

Chapter 2

Challenges Facing the Macroeconomic Policy for Sustainable Development in Agriculture—Based on the Model of Organic Agriculture in Bulgaria

Vania Ivanova and Ekaterina Sotirova

Abstract The ecological significance of sustainable development has increased dramatically since the so called ‘green economy’ and organic production have been turning into sources of competitive advantage for the country in the international markets. For its part this undoubtedly leads to stronger economic competitiveness. All government’s measures to overcome the consequences of the world economic crisis should aim at directing the economy toward sustainable development and low carbon-emission intensity. The opposite would mean unstable and insecure future, growing production costs as a result of dynamic energy prices and problems in terms of climate changes. Bulgarian economy is strongly dependent on tourism and agriculture. These two sectors show enormous potential for developing ‘green economy’. Adequate macro-economic policy aiming at developing these sectors would serve as an additional incentive for creating competitive advantage. Organic agriculture as a sector provides various opportunities due to the well-established traditions. The production of oil-yielding crops, fruit, vegetables, wine and meat has always had excellent world markets. What would really stimulate and intensify the development of this branch is the establishment of a national fund with the aim to finance the development of new environmental technology and innovation? Eco fees (including the newly introduced carbon dioxide tax) can contribute significantly to this fund. Stimulating the development of ‘green’ production should involve different fiscal and other economic instruments. Long-term tax reliefs and favored development of eco-innovations and biotechnologies facilitate the integration of the environmental aspect in the system of economic, industrial and social policies.

V. Ivanova (✉) · E. Sotirova
Department of Economics,
University of National and World Economy,
1000, Sofia, Bulgaria
e-mail: arbneda@abv.bg

E. Sotirova
e-mail: sotirova_petkova@abv.bg

Keywords Sustainable development • Innovations • Organic production • Green economy • Eco-fiscal policy

2.1 Introduction

The globalization of relations and contacts in world agriculture has raised a lot of new issues that the individual countries and the international community as a whole have to address. They are related to the specific nature of national production, the active import-export flows, the activity of transnational companies and the international credit and financial institutions and markets, and the setting up of strong integration units. In the context of these processes, issues related to achieving sustainable development are becoming more topical. This necessitates combining equilibrium in the economic and ecological system with reducing or overcoming the negative effects of increased human activity which damages the environment.

The main point of the chapter is researching and exposing the problems related to the progressing and affirmation of the bio farming and production of organic products in Bulgaria, considering the transforming of this sector into a leading one in the development of sustainable and ecologic economy. Also, it would accelerate its level of competitiveness in the world market.

The methodology of the research is based on empirical data from the National Statistic Institute and the Ministry of Agriculture in Bulgaria. They are presented in the form of tables and take place after the 2000. The last year, which gives us the official data, quoted in the chapter, is 2010. Along with the analysis of the data, comparisons are made, considering some points with other, mainly European countries.

Agriculture is a traditional sector for the Bulgarian economy. Bulgaria is a country with extremely suitable conditions for developing plant breeding and animal husbandry—fertile soil, pastures, experience and traditions in this area. The sector is of great importance to Bulgarian economy. It ranks second in the structure of the national economy, after manufacturing. In comparison with the developed countries and some countries in transition Bulgarian agriculture contributes significantly to calculating the gross value added (4.3%) and to providing employment (19.9% of those employed in the national economy)¹.

The reforms toward the transition to market economy have exerted significant impact on the development of agriculture over the past decade of the twentieth and the beginning of the twenty-first century. The complex and multifaceted changes in Bulgarian agriculture are related to the need for transition to development within market environment, to the process of its transformation and to the process of European integration, which we have witnessed over the past years. In comparison with other countries in transition the changes in Bulgarian agriculture are more profound and along with the expected positive results we observe some difficulties which hinder its development.

¹ Source: National Statistical Institute.

