing of the projects. The remaining two constraints – lack of experience and access to credits – also exhibit a high degree and may determine what hinders vine growers. Only entities with a closed cycle of production said that they did not experience difficulties or that there are acceptable levels of market access to loans and financing as well as project management.

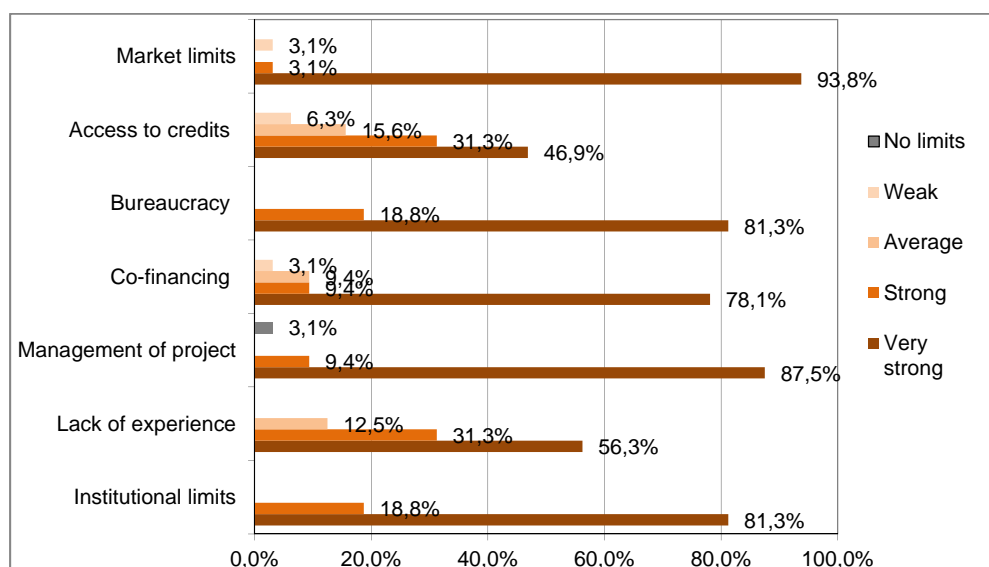


Figure 3. Constraints in development and implementation of projects funded by pillar 2. Source: own calculation.

Second order effects

The contribution of the vine-growing holding to the creation of the final product (wine tourism) is evaluated mainly in three aspects – diversification of the landscape, closeness to the market and supply of raw materials for wine making. Wine growing holdings create an attractive landscape that adds value to the final product. Pazardzhik is among the areas in Bulgaria that have high potential for the development of tourism. The presence of a thriving viticulture in this region can stimulate tourism. In the region operate three entities that already offer tourist products focusing on viticulture and wine. Two new ones have been established recently. The sustainable development of these entities is ensured by the presence of vineyards in landscape composition.

Closeness to the market is another important feature of the vine growing holdings in the region. Most of them claim that they have difficulties with the sales of grape. The presence of several renowned wineries gives them an opportunity to increase their sales. Wine growing holdings are the main suppliers of grape to local wineries. This defines them as a major contributor in production of wines with designation of the origin. Local vine growers combine the appropriate soil and climate conditions of the region with production conditions in their holdings and produce grape with high quality. The area is particularly suited for red varieties coming from winegrowers with reputation. Although viticulture in the region is widespread and well developed, only a small group of vine growing holdings processes grape into wine. The main reasons are institutional constraints and difficulties in financing such projects. They are crucial to small-sized vine growing holdings.

