

## **The Evolution of the Romanian Agriculture during the post accession Period, from the perspective of the Common Agricultural Policy**

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### **Abstract**

The transition from a planned economy to a market economy involved a series of changes in all branches of economic system, the agriculture also supporting this process. The starting point of the transition has placed our country in one of the most difficult situations due to excessive centralization of the before 1989 period, to a significant gap with developed countries, to an energetic intensive structure of the whole economy etc.

Accession to the European Union in 2007 and the rallying to the Common Agricultural Policy are very important elements that can lead to a new perspective on the Romanian agriculture.

**Keywords:** agriculture, Common Agricultural Policy, development, structural funds

### **Introduction**

Agriculture is one of the areas where the reform process began in 1991, when the Land Law 18/1991 was enacted. There was a quick transition from the cooperative-type organization to various forms of private organizations: individual holdings, agromec type companies, agricultural companies, private or public companies. In the first period of the implementation of the Law Land there has been a strong

fragmentation of the agricultural land, getting to over 4.7 million of agricultural exploitations and round 18-20 millions agricultural plots.

This situation has relatively quickly balanced, so that now, the statistics show a 48 percent of the arable land consists of farms over 100 hectares, these farms being able to generate an efficient activity by raising the labor productivity and the profitability.

However, the statistics still show a large discrepancy between the results obtained in Romania and the European Union average.

### **Material and Methods**

We tried to realize in this paper a comparative analysis of the Romanian and European Union agriculture evolution, on the basis of statistical data provided by the National Institute of Statistics and Eurostat, summarizing findings and proposing solutions for the future development of the Romanian agriculture. Quantitative and qualitative analysis of the data allows capturing quantitative and qualitative dimensions of economic phenomena and processes.

Statistical analysis of the data allowed a clearer emphasis of the current situation but also of the next trends and developments.

We presented at the beginning of the paper a brief logical-historical research to discover causes and movement direction of the analyzed economic phenomena and processes.

### **Literature review**

We studied bibliographic materials referring to the approached subject that can be structured by three directions:

- field literature, underlining here the 2010 report of Douglas K. Knight – “Romania and the Common Agricultural Policy – the future of the small Romanian Agriculture in Europe” and also the analyzes made by Alexandri Cecelia and Luca Lucian and some others papers that are mentioned in the bibliography;
- legislation, developing plans and programs made by the national and European Union institutions;
- statistics conducted by national and international institutions (National Institute of Statistics, The Ministry of Agriculture and Rural Development).

### **Analysis and Interpretations**

According to the data presented in the weekly Economist, Romanian agriculture degree of compatibility with the European Union 15 agriculture in the years 2009 and 2010 was rather low.

Here are a few land marks suggesting that by the point of view of the agricultural performances and of rural development, the real state of Romania agriculture nowadays is similar to the state of EU6 countries during 1957 – 1962<sup>1</sup>:

- primary production value per hectare obtained by the Romanian farmers (about 800-900 €/ha) is two – two and a half time smaller in comparison to the one obtained as an average by EU farmers (1.800-2.000€/ha);

- intermediate consumption, as an expression of financial sustaining level of manufacturing technologies, of the structure and intensity degree agricultural production with direct impact on yields at EU states level, is registering large disparities from one country to another. Thus, Romania has an intermediate consumption of 715 euro/ha, compared with Holland – 8,369 euro/ha, