



# **STATE AID IN AGRICULTURE**



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# **INTRODUCTION**



## State Aid In General

- no framework legislation
  - no single institution
    - many applications, programs, schemes
      - mostly horizontal



Horizontal ones which are not covered here are covered under State Aid- Chapter 8: Competition Policy

For further details, these reports and presentations are accessible on web through the page:

[www.abgs.gov.tr/tarama/tarama\\_files/08/08AT\\_Annotated.htm](http://www.abgs.gov.tr/tarama/tarama_files/08/08AT_Annotated.htm)



## State Aids Specific to Agriculture

- major supports in Turkish agriculture: “operating aids”
- detailed information about implementation, rules and conditions of operating aids; covered under following agenda items:
  - “direct payments and other aid schemes”
  - product specific presentations



- a list of operating aids and table of their expenditures included
- information for remaining 15 measures (other than operating aids) given in this presentation
  - specific to agriculture, with two exception:
    - duty loss
    - capital injection

actually explained in the presentation for state aid under competition policy chapter, due to its relevance with the topic, iterated under this heading



# **OPERATING AIDS**





- ✓ ***Direct Income Support + Diesel and Chemical Fertilizer Support (based on area)***
- ✓ ***Premium Payments (for Sun Flower, Cotton, Canola, Soy Bean, Olive Oil and Maize)***
- ✓ ***Milk Premium***
- ✓ ***Tea Support Services***
- ✓ ***Farmer Transition Payments (for Hazelnut and Tobacco)***
- ✓ ***Cereal Premium***
- ✓ ***Mohair (Angora Wool) Support***
- ✓ ***Silk Cocoon Support***
- ✓ ***Export Refunds***



SCREENING CHAPTER  
AGRICULTURE AND RURAL DEVELOPMENT  
AGENDA ITEM 7: STATE AID IN AGRICULTURE



million Euros

TYPE of OPERATING AID	Form of the AID	2005 Expenditure	2006 Est. Expenditure
Direct Income Support (DIS)	Area based aid	1,405.2	1,077.8
Premium Payments	Production based aid	376.2	439.5
Milk Premium	Production based aid	50.9	53.2
Tea Support	Production based: for income support Area Based: for structural support	67.7	83.9
Farmer Transition Payments	Area based structural support	0.36	0.36
Cereal Premium	Production based aid	125.0	-
Mohair Support	Production based aid	0.76	1.06
Silk Cocoon Support	Production based aid	0.86	0.84
Export Refunds	Based on exported amount	24.8	25.0
<b>TOTAL</b>		<b>2,051.78</b>	<b>1,681.66</b>



## Tea Sector

- area of 76,000 ha
- 202,000 farmers
- 1,200,000 ton/year leaf production  
(214,000 da/year black tea)
- produced in Eastern Black Sea region  
(Rize, Trabzon, Artvin, Giresun and Ordu)
- 145 % tariffs for third countries  
(45 % for 200 ton tariff quota for EU)
- EU has no tariffs on tea import

→ need further discussion...



# AIDS FOR PRIMARY PRODUCERS



**a) Investment aids**

- ✓ ***Subsidized Credit Scheme for Farmers (via Ziraat Bank and Agricultural Loans Cooperative Associations)***

**b) Forestry sector aids**

- ✓ ***Individual and Cooperative Based Loans Provided for Forest Villagers***

**c) Agro-environmental aids**

- ✓ ***Environmentally Based Agricultural Land Protection (ÇATAK) Program***



## **Investment Aids: Subsidized Credit Scheme for Farmers (via Ziraat Bank and Agricultural Loans Cooperative Associations)**

Aim : to improve productivity and quality of agricultural products.