Table 2.1 Main economic indicators in agriculture. (Source: National Statistical Institute, BNB)

Indicator-year	2000	2005	2006	2007	2008	2009	2010
Share in GDP (%)	12.8	7.7	6.8	5.1	6.0	5.1	4.8
Share in GVA (%)	14.5	9.4	8.5	6.2	7.3	5.6	4.3
Employment (thousands)	89.5	69.9	66.4	60.8	60.0	63.1	64.3
Average yearly salary							
For the country (Euro)	1,428	1,943	2,128	2,584	3,144	3,655	3,885
In the sector (Euro)	1,234	1,213	1,310	1,835	2,352	2,638	2,950
Usable land (thousand hectares)	4,424	3,128	3,090	3,058	3,051	3,123	3,103
Production (million Euro)							
Plant growing	1,274	1,592	1,719	1,531	2,384	2,045	2,074
Stock-breeding	1,414	1,135	1,219	1,219	1,323	1,806	1,831
Share in export (%)	5.0	6.8	5.7	5.6	8.2	10.4	10.7
Share in import (%)	4.1	3.9	3.9	4.5	5.4	7.9	7.6

2.2 Significance of Organic Farming

Over the past half a century Bulgarian agriculture has gone through a period of complex transition from petty agriculture (at the end of the first half of the twentieth century) to big collective farming (Cooperative farming until the end of the 80s of the twentieth century) and back again to strongly fragmented land and the formation of a great number of petty farms along with an insignificant number of large-scale farms.

Agriculture is the sector of the Bulgarian economy where market changes started in the beginning of the 90s. Of greatest importance are the changes in the form of ownership and the utilization of land, in the nature and size of the organizational forms, the structure, specialization and intensification of production, in the employment etc. The major parameters in the development of Bulgarian agriculture are given in Table 2.1.

There are a lot of problems facing agriculture in Bulgaria. In the first place, every year it sustains losses amounting to hundreds of millions of levs from unsold produce. The reason for that is the fact that people abandon their arable land or the land is used for other purposes. Nearly 30,000 ha farm land is destroyed and is transferred for utilization in other sectors—industrial, protected or resort areas or it is used for the construction of infrastructural projects.

Another significant problem impairing the efficiency of agriculture in Bulgaria results from the lack of motivated, initiative and innovation-oriented people. This is due to constant process of young, well-educated, highly qualified workforce, capable of accepting technological innovation and implementing good practices in agriculture, leaving the country. There is a strong trend toward aging farmers. Between 2004 and 2010 the average age of farm managers was 61 years, and 41 % of them were older than 65 years. Barely 3 % of the managers were up to 35 years of age.²

² Ministry of Agriculture (2010).

The unfavorable age profile combines with a continuous drop in incomes of farm workers after 1990. In 1997 the average income of an employed in the sector was three times higher than the average annual payment in the country. Ten years on the situation is reversed—the average income of people working in agriculture is twice as low as the average annual payment. The farmland market analysis shows that the prices of land in Bulgaria are a lot lower than the prices in the other EU member states.

The situation on the market of farmland bought in order to use it for other purposes—for example, construction, is entirely different. The prices of this type of land exceed by between a few tens to a few hundreds the price of land purchased for farming purposes. For example, in Southeast Bulgaria in 2008 0.1 ha farmland fetched € 80,000³. Changing the purpose of the purchased farmland is not solely related to construction projects. Some of these purchases are made in order to produce crops used in the production of biofuels and for building wind and solar farms—primarily in North and Northeast Bulgaria, along the Danube river and the Black sea coast. Land bought for such purposes costs from € 350 to 600 per 0.1 ha.

Along with this change of the purpose of farmland another important problem facing agricultural efficiency in our country is the fragmentation of the farms. In 2007, under the EU criteria there were nearly 500,000 farms in our country. The larger part—88.9% were small farms with usable land of up to 1.9 ha. Large-scale farms with 5 ha made up barely 3.2%. This structure determines low employment and ineffective utilization of farmland.

Agriculture can develop in three major areas—conventional, organic (bio) or based on genetically modified food (GMO). The worldwide trend is toward increasing the importance of organic crop production and animal husbandry and related production. Unlike traditional farming, organic farming follows harmony in nature, respects biological cycles and does not pollute environment. The use of natural and organic products is closely related to the latest international trends for healthier and more ecological way of life. Nearly 170,000 farmers and nearly 149,000 companies in the 25 European Union (EU) countries are involved in organic farming. The biological products produced in Europe comprise mainly cereals, fruit and vegetables, vines, dairy and meat products. The first European countries which started producing organic products in the beginning of the 90s were Austria, Germany and Switzerland. Ever since, however, areas with organic crops in Europe have increased from 100,000 ha to over 8 million ha (mha) in total. A large part of organic production is concentrated in Australia (11.3 mha), Argentina (3 mha) and Italy (1.2 mha)⁴. The world market of organic products is estimated to exceed \$ 26 billion.

