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ORCID:

DOI:

Published First Online:

Pages: 89-95

How to cite:

THE EFFECTS OF THE APLICATION OF OSP ON THE COMPETITIVENESS OF BEEKEEPING IN BULGARIA

ABSTRACT

The aim of this paper is to measure and evaluate the effects of the CAP instruments on the competitiveness of the beekeeping sector and, on this basis, to make recommendations for increasing the effectiveness of the application of these instruments in the future. A Common Monitoring and Evaluation Framework is used to assess the effects of CAP implementation on sector efficiency and competitiveness. It can be summarized that the future development of small bee farms cannot be achieved without the active financial support of the State. This support is necessary because these farms are the backbone of rural economic development. Farmers have a strong motivation to develop their farms, which is determined by the desire to ensure a better way of life.

KEY WORDS

competitiveness, beekeeping, CAP, regional, application

JEL

R10, H52, R55

INTRODUCTION

Financial support for the adaptation of Bulgarian beekeeping to the changing business environment is implemented through two approaches (intervention pillars) within the CAP. The financial instruments that are intended to have an impact aim to set a framework for the development of the sector that will ensure the protection of the environment and increase the efficiency of the production resources invested in the sector. Beekeeping in Bulgaria is one of the main (and sometimes the only) sources of income generation in mountain areas (2). This sector also plays an important social function, creating employment conditions in regions where large-scale industrial projects have operated in the past, providing livelihoods for the local community but intensively polluting the environment and consuming natural resources to a significant extent (3). One approach to adapting the beekeeping business to changes in the business environment is to create conditions for efficient management of

production resources. Management efficiency is expressed in the use of "new" technologies to replace the current resource-intensive technological solutions applied in the beekeeping and related sectors.

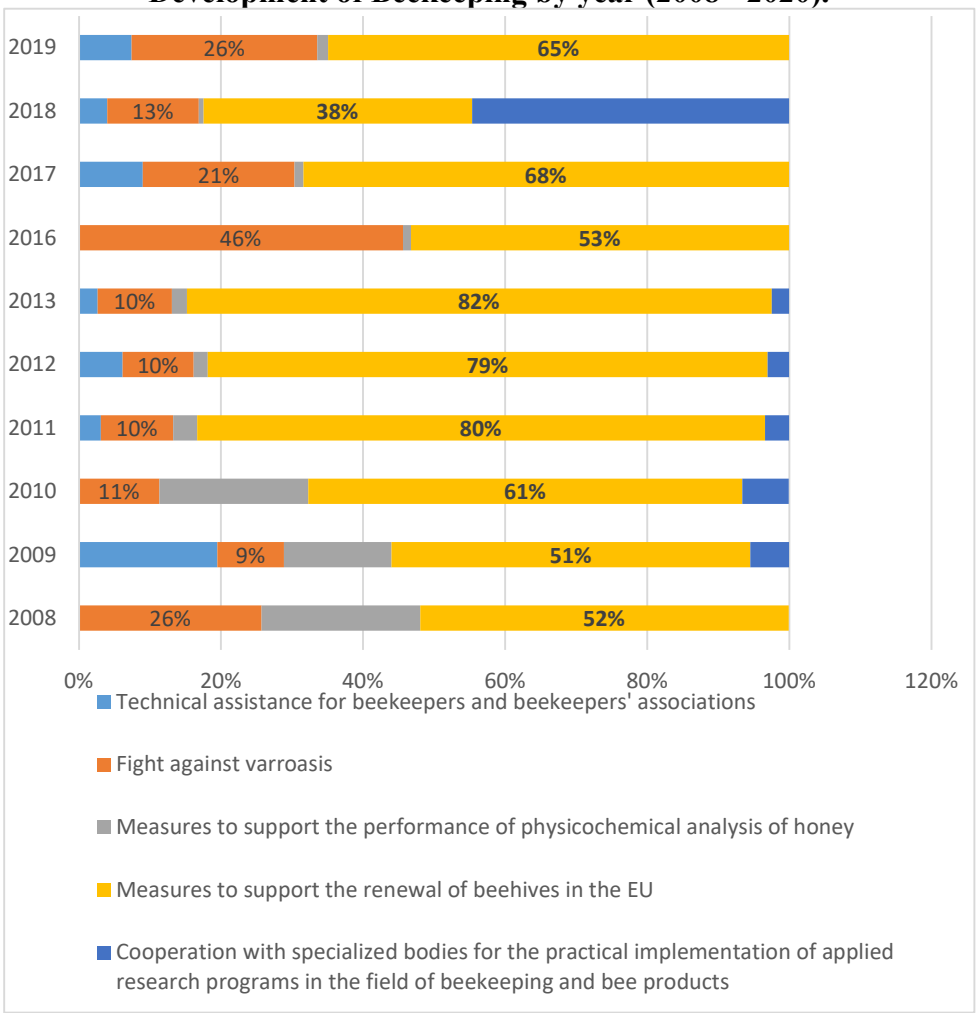
The aim of this paper is to measure and evaluate the effects of the CAP instruments on the competitiveness of the beekeeping sector and, on this basis, to make recommendations for increasing the effectiveness of the application of these instruments in the future(1).
A Common Monitoring and Evaluation Framework (CMEF) is used to assess the effects of CAP implementation on sectoral efficiency and competitiveness in order to measure the results of CAP implementation for the period 2014-2020, to demonstrate its achievements and to improve its effectiveness. For the first time, this framework covers both the first pillar (direct payments and market measures) and the second pillar (rural development), as well as horizontal measures (e.g. cross compliance) of the CAP.

ANALYSIS AND RESULTS

Analysis of the effectiveness of the CAP as an impact factor on the sector. The first approach under the CAP focuses on the efficient management of productive resources in the sector through the application of a direct payment scheme per unit area. The second approach (pillar) is the use of financial schemes to encourage investment activity in the sector, to introduce 'new' production technologies. This calls for a careful analysis of the approaches to the problems highlighted and a search for effective analytical techniques that allow for more qualitative and appropriate analysis at the level of sectors and sub-sectors. This implies a more careful analysis of the approaches and their ranking and segmentation.(6).
The following financial support mechanisms for the beekeeping sector are set out in Pillar I of the CAP: (1) Direct payments per unit area, national additional payments to direct payments and specific support and (2) Market support mechanisms. These financial mechanisms account for about 30% of the CAP budget that finances the development of agriculture and the beekeeping sector in particular. Pillar 1 includes all financial support schemes for bee farms (which are coupled or not coupled to production) as well as the measures - M10, M11, M12 and M13 of the 2014-2020 RDP. ***Measure 11 "Organic beekeeping"*** is of particular interest to beekeepers**.** This measure includes two sub-measures for the allocation of financial support within the Measure 11 budget. These are sub-measure 11.2 Payments for maintaining organic beekeeping and sub-measure 11.1 Payments for conversion to organic beekeeping. Within the framework of Measure 11, the largest financial resource was used under sub-measure 11.1 "Payments for conversion to organic beekeeping" - BGN 1 192.2 thousand (for the period 2014-2020). This sub-measure contributes the most to the absorption of financial resources for the conversion of bee farms from conventional to organic production methods**.**
Market support mechanisms. The EU's common organisation of agricultural markets aims to stabilise them, ensure a better standard of living for the population employed in the agricultural sector and provide quality and safe food at affordable prices. It covers market support measures, regulatory measures relating to quality control of agricultural products, recognition of producer organisations, issuing of import and export licences, etc. Market measures are key instruments of the CAP and act as a safety net in times of market volatility. Market volatility poses a threat to the sustainable development of bee farms, which may hinder the process of introducing 'new technologies' in the sector to achieve efficient management of production resources (1). The market support mechanisms are aimed at influencing 5 (five) strategically important agricultural sectors, such as the beekeeping sector. The financial instrument aims to support the marketing of beekeeping products. This financial instrument finances business activities aimed at building competitive advantages for Bulgarian bee products on the international market. The main instrument for financial support for beekeeping, presented as the financial mechanism for market support, is the National Beekeeping Development Programme (NDP).
This programme has been prepared in cooperation with beekeeping organisations, in accordance with the requirements of EU Regulation 1308/2013.94. The main objective of the Programme is to