Institution : Undersecretariat of Treasury  
(subsidizing the difference between the normal and subsidized rates of Ziraat Bank)

Ziraat Bank and ALCA (implementation)

Legal Basis : Decree No: 2005/8378 (last one)



### Instruments and Implementation:

- Ziraat Bank assigned to give soft loans to agriculture
- max. 500,000 YTL (299,490 Euros) credit for livestock breeding  
max. 250,000 YTL (149,745 Euros) for other agricultural loans
- max. 5 years maturity for investment loans  
max. 18 months maturity for operating loans
- subsidized at 25-60 percent of the Ziraat Bank's current interest rate
- difference between the rates of Ziraat Bank imposes on farmers and market rate → subsidized by Treasury

Duration: scope of scheme revised annually

Expenditure: 2005 → 40 Million Euros – 2006 → 67.2 Million Euros



## Forestry Sector Aids: Individual and Cooperative Based Loans Provided for Forest Villagers

Aim: to increase the welfare of forest villagers, protect and improve the forests

Institution: Ministry of Environment and Forestry

Legal Basis: Communiqué on The Basis and Principles of Forest Villagers Development Services





### Instruments and Implementation:

- Direct grant: for the purposes of training, extension, demonstration facilities, individuals or village legal entities may be provided a direct grant
- Soft loan: provided to forest villagers, individually or via cooperatives

Duration: not specified

Expenditure: 2005 → 25,5 Million Euros  
2006 → 25,6 Million Euros



## Agro Environmental Aids: ÇATAK Program

Aim: to reduce adverse effects of agricultural practices on environment, to prevent soil erosion, to sustain renewable natural resources, to protect the natural cover and the quality of soil and water

Institution: Ministry of Agriculture and Rural Affairs (MARA)

Legal Basis: Law No: 5403 “The Protection of Soil and Use of Land”

Decree No: 2005/9230 “Support to Producers who Prefer Agricultural Practices foreseen in the ÇATAK Program

By-law on Providing Subsidy and Technical Support to the Producers Who Prefer Agricultural Practices Covered in the ÇATAK Program



### Instruments and Implementation:

- direct grant: per hectare, awarded to farmers who select and implement some of the options declared within the regulation
- amount changes according to the categories mentioned in the regulation
- implemented as a subcomponent of Agricultural Reform Implementation Project (ARIP)
- as a pilot implementation for the prospective ÇATAK program

Duration: 2006 – 2007

Expenditure: 2005 → None  
2006 → 7.14 Million Euros



# AIDS FOR PROCESSING AND MARKETING OF AGRICULTURAL PRODUCTS



- ✓ **Animal Husbandry Supports**
- ✓ **Village Based Participatory Investment Program**
- ✓ **Capital Injection to Agricultural SEEs**
- ✓ **Duty Loss Payments to Agricultural SEEs**
- ✓ **Subsidized Credit Scheme for Agricultural Sales Cooperative Associations**



## Animal Husbandry Supports

Aim: to support the development of animal husbandry

Institution: MARA

Legal Basis: Decree on Support for Animal Husbandry (No: 2005/8503)

Instruments and Implementation: direct grant provided to farmers in terms of both production and investment support



a large menu of animal husbandry supports including:

- Milk Premium
- Beef and Veal Premium
- Support for Improvement of the Genetic Resources;
- Support to Increase Fodder Production
- Supporting the Apiculture (Beekeeping)
- Support to the Holdings Which are Free from Animal Disease
- Supporting the Fight Against Animal Diseases
- Support for Animal Registration System
- Support for the Protection of the Animal Genetic Resources
- Support for Milking Hygiene

Duration: 2005-2010

Expenditure: 2005 → 165 Million Euros  
2006 → 308 Million Euros



## Village Based Participatory Investment Program

Aim: to increase income in rural areas and to raise social standards by conserving natural resources

Institution: MARA

Legal Basis: By-law on Supporting Village Based Participatory Investment Programs





## Instruments and Implementation:

- implemented as a subcomponent of ARIP, as a pilot implementation for the prospective agricultural rural development activities
- direct grant, provided for the investments of agricultural holdings, organizations and public sector
- agricultural investment aids,
- limited to 16 provinces

Duration: 2005-2007

Expenditure: 2005 → None  
2006 → 17 Million Euros



## Capital Injection to Agricultural SEEs

Aim: to sustain capital structure of agricultural SEEs in order to keep them in operation

Institution: Undersecretariat of Treasury  
Privatization Administration (PA)

Legal Basis: Decree Law, 1984 / 233 (for SEEs under Treasury's portfolio)