The domestic Bulgarian market of organic products reaches around € 4 million annually. Organic products are considerably more expensive than their counterparts since no insect pesticides or stimulants are used in their production. There is also organic animal husbandry—when animals are fed with organically produced forage

³ Ministry of Agriculture (2010).

⁴ Eurostat.

Table 2.2 Organic product's prices, euro per kilogram. (Source: NSI)

Product	Organic	Non-organic
Milk	0.89–0.99	0.55
Bananas	2.49	0.99–1.99
Carrots	2.09	0.59–0.89
Mushrooms/500 grams	3.95	1.29
Lettuce	2.09	0.99–1.45
Potatoes	0.99	0.25
Minced meat	15.1	3–7
Eggs	1.49 (6 pieces)	0.59 (10 pieces)
Sunflower oil	3.99	0.89

and are not given any antibiotics or hormones. This, however, makes production more expensive—simply because a tomato plantation is not treated with pesticides the yield drops by 20%.

Prices of organic products are high both worldwide and in Bulgaria. Despite the increase in supply, this high level is determined by the increased demand motivated by economic, social and ecological concerns. These high prices present a favorable prerequisite for specialization in a particular field of organic crop production or animal husbandry, both for the domestic market and for export. This represents a market niche with vast opportunities for achieving and maintaining sustainable competitive advantage. No price policy research in this market share has been conducted in Bulgaria. The data in Table 2.2 is indicative—it shows a comparison of prices of some traditionally manufactured goods and some organic ones, produced in organic farms in Germany.

Natural resources, traditional landscape and biodiversity are part of the national wealth. Preservation, restoration and appropriate management comprise the main goal of the sustainable development of rural regions in Bulgaria. Like in many other regions in Europe, one of the great challenges facing the restructuring and revival of the economy in rural areas in Bulgaria is to achieve the appropriate balance between securing food, the need for environment preservation in rural areas and the need for promoting economic development, creating new job opportunities included. One of the most reliable means to achieve the necessary integration of these political goals is organic farming. Supporting it as an eco-efficient method for agricultural production, which is also economically efficient, should take priority in the agricultural policy.

Determining this type of production as strategic ensues from its importance:

- To environment preservation, biodiversity and ecologic norms;
- To establishing a new type of behavior among producers and mostly among consumers;
- To creating alternative employment in rural areas with predominantly unfavorable conditions for conventional agriculture;
- To promoting 'green economy'—an alternative to sustainable development, promoted by the EU after the 2007 crisis and in accordance with the UN policy.⁵

⁵ European Commission, La PAC à l'horizon (2020).

The focus is on ‘green economy’ since the ecological field gains priority and the fact that production ‘gets green’ serves as a source for competitive advantages on the world market. The development of organic manufacture of products and food might prove to be a successful instrument to improve competitiveness of agricultural produce.

The ecologic goals pursued through stimulating the development of organic farming and the production of organic goods are as follows:

- Increasing the land where the methods of organic production are used, as well as the number of organic farms;
- Promoting the creation and development of different systems for organic production;
- Promoting more ‘balanced’ systems of organic production based on crop-rotation and mixed farms (plant- and animal-oriented);
- Maintaining balanced ecosystems and preserving the soil, water and energy resources;
- Improving the landscape in rural areas by sustaining the biological diversity and preserving the natural habitat, which also contributes to making rural areas attractive for people;
- Enhancing the reliability of seed and seedlings involving methods for organic production.

As a result of the prohibition for utilizing mineral fertilizers and synthetic products for plant protection, organic farming has a favorable impact on biodiversity, contributes to the preservation of water and soil quality, and facilitates the equilibrium in the soil-plants-animals system. Organic crop production stimulates the use, therefore the preservation, of old local plant varieties due to their better resistance to illnesses and pests and to their better adjustment to local conditions, i.e. they have a positive impact on preserving the genetic diversity of crops. Organic bee-keeping improves pollination in the wild and contributes to preserving biodiversity. Orchard pollination increases yield with no further use of nitrogen fertilizers, which facilitates soil preservation.