improve the conditions for the production and marketing of honey and bee products, increase the efficiency of production, quality and competitiveness of Bulgarian honey and bee products, protect and sustainably develop the bee population, provide better employment and higher incomes for beekeepers(6). The financial assistance shall be granted for investments, expenditure or projects in the following areas - measures:
1 technical assistance for beekeepers and beekeepers' associations;
2 combating lime disease;
3. measures to support laboratories carrying out physico-chemical analysis of honey;
4. measures to support the renewal of beehives in the Community;
5.cooperation with specialised bodies to put into practice applied research programmes in the field of beekeeping and bee products. Within the framework of the National Programme for the Development of Beekeeping, a total of more than 52 million BGN of financial support has been made available to beekeepers since 2008. Figure 1 shows the structure of the financial assistance under the Programme in the period 2008-2008. - The financial framework for the apiculture sector in the period 2020 is as follows The figures show that the largest share of the funds provided is directed towards the construction and renewal of apiaries by subsidising the purchase of new hives (4). Over the years, the Programme has provided funds to cover investments ranging from 38% to 82% of the total budget of this financial instrument. A large proportion of the financial assistance is intended to promote the effective control of bee pests such as varroasis (this proportion has varied over the years from 9% to 26% of the total financial resources available).

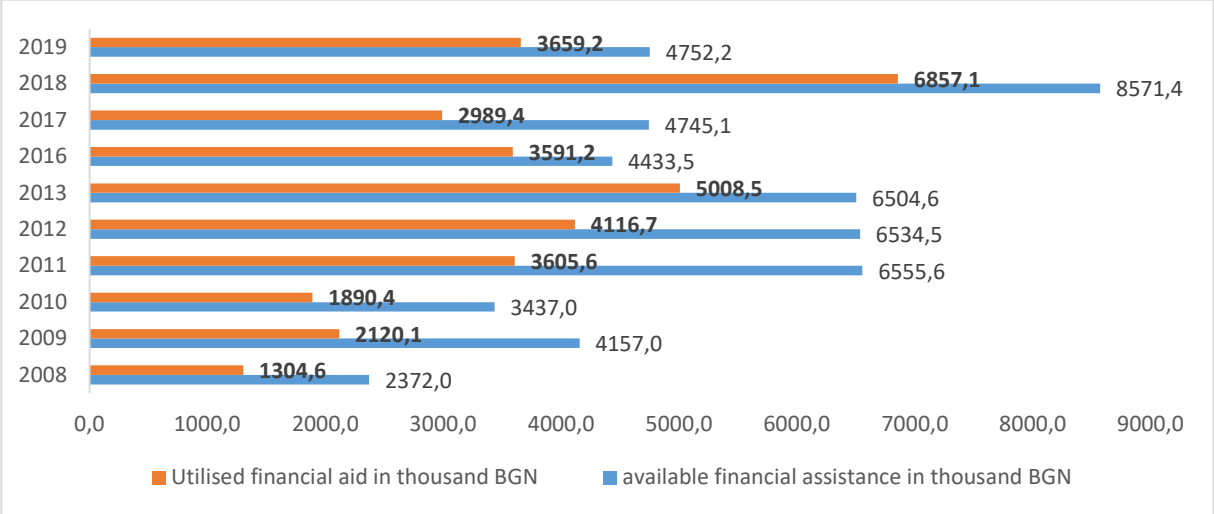
Figure 1. Structure of the financial support within the National Programme for the Development of Beekeeping by year (2008 - 2020).



Source: own calculations based on data from the published reports of the State Fund for Agriculture - 2010, 2012, 2014, 2018, 2020.

