

Romanian Agriculture in the Context of the Post-2013 Common Agricultural Policy

Niculescu Oana-Marilena – Ph.D. Candidate

Academy of Economic Studies, Bucharest, Romania
oananiculescu24@yahoo.com

Abstract The European model of agriculture relies on the middle, usually typically family, farm. Romania does not fit this model, having an unsuitable agricultural structure for a modern European state. The objective of this paper is to emphasize the differences between the European model of agriculture and the Romanian agriculture. In Romania, the subsistence agriculture (many micro-farms, producing for self-consumption) and the agro-industrial agriculture (farms of hundreds even thousands of hectares, market oriented, relatively advanced), give a dual character to this important economic branch. The middle level agriculture is underdeveloped and uses only a small percent of the agricultural area. The research method is the analysis of data; the study of the real convergence between the Romanian and the European Union's agriculture implies a SWOT analysis. The main results reveal that the reform in the Romanian agriculture should include, among its priorities, the solving of the structural problem of the Romanian village, the development of the middle level agriculture being an important aim. The implementation of the community regulations has to be accompanied by own development programs for the rural space and for the agro-food sector. Romania has to define its own strategy in order to be integrated in the community policy, strategy which must be sustained in the debates regarding the reform of the Common Agricultural Policy, the target being the development of the Romanian agriculture.

Key words: European model of agriculture, Romania, middle agriculture, strategy, CAP reform

1. Introduction

The revolution that took place in 1989 affected deeply the Romanian rural area. For Romania, years that followed meant a period of transition from an autarchic economic system to a system opened to competition and free market, allocation of resources and price definition through market mechanisms.

The accession to European Union (EU), as a part of the multidimensional changes of the '90s, had some general features that retrieved in the opening of the national economy, the institutional building specific for a free market economy as well as the development of the human dimension. The integration implies first to identify the best way to align different economical branches to the level of the European standards. After 1990, Romania received technical and economical assistance from several international institutions and organizations through different programs. The process of accession put positive pressures both at economic and social level with a view to create a functional, market economy.

In 2007 Romania became a member state of the EU and this process had a strong impact on the entire economy. The European legislation has been gradually taken over and the effects of the accession felt stronger when products began to move freely on the intra-community market. The aligning to the requirements of the phytosanitary and veterinary sectors felt the most dramatic and caused radical changes in the agricultural sector, including the closure of hundreds of meat and milk processing units.

2. Literature Review

Romanian agriculture has been deeply debated and analyzed both in the pre-accession and post-accession period. Dona (2000) underlines the role of agriculture within the entire economy and analyzes the agricultural output and market, the organizing of agriculture in the transition period, the strategies and agricultural politics. Popescu (2001) describes the evolution of the Romanian agriculture in the period 1990-2000. Gavrilescu et al. (2001) analyze the Romanian rural area and the agro-food sector in the transition period towards a market economy.

Socol (2004) reveals the impact of the CAP reform towards the Romanian agriculture, the success of the convergence process being influenced by the economical evolutions in the candidate countries and the relations with EU. An important percent of the population lives in the countryside, the share of the population employed in agriculture being high as well. Production capacities, tractors and agricultural machines are old and rural infrastructure underdeveloped. Alecsandri et al. (2004) realize a complex radiography of the whole Romanian agriculture.

Istudor (2006) underlines that the essential objective of the agricultural reform in Romania is the increase of its performance, competitiveness and sustainable development of the agro-food sector. Favorable climate and soil conditions, the geographic position on the continent create premises for the increase of Romania's contribution as one of

the main producers of agricultural products in Europe. Despite these, farmers have difficulties in their attempt to access credits, constraints regarding the cash flow and low incomes with a view to evaluate the products. Small farms have to be supported through intervention policies to increase their agricultural area and to develop. Low added value in agriculture is a consequence of low productivity and quality of output, high level of self-consumption and low share of output sold in case of small farms, high percent of the agricultural goods imported, and difficulties in fulfilling quality standards. Therefore, a special attention should be given to subsistence agriculture, better functioning of agro-food chain, support for groups of producers, training of young farmers, higher farms' productivity, agriculture in less favored areas.