The considerable potential organic farming has in Bulgaria is determined by a multitude of factors:

- Favorable natural and climatic conditions;
- High share of land meeting the requirements for organic farming. The transition to market economy brought about the collapse of heavy, polluting industry, as well as intensive agriculture using a lot of fertilizers. Vast areas of idle land appeared and remained such for a long time. Thus, it became possible for soils to get clean from old pollution and to ‘rest’, accumulating fertility. As a result, around 80% of the land in Bulgaria is considered ‘clean’, while 38% of the arable land are suitable for organic farming;
- Growing demand on the world and the domestic market;
- Good legislative framework and regulation;
- Existing control and product certification systems;

- Progressively growing understanding of the benefits from this type of production;
- Well qualified specialists in this field;
- Potential for development of innovative and scientific and research projects resulting in greater efficiency; effective mechanism meeting the requirements of the European standards as defined in the Common Agriculture Policy (CAP) for granting subsidies.

There are considerable opportunities for developing such production in the country due to the natural and climatic conditions and soil diversity. This provides for growing a wide range of organic products. This type of farming will benefit the development of rural regions and prevention of land backwardness. The additional common benefits are related to creating new 'green' jobs, low-carbon production and sustainable rural development.

2.3 Results from the Development of Organic Farming in Bulgaria

In Bulgaria, like in any other EU country organic agriculture is subject to certain rules. The crops are grown on land which has not been treated with fertilizers at least 3 years. This has to be certified by a company authorized by the state. After that, organic and certified seeds should be used. The end produce should be approved by an authorized company, too. There are ten authorized companies and about 300 organic farms in Bulgaria.

Organic food does not have the good commercial presentation the modern consumer is used to, and quite often it is not durable since it is grown in entirely natural environment. But the food is characterized with something else which is of much greater importance—the loyal consumers whose number has increased over the past years exponentially. There is an upward trend for the product range for this type of buyers and organic food, which until recently was sold solely in specialized stores, become regular stock in local supermarkets. The times when only honey, herbs and nuts were sold at these stands are gone even in Bulgaria. Vegetables, fruit, food and drinks, pastry and confectionery, even lamb and veal are sold there. About 300 types of organic food are produced in the country. We can compare this number with the numbers in the remaining East European countries where there are between 1,000 and 2,500 organic goods, while in West Europe they exceed 10,000 where there are also non-food products—mainly cosmetics. All this means that there is a tendency toward a growing market and larger product range. The 2010 data show that the budget for organic food has been considerably increased.

Since 2001 there is a law in Bulgaria under which farmers are entitled to financial aid. It regulates the production and processing of organically produced goods, grown in natural environment (without chemicals, genetically modified ingredients, different artificial additives etc.). Organic farming in Bulgaria occupies 166,741 ha, which is 3.1 % of the municipal land and its production is constantly increasing. It

is mainly pastures (155.793 ha) that are certified as ecologically clean. The same certificate has been granted to 242,677 ha of forest where herbs, mushrooms and wild berries are collected.

Currently, the structure of the organic produce sold in the country is as follows: food is offered by 66% of all traders, herbs—48%, organic cosmetics—41%, essential oils—29%.⁶

The problems traders and manufacturers of organic products face can be grouped as follows:

- Financial problems, including insufficient funds, expensive production, considerable expenses, expensive animal feed etc.. Production becomes more expensive when the quantities sold are very small. What is more, certification itself costs around € 350,000 per year. The produced goods are much more expensive than conventional goods which predetermine the fact that it is almost impossible to operate organic farming without initial investment. The European subsidies aim to offset the additional costs but in order to qualify for those subsidies farmers have to meet high requirements.
- Difficulties related to the production process—undeveloped processing establishments, difficult access to plant protection products for organic products, difficulties related to watering or providing the necessary machines, resources, treatment etc.. Small, fragmented plots run by several enthusiasts dealing with organic farming, cannot provide access of this type of production to the EU markets.
- Labor-intensive production requiring qualified workforce that cannot be easily found.
- Low purchase prices and problems related to selling production in the country and abroad, sluggish market for organic goods in Bulgaria. Only 1–1.5% of the milk is sold as organic. The prices of organic goods are by 30–50% higher than those produced in conventional agriculture, but this is not a big problem on the Bulgarian market since there is a coherent group of consumers of this production.⁷ The bigger problem lies in the insufficient supply, lack of manufacturers, distributors and retailers of such products. It will take time and coherent government policy to stimulate and control the quality of goods in order to complete the chain. A serious problem arises from the fact that there is no clear differentiation between the notions natural, ecological and organic, of which only organic by law has the brand guarantee for producer and consumer.
- Difficulties which ensue from legislation, control and bureaucratic procedures. Due to administrative and volitional reasons a little more than 1% of the € 455 million earmarked for the period 2007–2013 for Bulgaria have been absorbed. There are two certifying bodies in Bulgaria and the certificates it issues are recognized on the European market. The services of foreign certifying firms may be used, but the certificate costs additional around € 20,000 per year. The legal framework in the field of organic farming is not homogeneous, the laws are not exhaustive, there are no national minimal requirements for the production of

⁶ Ministry of Agriculture, Sofia (2009).