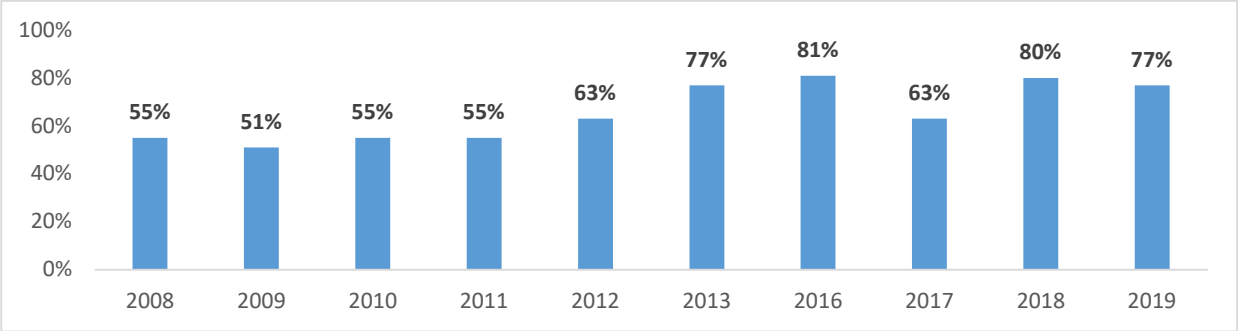
Figure 2 provides information on the financial assistance available and used for the development of the sector over the years. The figures show that the available financial assistance of BGN 2.37 million in 2008 increased significantly and reached a maximum of BGN 8.57 million in 2018. This proves that the country recognizes the beekeeping sector as strategically important for the development of agriculture and over the years has sought to attract more investment in the sector by increasing the available financial assistance by almost 3 times. The rate of absorption of financial assistance has also increased over the years, from BGN 1.3 million in 2008 to a maximum of BGN 6.86 million in 2018. Over the years, the National Beekeeping Development Programme has become one of the most successful financial mechanisms for supporting Bulgarian agriculture, with beekeeping being cited as a successful example for attracting young and new entrepreneurs to the agricultural sector (3). However, the uptake of financial support has not been satisfactory. Figure 3 provides information on the absorption rate of the financial assistance foreseen under the Programme.

Figure 2. Available and used financial support under the National Beekeeping Development Programme by year (2008-2020).



Source: own calculations based on data from the published reports of the "State Fund of Agriculture" - 2010, 2012, 2014, 2018, 2020 and data of the Beekeeping Development Program - 2008-2010, 2011-2013, 2017-2019.

Figure 3. Utilisation rate of the financial support foreseen in the framework of the National Programme for the Development of Beekeeping by year (2008 - 2020).