Radulescu and Ioan (2007) describe the main features and the organizing of the agricultural holdings in the pre-accession period. Stefan (2008) refers to the importance of improving business environment, training of farmers, and infrastructure in agriculture. Luca (2009) reveals the existence in Romanian agriculture of a big number of small farms and large farms as well, feature of an undeveloped agriculture, odd reality for a European state member of EU. High percent of subsidies received by large farms while agriculture is dominated by subsistence and underdevelopment of the middle size type is inefficient and unfair. Comparison with other member states reveals that Romania has an agricultural structure that does not differ much to the pre-accession period. Angelescu, Socol and Socol (2009) underline the strengths and weaknesses of the country's agriculture and the convergence with the EU agriculture as a result of the accession. The reform of the CAP supposes the development of the Romanian agriculture in order to meet the European standards and to satisfy the requirements and needs of the consumers.

3. Effects of the Accession in Agriculture

The accession to EU put a high pressure towards the reform of agriculture in Romania considering the need for a successful integration in the European rural economy and the branch competition in other member states.

This process had positive effects in agriculture, such as:

- the application of instruments with a view to promote food products on the European and world markets and to stimulate investments;
- the possibility for the national products to find outlets easier and the protection for high quality products;
- a higher degree of competitiveness for the Romanian farmers;
- the increase of agricultural subsidies, especially for Rural Development, in comparison to the pre-accession period;
- lower risks for farmers due to regulations regarding agricultural markets

However, Romanian farmers are facing serious problems comparing to other European farmers, especially to those coming from EU-15:

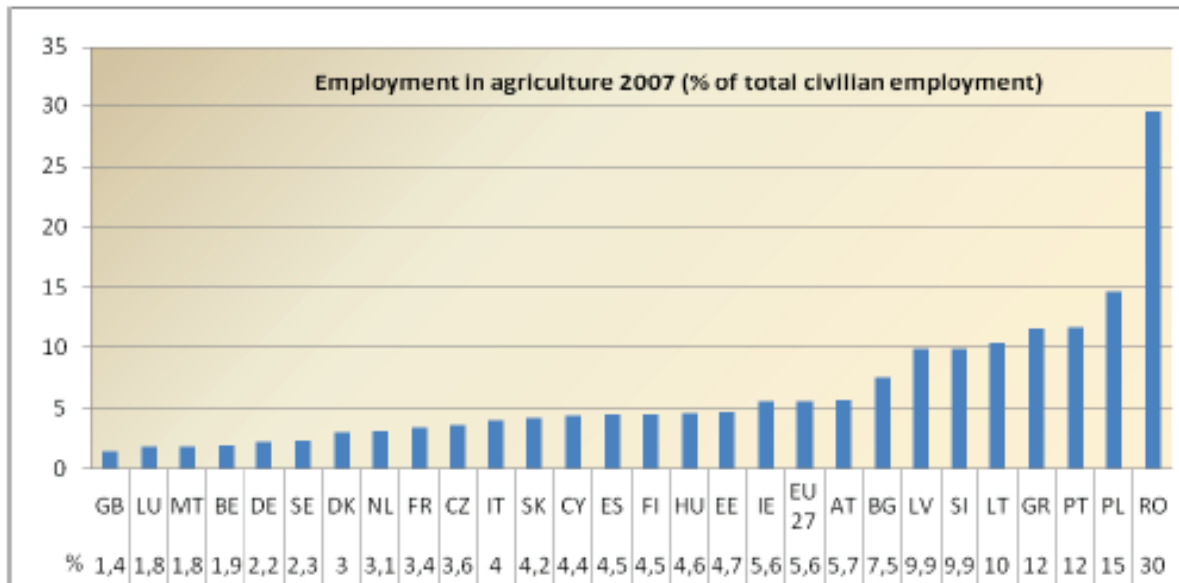
- the access to credits is difficult because of high interest rates;
- Romanian farmers are less trained;
- lower direct financial support and phasing in for direct payments;
- lack of consolidated subsidiaries on the product;
- difficulties in supplying with good quality products at fair prices

Romanian authorities should make a fair evaluation of the effects produced by taking over the community legislation in agriculture and the participation in the single market in order to propose solutions to increase competitiveness of farmers.