⁷ Ministry of Agriculture (2010).

typically national organic goods, and there is no data about the state of organic farming in the country. Organic farmers should have at least 10-year rent contracts if they are to develop this type of agriculture, but over the last years mayors have started to terminate long-term contracts for municipal land on a large scale, which has additionally hindered the process.

So, it becomes obvious that the excellent opportunities for organic farming in our country cannot be utilized for the time being due to the mentioned practical obstacles. The Bulgarian market is insolvent in this field, whereas the world market remains inaccessible because the Bulgarian organic farming is fragmented, which determines the limited production.

Bulgarian agriculture and the related industries are the leading sectors in foreign trade. They have become of particular importance after the country joined the EU in 2007. This can be explained both with the historical development of the sector and with the modern prospects and tendencies in the sector.

Over 95% of the currently certified organic production manufactured in Bulgaria is exported mainly to western European countries (the Netherlands, Germany, Switzerland, Austria), the USA and Canada. These are mostly herbs—dried and as tea, fresh, frozen or tinned fruit, vegetables, honey, nuts, essential rose, lavender and peppermint oils.

Bulgarian firms fulfill orders of foreign contractors who process or repackage the production and sell it with their brand. Bulgarian organic products are sold with foreign brands which are recognizable by the European consumer. This, for the time being, is the only successful way of breaking into the world market.

2.4 The Necessity of Efficient Macroeconomic Policy in the Field

The fact that Bulgaria is focused on recovering from the recession should not divert our attention from the pressing issues related to what kind of economy we want to develop. If we do not do everything necessary to direct the economic recovery of the country toward sustainable low carbon future, we will be faced with a long-lasting uncertainty and considerable expenses due to the energy price dynamics and a destabilizing environment.

Along with that we have an incredible opportunity—to stimulate our own recovery, disclosing new sources of jobs and export. Bulgaria stands a good chance to find its place in this field. Our economy is strongly dependent on tourism and agriculture. Both branches have potential for ‘green economy’.

If the government and the business take too long, Bulgaria will not only lag behind in its competitiveness, but there will be serious consequences for the labor market, prices, wages and incomes. Actually, this is the next big challenge the country has to address after the crisis. Stimulating such production creates prerequisites for competitiveness and new comparative advantages for the Bulgarian economy.

Overcoming the consequences of the current economic crisis through the use of resources to stimulate ‘green’ manufacturing is not simply an opportunity, but an indispensable prerequisite for the modernization of the European economies. The future competitiveness will depend on energy efficiency and resource management. Although Bulgarian firms are strongly threatened by cost rise and loss of competitiveness in comparison with the rest of the world by making firm ecological commitments, this is a serious investment in the future.

One of the greatest challenges facing Bulgaria in the process of economic restructuring is securing balance between the sufficient production of food and increase in employment and the preventive environment protection.

Currently, organic farmers can receive financial aid under the first pillar of the Common Agricultural Policy through direct payments and measures for supporting prices. Stimulating measures are envisaged under the second pillar of CAP for rural development by means of agri-environmental payments. These are axis-2, measure 214 and axis-1, when purchasing the necessary equipment for organic agriculture.

Financing agricultural producers involved in ecological farming, including organic farming is based on Measure 214 “Agri-environmental payments” from the Rural Development Programme (RDP) (Ministry of Agriculture Sofia 2007) for the period 2007–2013. The implementation of Measure 214 is regulated by Regulation 11 of 06.04.2009 stipulating the terms and order for implementing measure 214 “Agri-environmental payments” from the Rural Development Programme for the period 2007–2013. In terms of organic production Regulation 11 specifies the financial aid for organic plant breeding and organic bee keeping.