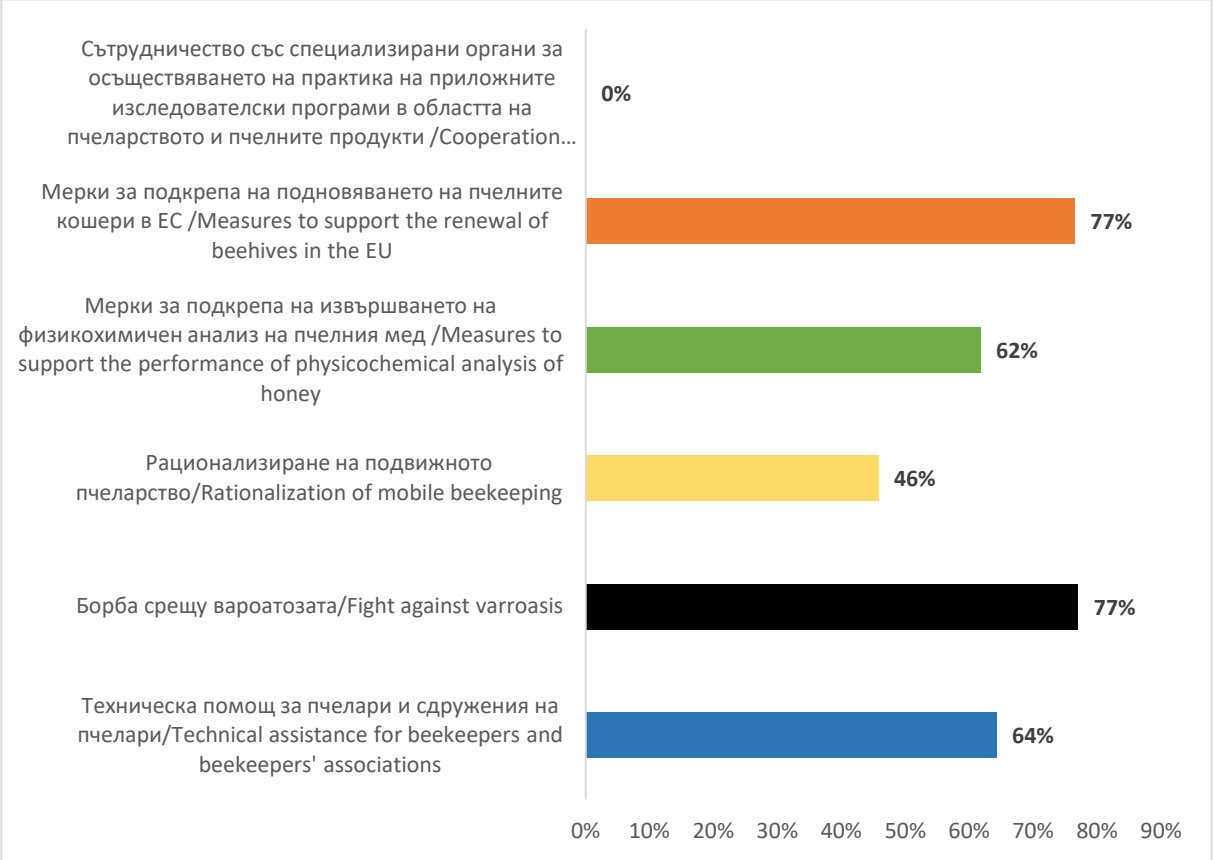


Source: own calculations based on data from the published reports of the "State Fund of Agriculture" - 2010, 2012, 2014, 2018, 2020 and data of the Beekeeping Development Programme - 2008-2010, 2011-2013, 2017-2019.

The data shows that the rate of absorption of financial assistance varies from 51% in 2009 to 81% in 2016. In the period 2012-2016, the absorption of financial resources has been increasing as well as in the period 2017-2019. The main reasons (barriers) for the increase in the uptake of financial assistance were initially the unpopularity of the Programme among farmers, the low confidence in

this financial instrument, and later the small size of the advance payment as well as the inability of beekeeping farmers to secure co-financing for their business projects.

Figure 4. Rate of absorption of financial support, by individual measures of the National Programme for the Development of Beekeeping (% of total available support on average for the period 2016-2019)



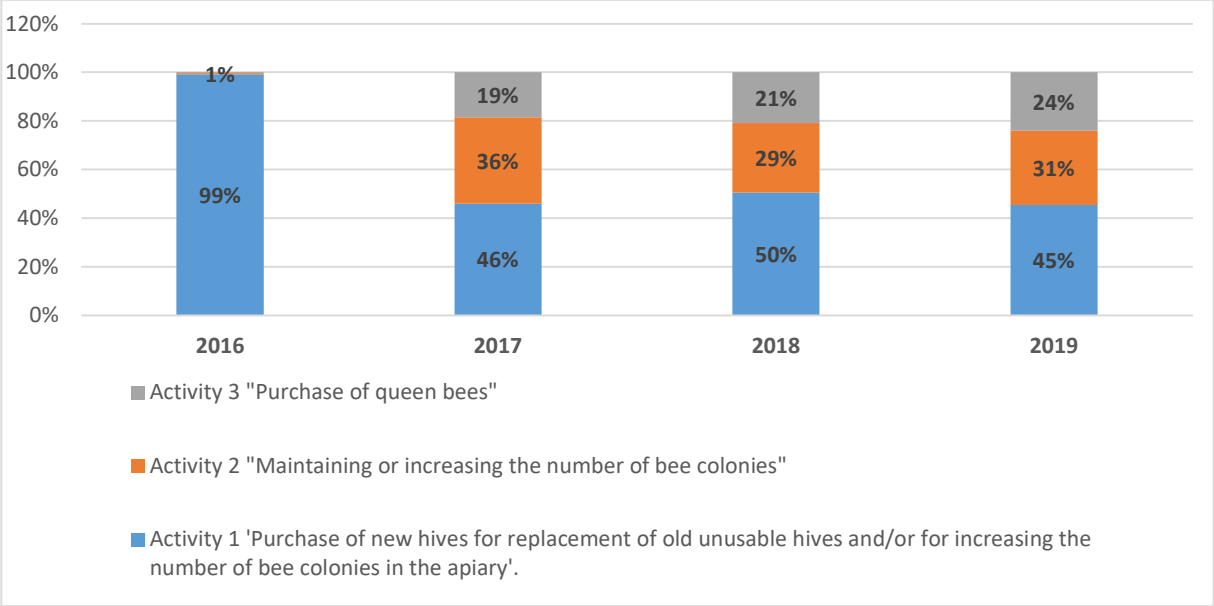
Source: own calculations based on data from the published reports of the "State Fund for Agriculture" - 2016-2019 and data of the Beekeeping Development Programme - 2016-2019