Law of Privatization Applications, 1994/4046  
(for SEEs under PA's portfolio)



## Instruments and Implementation:

- grant state aid to SEEs as capital injection
- transfers limited to;
  - 1- budgetary allocations and availability of Privatisation Fund sources
  - 2- wage and salary expenses of the entities
  - 3- for other expenses of SEEs which have no operational activity, in the process of liquidation

Duration: Not specified

Expenditure: 2005 → 26.9 Million Euros  
2006 → 43.0 Million Euros



## Duty Loss Payments to Agricultural SEEs

Aim: to meet financial loss of agricultural SEEs arising from the duties given by Decrees

Institution: Undersecretariat of Treasury

Legal Basis: Decree Law, 1984/233



## Instruments and Implementation:

- determined by official audits
- if a mutual debt relationship between the enterprise and state exists, mutual debts can be offset. (Offsetting occurs between the debt of the SEE's to Treasury and receivables of SEEs (duty loss and/or un-paid capital) from Treasury)

Duration: Not specified

Expenditure: 2005 → 1 Billion Euros (including offsetting)  
2006 → 110 Million Euros (including offsetting)



## Subsidized Credit Scheme for Agricultural Sales Cooperative Associations (ASCAs)

Aim: to provide subsidized credits to ASCAs to be used for crop purchases, in order to strengthen financial structure of ASCAs during their restructuring period

Institution: Undersecretariat of Treasury

Legal Basis: Decree No: 2005/8839



## Instruments and Implementation:

- ASCAs are borrowing from the Revolving Fund to finance their purchases from their partners
- ASCAs are also eligible for short-term (6 months) working capital credits

Duration: related with the restructuring period of ASCAs.

Expenditure: 2005/2006-business period → 144 million Euros  
credits for 2006/2007 period will be determined once  
ASCAs prepare their business plans



# OTHER AIDS FOR RURAL DEVELOPMENT AND OTHER AIDS FOR AGRICULTURE





- a) Aids in case of damages caused by natural disasters or exceptional occurrences
  - ✓ *Aid For Farmers Who Suffered From Natural Disasters*
- b) Aids for fight against animal or plant diseases
  - ✓ *Supporting The Plant And Animal Health*
- c) Aids for insurance policies in case of natural disasters and other events
  - ✓ *Agricultural Insurance Premium Support*
- d) Start up for producer organization
  - ✓ *Social Assistance Support in Rural Areas*
  - ✓ *Support for Animal Husbandry And Green Houses Cooperatives*
- e) Aids for research and development
  - ✓ *Support for Research and Development Projects*
- f) Other aids
  - ✓ *Land Consolidation and Parceling Activities*



## **Aids in case of damages caused by natural disasters or exceptional occurrences : Aid For Farmers Who Suffered From Natural Disasters**

Aim: to protect and compensate income of farmers that suffered from natural disasters

Institution: MARA

Legal Basis: The Law Regarding Farmers Who Suffered From Natural Disasters (Law No: 2090)



Instruments and Implementation:

- direct grant and soft loan
- producers who lose minimum 40 per cent of their agricultural existence because of natural disasters are eligible
- decision by Damage Determination Commissions
- damaged equipment, harvest and farm animals - compensated

Duration: not specified

Expenditure: 2005 → 314 Thousand Euros  
2006 → 294 Thousand Euros



## Aids for Fight Against Animal or Plant Diseases: Supporting the Plant and Animal Health

Aim: to improve plant and animal health and to prevent contamination of diseases

Institution: MARA

Legal Basis:

- Communiqué on Supporting the Certificated Seeds and Plant with Supporting the Alternative Products Where the Potato Papilloma Appears (Communiqué No:2005/20)
- Decree on Support for Animal Husbandry (No:2005/8503)



### Instruments and Implementation:

- plant health: fight against plant diseases and pests, fight against sun pest
- Potato Papilloma: area based payment for the farmers shifting to alternative products in the areas where potato papilloma appears
- supporting the holdings free from animal diseases (in Thrace Region, payment for per head healthy cattle)
- supporting the fight against animal diseases (different kinds of per animal payments when certain criteria met)