Agri-environmental activities are financed for a period of 5 years. The financial help is in the form of annual payments with 82% of the funds provided by the EU, and 18%—by the national budget. The people receiving aid under sub-measure “Organic farming” are obliged to observe the requirements laid down by Regulation of the Council 834/2007 and Regulation of the Commission 889/2008 and should get at least once over the five-year support period a certificate or written proof for compliance of the manufactured goods with the rules for organic production.

There is a National agri-environmental programme (NAEP) too. Its main goal is stimulating the eco-friendly agricultural production methods. NAEP will provide agri-environmental payments for farmers who willingly cultivate their land in an environment friendly way and in this way provide benefits for the entire society.

Farmers involved in organic agriculture are entitled to the following amount of money under RDP:

- Arable crops: in transition—€ 181/ha, undergone transitional period—155 €/ha;
- Permanent crops, vines, oil rose; in transition—505 €/ha, undergone transitional period—418 €/ha;
- Vegetable crops, including mushrooms: in transition—483 €/ha, undergone transitional period—357 €/ha;
- Bee hives: in transition or undergone transitional period—11.5 €/ha.

In 2008 BGN 4.232 million were paid out to 106 applicants who have submitted applications. To applications submitted in 2009 for the period 01.12.2009–06.07.2010 BGN 4.569 million were paid out under the measure.⁸

The qualitative analysis of the approved applications shows that the number of the approved applicants for aid under the measure is merely 2.6% of the goal set in the RDP, but the plots approved for aid are 25.5% of the set goal. In terms of genetic resources the number of the approved projects amount to 9.8% of the target.

Another area in providing financial aid to farmers (including those dealing with organic agriculture) is investment lending. In 2009 investment lending was directed toward stimulating the investment process in agriculture and is carried out within the framework of three programs—“Plant breeding”, “Animal husbandry” and “Agricultural machinery”. The three investment programs and the subsidies granted refer to the so called “existing government aid” with maturity date 31.12.2009. The activities and objects to be financially supported are:

- Purchasing pedigree and fertile animals;
- Creating and restoring bee hives;
- Purchasing machines for animal husbandry;
- New construction, purchasing, restoring and restructuring of agricultural buildings and milk-collecting stations;
- Creating and restoring permanent crops;
- Establishing nurseries;
- New construction, purchasing, restoring and reconstruction of greenhouses;
- Restoring rice fields;
- Purchasing agricultural machinery and tools, including spare parts.

Twenty-nine projects have been financed, respectively refinanced under the three investment programs. Credit funds amounting to BGN 31,919,036 have been granted, which is by 162.5% more than the funds extended in 2008 (BGN 12,578,299). The investment projects are financed directly from the Fund with an annual interest rate of 6% and through refinancing by the Commercial banks at 9% interest rate.⁹

By 2013, when the Rural Development Programme ends, Bulgarian producers will have at their disposal approximately BGN 1.6 billion reserve budget for agri-environment, organic production and compensatory activities in the mountainous regions and these funds cannot be transferred to any other activities. Producers and experts believe that a very big part of these subsidies will not be absorbed because the requirements toward environment-friendly plant breeding and animal husbandry are very demanding.

The European regulations require that 8% of the agricultural land in Bulgaria be planted with organic fruit, vegetables and cereals by 2013. Currently there are merely 3.1% organic plants. The aim of the programme is to have 3% organic production of the whole agricultural production.

⁸ Ministry of Agriculture www.mzh.government.bg/.

⁹ Ministry of Agriculture (2010).

Strategic goals and earmarked budget:

- Development of the market of organic products—BGN 29,975,000;
- 8% of the used agricultural land should be cultivated in an organic manner by 2013—BGN 84,017,000;
- Practice-oriented scientific research, education, training and consultancy in the field of organic agriculture—BGN 48,359,000;
- Introducing an efficient system of control and certification—BGN 2,173,000.

For each of the strategic goals the budget is presented in detail for each year. The total budget granted for the fulfillment of the National Plan for Development of Organic Farming (NPDOF) goals is BGN 164,544,000.

The achievement of these goals requires much more active policy on the part of the state to stimulate and encourage organic producers.