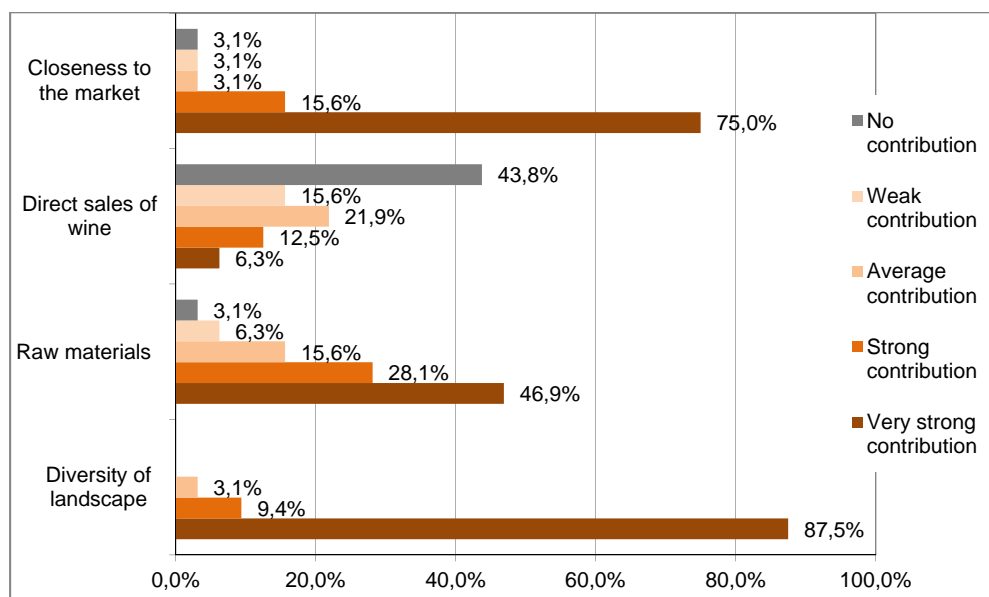


Figure 4. Self-evaluation of contribution to the creation of the final product (wine tourism). Source: own calculation.

Table 1 shows the results of the statistical analysis of the relationship between the main characteristics of the holdings and indicators for their business - financing under Pillar 2 of the CAP, implementation of secondary effects, restrictions applied under pillar 2 of the CAP and contribution to the creation of the final product (wine tourism). The analysis revealed a correlation of the size of the vineyards, the use of consultants and the size of the assets of the economy with funding on Pillar

2 of the CAP. Large-sized vine growing holdings rely on consulting services and have more assets than small-sized farms. They successfully apply and implement projects under Pillar 2 of the CAP.

The secondary effects are determined by four factors - legal status of entity, diversification of production, the size of the vineyards and assets. Family holdings make use of axis 2 and 3. The corporate and cooperative entities prefer axis 1. Farms with a higher degree of diversification are key contributors to the effects of Axis 2. Farms with large-sized vineyards produce effects on axis 1. The size of their assets and holdings form different secondary effects, such as a larger amount of assets effects are axes 1 and 3. Farms with smaller sized assets create effects on axis 2.

The legal status of an entity and the size of the managed assets define restrictions on the application and implementation of projects financed by Pillar 2. Holdings that are corporate entities and holdings that manage large assets have relatively less restrictions on the application and implementation of projects financed by Pillar 2.

Table 1. Results of statistical hypothesis testing for correlation. Source: own calculation.

	Funding on pillar 2	Second order effects	Constraints in development and implementation of projects funded by pillar 2	Contribution to the creation of the final product (wine tourism)
legal Status	no correlation	correlation	correlation	no correlation
diversification	no correlation	correlation	no correlation	correlation
Size of the vineyards	correlation	correlation	no correlation	correlation
Age of the vineyards	no correlation	no correlation	no correlation	no correlation
Use of consulting services	correlation	no correlation	no correlation	no correlation
Assets of the farm	correlation	correlation	correlation	correlation

The holding's contribution to the creation of the final product is determined by three factors – diversification of activity, size of the vineyards and size of managed assets. Holdings with a higher degree of diversification are key contributors to diversify the landscape. Holdings with lower degree of diversification contribute to supply of raw materials and their contribution to the image of local products is clearly identified. There is a correlation between managed assets of the holdings and the following two factors - closeness to the market and direct sales of wine. Holdings with more assets are located in convenient place for the consumers and they have shortened the marketing chain. Also holdings that manage small-sized assets are a key contributor in the provision of raw materials for the wine sector.

Lesson learned & Policy Recommendations

Based on the study we draw the following conclusions on the contribution of vine growing holdings in the creation of landscape composition. Holdings have the potential to shape the landscape – most of them are specialized in the production of grapes and managed vineyards with balanced age and varietal structure. Axis 3 of the CAP has the strongest impact in creating second-order effects. The potential of Axis 2 of the CAP is currently underutilized for creating secondary effects. Managed assets are key drivers for the creation and utilization of landscape compositions.

Reference

Nikolov, D., T. Radev, P. Borisov. (2013). CAP contribution on landscape management in Bulgaria. *Agroeconomia Croatica* 3:2013 (1) 46-52

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