Figure 4 provides information on the uptake of financial assistance under the different measures of the Programme. The measures with the highest uptake are. Support measures for the restocking of beehives and (2) Control of varroasis. For these two measures, 77% of their total available budget was used. The first measure has the most significant financial resources of the measures included in the Programme - about 2/3 of its budget (see Figure 1). This measure aims at the establishment and renewal of beehives as a basis for successful business development of farms in the sector. One of the main problems in beekeeping remains the effective control of bee pests and, in particular, the bee disease lime disease. For prevention and treatment, the measure "Fight against varroasis" covers about 26% of the available financial resources of the Programme (3).

It is notable that no funds have been used under the measure "Cooperation with specialised bodies for the practical implementation of applied research programmes in the field of beekeeping and bee products". This is the main financial instrument of the Programme to promote technology transfer and innovation in the apiculture sector (1).

Figure 5 provides information on the funds used for the different activities included in the measures to support the renewal of beehives. It can be seen that mainly the financial support under this measure was used for the purchase of new hives in the period 2016-2019.

Figure 5: Utilisation rate of the financial support, by individual activity, covered by the measure "Measures to support the renewal of beehives" of the National Programme for the Development of Apiculture (% of total available support)



Source: own calculations based on data from the published reports of the State Fund for Agriculture - 2016-2019 and data from the Beekeeping Development Programme - 2016-2019.

Effects of the CAP on sectoral competitiveness. In the current CAP environment, bee farms in the country identify the following barriers to increasing the competitiveness of the sector - organic access to some inputs and high production costs; insufficient working capital; limited market access; competitive imports of bee products from China, as well as frequently changing regulations; and lack of sufficient experience in managing projects funded under the different measures of the Programme. One of the main factors for increasing competitiveness and improving market access is to increase the production capacity of bee farms and to accelerate the process of diversification towards the production and marketing of bee products with higher added value.

A major limiting factor in increasing the size of a bee farm is access to credit and the low market price of honey. Farmers point out that production costs have increased significantly and even with the help of the various measures that support them they cannot achieve a satisfactory return on inputs. The banking sector has high requirements regarding the collateralisation of investment loans and thus limits farmers' access to credit resources. This is the main reason why bee farms do not invest in expanding production capacity or adding value to the honey they produce. Another critical factor for the successful development of bee farms is the low market price of honey. Bee farm keepers report that this market is extremely dominated by resellers who set low farm gate prices in order to be able to extract higher profits from the business. Another factor that drives down farm gate prices is competing honey imports from China. Low income levels and achieving financial stability with exclusively own funds objectively limit the available finances of bee farms needed for investment and structural development (5).

There are also restrictions on access to quality references and materials. Most farmers do not trust the quality of the references and materials offered by traders. The low efficacy of these preparations leads to their more frequent use, and this reflects on production costs. Traders often play tricks and refuse to issue invoices to farmers, who then cannot declare these costs.

CONCLUSION

It can be summarized that the future development of small bee farms cannot be realized without the active financial support of the state. This support is necessary because these farms are the backbone of rural economic development. Farmers have a strong motivation to develop their farms, which is

determined by the desire to ensure a better way of life. In this study, the realisation of these opportunities builds on the strengths of bee farms. However, it is pertinent to point out that establishing one's own brand, converting production to organic requires are business activities requiring large investments that are accompanied by high risk. The weak influence of small producers on the purchase price, the high production costs determined by the rapid increase in the prices of medicines, preparations and fuels and the reluctance to cooperate that has become established among these circles pose significant organic challenges for the future development of bee farms. Therefore, the number of these farms will remain large in the future and solutions for their survival are difficult to give. One of the opportunities for development on organic bee farms is the so-called co-investment, which is provided for in the new rural development programme. Under this programme, conditions will be created to encourage joint investment for the needs of bee farms, without the need to set up associations and cooperatives beforehand to implement investment decisions. If this condition became part of the new programme, beekeepers would have another alternative for sharing the investment risk in the organisational development of their holdings.

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