4. Romanian Agriculture in the European Union

In Romania, agriculture is a key branch of the economy, having a contribution of 6% to the GDP; in 2011 the increase of gross added value in agriculture, forestry and fishing was 11,3% due to high production obtained. 44,80% of the population live in the rural area, the average in EU being more than 50%; the agricultural area is 14,7 million hectares (47,7% of the total area of the country), Romania ranking sixth after France, Spain, Germany, United Kingdom and Poland. The arable area is 9,4 million hectares and the arable area/inhabitant is 0,41 hectares while the average in EU is 0,21 hectares. The number of agricultural holdings is the largest in the EU representing 29,39% of the total number of EU farms.

The population employed in agriculture is the largest in EU (five times bigger comparing to EU-27 and double than in Poland) but it has been decreasing since the pre-accession years.

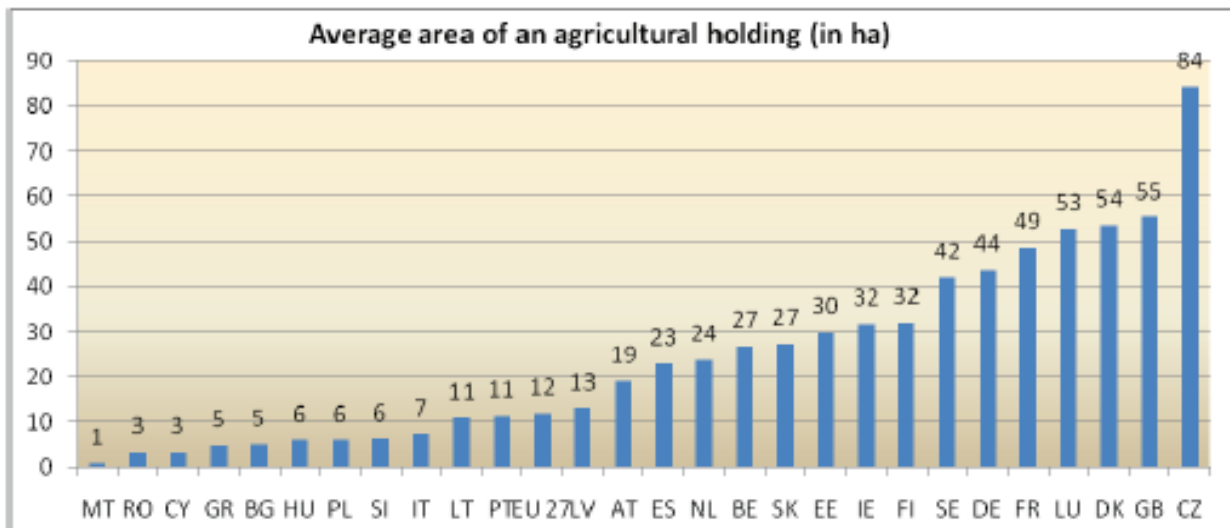


Source: Eurostat

Figure 1. Employment in agriculture (%) in 2007

Regarding the average area of the agricultural holding, the situation is completely different, statistical figures reveal similarities to those of small countries like Malta and Cyprus.

The **European model of agriculture** is based on the **medium, typically family, farm**. However, there are differences among EU countries, meaning that there are member states where the area of the agricultural holdings is bigger than the European average (Denmark, UK, Czech Republic). This model relies on a competitive sector, market oriented, which has other public functions as well: protection of the environment, better living standard for rural population.



Source: Eurostat

Figure 2. Average area of an agricultural holding (ha) in 2007

Romania doesn't fit this model, having an unsuitable agricultural structure for a modern European state. Agricultural structures are scattered, the average size being 3,5 hectares/holding in comparison to the average of EU-27 (12,6 hectares/holding) and these structures do not allow the entrance of high quality products at competitive prices on the international and emerging markets. There is no organization of subsidiaries on the product which limits the access channels toward the product, market and farmers' income, there is a lack of producers' organizations and agricultural cooperatives that do not provide appropriate benefits to the chain as well as a lack of suitable consulting networks to

support farmers, considering that EU standards require expensive investments. In Romania, the population employed is very large and there are many very big farms consuming most of the agricultural subventions.

