



USDA Foreign Agricultural Service

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## Bulgaria

### Agricultural Situation

#### Domestic support update

**2007**

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**Report Highlights:**

In 2007, about 63,000 farmers are expected to be eligible for direct subsidies under single area payment schemes. The amount of subsidy per hectare is estimated at 70-75 Euro/HA as a combination of EU and national funding. Payments for energy crops and farms in less favored areas are likely to be minimal due to late introduction of the legislation.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Sofia [BU1]  
[BU]

**Economic growth** ..... **3**  
**Domestic support** ..... **3**  
    Cross compliance ..... 3  
    Direct subsidies..... 3

## Economic growth

The latest economic data shows that GDP growth in 2006 was slightly less than expected by the Bulgarian Government (GOB) and International Monetary Fund, at 6.1 percent. This is below the growth in 2005 (6.2 percent). The slower growth rate was first registered in the last quarter of 2006, 5.7 percent vs. 6.0 percent in the same period in 2005. In nominal terms, the GDP in 2006 was 49 billion leva (about 25 billion Euro) or 0.5 billion Euro more than in 2005. Growth was considerable for industry, 8.3 percent, and services, 6.1 percent, while agricultural performance was not very good with a decline of 1.9 percent. In the first quarter of 2007, the growth rate was also below the expectations at 5.8 percent, according to early data.

## Domestic support

### Cross compliance

In the period 2007-2009, Bulgaria was allowed to apply the simplest domestic support schemes in direct payments per hectare of cultivated land (SAPS). The requirements for good farming practices which are currently being developed introduce basic environmentally friendly practices but are still far from the full cross-compliance. Cross-compliance requirements should become mandatory by 2012.

In March, Bulgaria announced its plan to request from the EC a more liberal approach for the application of cross-compliance rules. It is considered that current EC requirements for safety and environmentally friendly farming practices will be a significant challenge for farmers, and at a high cost. Bulgaria justifies the future request with the fact that local soils and rivers are not polluted to the same extent as in the old EU Member States. The use of fertilizers and chemicals over the last 15 years has been minimal. Another justification is that as long as Bulgaria is granted less than 100 percent of EU-15 direct subsidies, the country should also have more liberal eligibility criteria.

### Direct subsidies

As of late April, total about 2.8 million HA were registered by 63,000 farmers under SAPS. The deadline for applications is May 15. It is expected that the total number of registered farmers will not exceed 65,000, for 3.0 million HA. Total agricultural land eligible for direct subsidies is 3.8 million HA, and the number of eligible farmers was estimated by the Ministry of Agriculture at about 160,000.

Current estimates show that farmers will likely receive 100 leva/HA (50 Euro) of SAPS payments. Another 40 leva to 50 leva (20-25 Euro)/HA will be paid from national top-ups, however, these payments do not cover orchards, vineyards and tobacco.

Additional payments for less favored areas are not clear yet. According to recent Ministry of Agriculture data, such payments are included in the rural development funds at a value of 780 million Euro (2007-2013). Applications will be accepted from 2008 since the National Plan and Program for rural development are not yet approved by Brussels. Currently, total 4,600 residential areas are in less favored areas category and 1,700 of them are in mountain regions. Reportedly, this territory covers 4.2 million HA but it is not clear how much of this land can be actually cultivated. The eligibility criteria are for minimum 0.5 HA of cultivated land per a farm. Payments vary from 100 Euro/HA for meadows and mountain terrains for smaller farms with land from 0.5 HA to 50 HA, to 40 Euro/HA for larger size farms. Similarly, payments for regions with poor soils are for farms with minimum land of 1.0 HA, and vary

from 50 Euro/HA for small farms with 1.0 to 100 HA, and less, 20 Euro/HA for larger farms with land up to 200 HA.

Payments for energy crops are 45 Euro/HA. However, the requirements for 60 Euro/HA guarantee deposit made by the processor (a local regulation is currently being developed) and the lack of the Law for Renewable Energy may hinder these payments. According to trade sources, the few biodiesel facilities in country are trying to close contracts for processing with non-Bulgarian EU processors (Romania, Greece, Austria) in order to show their contracts to the Payment Agency and become eligible for payments. Due to late introduction of regulations, however, it is forecast that a very small amount of energy crops payments will be done for 2007.