Duration: not specified

Expenditure: 2005 → 16 Million Euros  
2006 → 18 Million Euros



## Aids for Insurance Policies in Case of Natural Disasters and Other Events: Agricultural Insurance Premium Support

Aim: to provide insurance cover for agricultural, livestock, farm fish products, and agricultural constructions and equipments against natural disasters

Institution: MARA, responsibilities:  
✓ implementation of the scheme  
✓ supervision of all operations other than insurance

Undersecretariat of Treasury, responsibilities:  
✓ determining rules applicable to insurance contracts  
✓ supervision of insurance operations

Legal Basis: Law on Agricultural Insurance (Law No: 5363)



## Instruments and Implementation:

- based on an insurance pool composed of voluntary participation by insurance companies licensed in agriculture branch
- insurance companies obliged to cede the premiums and the risk to the pool operated by a private company to be founded by the participating insurance companies
- a proportion of the premiums to be paid by the insured party, will be granted by Government

Duration: not specified

Expenditure: 2005 → None (law is not applicable for 2005)  
2006 → 112 Million Euros



## Start up for Producer Organizations: Social Assistance Support in Rural Areas

Aim: to support the generation of alternative income and employment opportunities for poor producer who lives in rural areas, to provide social assistance for poor producers

Institution: MARA and DG of Social Assistance and Solidarity

Legal Basis:

- By-law on Credits for Agricultural Cooperatives
- The related Protocol between MARA and DG of Social Assistance and Solidarity





Instruments and Implementation: soft loans provided for cooperatives:

- to support for purchasing dairy cattle or sheep
- to co finance a certain amount of green house construction cost

✓ financial source: Social Assistance and Solidarity Fund Budget

✓ beneficiaries cannot cumulate with the one under the Scheme

“Support for Animal Husbandry and Greenhouse Cooperatives”

Duration: 2004-2009

Expenditure: 2005 → 75 Million Euros

2006 → 70 Million Euros



## Start up for Producer Organizations: Support for Animal Husbandry and Greenhouse Cooperatives

Aim: to support the producer organizations and to increase the producers' income

Institution: MARA

Legal Basis: By-law on Credits for Agricultural Cooperatives



Instruments and Implementation: soft loans provided for cooperatives:

- a larger menu (compared to the one funded by Social Assistance and Solidarity Fund Budget) of subjects for cooperatives (eg. beekeeping included)
- according to the budget constraint, supported for their start up expenditures

✓ financial source: General Budget

Duration: not specified

Expenditure: 2005 → 54 Million Euros  
2006 → 50 Million Euros



## Aids For Research and Development: Support for Research and Development Projects

Aim: to provide support for agricultural R&D studies

Institution: MARA

Legal Basis: Communiqué of Support for Research and Development Projects (No: 2005/27)



### Instruments and Implementation:

- direct grant provided to the beneficiary whose project found eligible by the Evaluating Committee (set up by GDAR- General Directorate of Agricultural Researches of MARA)
- beneficiaries: individual or legal entity researchers

Duration: 2005-2010

Expenditure: 2005 → 0.9 Million Euros  
2006 → 1.7 Million Euros



## Other Aids: Land Consolidation and Parceling Activities

Aim: to prevent the fragmentation of agricultural areas and to increase the average holding size

Institution: MARA

Legal Basis: Law of Agricultural Reform on Land Distribution in Irrigable Areas (Law No: 3083)



### Instruments and Implementation:

- operational and technical expenditures → MARA during the reparceling (land, personnel, equipment and training of farmers)
- soft loan: if a farmer is entitled for some agricultural land, that is owned by treasury, they pay for that piece of land within a 10 years period, with equal installments, with no interest rate applied

✓ voluntary farmer application required

Duration: not specified

Expenditure: farmers' debt caused by treasury land → appears at the end of the project → no regular and aggregate statistics illustrating the value of those treasury lands



***“State aid measures covered in this presentation reflect the current situation in Turkey, without any assessment with regard to maintaining them upon accession.”***





***THANK YOU FOR YOUR ATTENTION***