Therefore, it can be stated that **Romania has two different agricultures** with divergent objectives, interests and development solutions:

a). **subsistence agriculture** represented by plenty of micro-farms, producing most for self-consumption. Over 2,6 million households own less than 1 hectare of land;

b). **agro-industrial agriculture** consisting in hundreds even thousands of hectares, market-oriented, quite advanced from technical point of view. Over 9,6 thousand households own more than 100 hectares.

The agricultural sector represented by middle size farms is underdeveloped and uses only about 12% of the agricultural area of the country' (Luca, 2009, p.18). There are many farms under 10 hectares (around 3750 thousand) using 6850 hundred hectares and the number of very large farms is very big. A special category is the sector 20-50 hectares, the number of farms (16 thousand) being small comparing to other countries and represent only 0,4% in the total number of agricultural holdings.

An analysis of the EU agriculture regarding the distribution of farms' agricultural area depending on their size highlights the difference between Romania and other countries considered representative for the variation of agriculture.

Poland has an agricultural area of 18,3 million hectares (59% in the total area) and an arable area of 16,1 million hectares. The country emerged communism with a structure based on middle size farms. The Rural Development National Program which relies on the multifunctional character of agriculture and rural area will strengthen the competitiveness of farms, will contribute to a fair management of the agricultural area and to environment' protection and will promote the quality of life and the diversity of the rural economy.

With one of the most developed agriculture in EU, **France** has an agricultural area of 29,57 million hectares (53,75% in the total area) and an arable area of 18,5 million hectares. The agricultural holdings can be divided, after the utilized agricultural area, in several types: small 39,72%, middle 20,15%, large 21,73% and very large 18,4%. Figures reflect that all types are well represented, all of them using a high standard of technical equipment.

The study of the real convergence of the Romanian agriculture with the EU agriculture implies a SWOT analysis.

Strengths: the second biggest agricultural producer in central and eastern Europe, after Poland, favorable climate and soil conditions, good quality of arable land, the development of the organic farming;

Weaknesses: high percent of the population employed in agriculture, ageing population living in the countryside, role of 'safety net' for people who can't find work in other fields, big number of small farms representing the subsistence agriculture, high share of self-consumption, partial functionality of the agricultural market;

Opportunities:

- for Romania (as a member of EU): increased economic stability, access to single market, increased opportunities for farmers through the access to European funds and higher incomes;

- for EU (following the enlargement): increased competitive position worldwide, expanded market for its products;

Risks:

- for Romania: fragmented agricultural structures, limited access to credits and markets, lack of human capital, high self-consumption, low labor productivity, high production costs;

- for EU: invasion of cheap products especially from eastern Europe, increased number of immigrants, higher costs allocated from the community budget in order to integrate new member states.

5. Main Problems to Be Solved in the Context of the Future CAP

In over half of century of existence, the CAP has been the most debated, analyzed, controversial and reformed European policy.

The CAP is due to be reformed by the end of 2013. Following the Communication 'The CAP towards 2020' which outlined different options for the future CAP and launched debates with other institutions and stakeholders, on October 12th, 2011 the European Commission presented a set of legal proposals designed to make the CAP a more effective policy for a more competitive, sustainable agriculture and more vibrant rural areas. Following a debate in the European Parliament and the Council, the approval of different regulations and acts is expected by the end of 2013.

In the context of the future CAP that will be implemented in 2014, Romania has to take into consideration several severe problems that agriculture is facing, such as:

- the structure of the agricultural holdings reveals the fact that 50% are small farms, with less than 1 hectare and 60% farms with less than 5 hectares;

- population living in the rural area is ageing, most of the owners of agricultural land are over 60 years old, to whom belong 65% of the agricultural area;
- rural area is underdeveloped and doesn't provide young people opportunities to settle down in the countryside;
- young farmers should be encouraged in this way, increasing support with a view to access European funds being an important matter;
- difficult access to credits and high interest rates represent an obstacle for farmers in submitting projects for the rural area;
- weak percent of commercial family farms

Romanian farmers should take into account the economical reality on the internal and external market and to apply the right methods able to offer them stability and economic efficiency. In the same time, Romanian agricultural output must align to the European standards and satisfy in a better way the needs of the consumers.