2.5 Recommendations for Improving the Macroeconomic Efficiency

- We should not rely entirely on European subsidies. They should be accompanied with government support to stimulate organic production. In 2009, in the conditions of economic crisis, farmers faced difficulties in acquiring the financial resources necessary for the sowing campaign from the commercial banks. Given the situation State Fund Agriculture initiated two schemes for short-term credits at 3% interest rate. This practice can be implemented with priority for organic farmers.
- Bulgarian organic farming today can provide neither permanent nor sufficient deliveries for the European market and for the domestic one alike. This is a reason why big chains of stores do not show any interest (or just slight interest) toward these products. It is possible to carry out trade in smaller but specialized and easily recognizable shops with constantly growing network of stores.
- Financing scientific research related to new technology for organic production and processing of organic products should take priority. Creating an entire chain: science—production—processing—placement of organic food would spur the development of the sector. Ecological technology is the road to the future development of “green economy”. The measures which would stimulate and accelerate a behavior like that are mainly the following:
 - Creating a national fund supporting the development of new ecological technologies. Its resources should be the result of “green taxes” (for example, carbon tax should be collected in a separate fund).
 - Encouraging the creation of funds for developing ecological production (through lower taxes for a long period of time, other reliefs and preferences) and in particular the innovative and scientific activity directed at developing ecological technology.
 - Encouraging the creation of municipal and regional funds financing similar activities.

- Creating new jobs in sectors with high ecological potential.
- The provision of subsidies and payments in agriculture should depend on and correspond with the equipment meeting the ecological norms and standards.
- Partnership between the national government and the European structural funds in financing ecological projects.
- The state can define ecologically clean regions in the country where organic farming can be developed. If the process is regulated, the farmers will not waste money and time to get certification. This activity can well be combined with ecotourism and/or historic tourism for which Bulgaria provides excellent conditions. This type of putting together various activities brings to the fore a different, entirely new product, directed at our health and the wellbeing of the entire planet. This product matches the needs of the new tourist, i.e. the one who cherishes the clean and beautiful nature, the meals cooked from ecologically clean products, the tourist who finds all that not only a tourist attraction, but a lifestyle.
- An acceptable idea is the one about “green VAT”—lowering VAT for products which meet the ecological norms and for companies which change their behavior in the direction of ecologically-oriented model of production. So far the choice of productions which can take advantage of lower VAT was based on social considerations rather than ecological. The introduction of such reliefs for sectors with energy saving production and with low carbon intensity would be a step forward in the “greening” process of the economy. A measure like this would affect favorably the end price of organic products, therefore their competitiveness. A number of additional fiscal reliefs are possible both for producers of organic products and for the processing establishments, such as partial remission of the corporate tax for registered farmers who are legal entities, remission of corporate tax for tax liable individuals, remission of tax on incomes from farming for registered farmers and tobacco producers who are physical bodies, tax exemption for buildings used for farming, imposing preferential excise duty rates on motor vehicles used for agricultural land cultivation.
- Additional financial aid encouraging farmers to use and manage environmentally-friendly resources. An approach like that is part of the new tendencies to reform the EU Common Agricultural Policy after 2013 and corresponds with the process of ‘greening’ of agriculture.
- Maximum simplification of the certifying procedures of organic products and the administration of payments. With regard to encouraging more farmers to switch to organic production it is necessary to gradually enlarge the scope of the activities under measure 214 “Agri-environment”. Closely connecting the policy for encouraging organic agriculture with the other measures for sustainable development of rural areas. For example, giving priority to financing infrastructural projects in the municipalities with predominantly developed organic farming and ecological tourism.

References

- EurActiv.fr | 19.11.2010 | Agriculture et environnement Vers une agriculture européenne plus verte
European Commission, La PAC à l'horizon (2020) Alimentation, ressources naturelles et territoire—relever les défis de l'avenir, 2010 <http://ec.europa.eu/agriculture/>
Ministry of Agriculture (2010) Annual report of development of agriculture
Ministry of agriculture www.mzh.government.bg/
Ministry of Agriculture, Sofia (2007) Rural development programme for the period 2007–2013
Ministry of Agriculture, Sofia (2009) Production, distribution and consumption of organic products in Bulgaria, Sofia



<http://www.springer.com/978-94-007-7956-3>

Science, Policy and Politics of Modern Agricultural
System

Global Context to Local Dynamics of Sustainable
Agriculture

Behnassi, M.; Shahid, S.A.; Habib-Mintz, N. (Eds.)

2014, XXXI, 380 p. 79 illus., 66 illus. in color., Hardcover

ISBN: 978-94-007-7956-3