6. Conclusions

While the implementation of the CAP represented a real success for countries that joined EU in 2004, for Romania the situation is different. Romanian agricultural sector reflects a weak resemblance to the European model of agriculture, having features almost similar to the pre-accession period. Even if the amount of money allocated to agriculture from EU and national budget was significant, the effect on farm performance was minor.

First years after accession Romania followed a reversed direction in comparison to the European trend and supported measures such as increasing or keeping at the same levels the subsidies on the area, failed to adopt the progressive modulation and opposed to capping the subsidies that can be received by very large farms. The strategy requires that Romanian authorities should focus on Rural Development. This would facilitate the financing of the projects for infrastructure, the development and promotion of the multifunctional agriculture and would provide an opportunity to preserve the specificity of the natural, traditional and organic environment. CAP can't compensate a lack of vision and strategy regarding the role of agriculture in Romania's economic modernization. The implementation of community regulations for European funds absorption proved to be insufficient (the degree of absorption being low), the development of own programs for rural space and agro-food sector are an urgent need which has to begin from the existence of two sectors: subsistence and agro-industrial.

Romania has to define its own strategy regarding agriculture which has to integrate both agricultural sectors in the community policy and to support the country in the debates regarding CAP reform. This strategy should follow the general trends of the policy reform and should increase the chances of success in the development of Romanian agriculture.

The agricultural reform in Romania should include, among its priorities, the solving of the structural problem of the Romanian village considering that our country is an EU membership and this gives us the possibility to take advantage of a CAP with a generous budget.

References

- Alecsandri, C. et al. (2004). *Tratat de Economia Agriculturii*. Bucharest: Expert.
- Angelescu, C., Socol, A.G. and Socol, C. (2009). *Politici Economice*. Bucharest : Economica.
- Dona, I. (2000). *Economie rurala*. Bucharest: Economica.
- European Commission (2010), *The CAP towards 2020: Meeting the Food, Natural Resources and Territorial Challenges of the Future*, Communication from the Commission, Available at http://www.ec.europa.eu/agriculture/cap-post-2013/communication/index_en.htm (October 27, 2011).
- Gavrilescu et al. (2001). *Lectii ale tranzitiei - Spatiul rural si sectorul agroalimentar romanesc*. Bucharest: Expert.
- Istudor, N. (2006). *Dezvoltarea rurala si regionala a Romaniei in perspectiva integrarii in Uniunea Europeana*. Bucharest: Academia de Studii Economice.
- Luca, L. (2009), *O tara si doua agriculturi. Romania si Reforma PAC a UE*, Policy Memo.no.4, Available at http://www.crpe.ro/library/files/CRPE_Policy_Memo_no.4_RO.pdf (October 15, 2011).
- Popescu, M. (2001). *Lectii ale tranzitiei - Agricultura - 1990-2000*. Bucharest : Expert.
- Radulescu, C.V., Ioan, I. (2007). *Organizarea exploatariilor agricole durabile*. Bucharest: Academia de Studii Economice.
- Socol, C. (2004). *Optiuni de politica agricola si dezvoltare durabila a agriculturii*. Bucharest: Economica.
- Stefan, M.C. (2008). *Dezvoltare regionala si locala*, Bucharest: Economica.
- xxx (2011), *Agricultura in economie*, Available at <http://www.madr.ro/agricultura-romaniei-iulie-2011/pdf> (September 17, 2011).
- xxx (2010), *Agricultural Statistics*, Available at http://www.ec.europa.eu/agriculture/agrista/index_en.htm (November 02, 2011).

xxx (2010), *Anuarul Statistic al României*, Available at <http://www.insse.ro/cms/rev/pages/anuarulstatistic2010.ro.do> (September 20, 2011).

xxx (2010), *Materiale informare 2010*, Available at http://www.apia.org.ro/materiale_2010 (September 15, 2011).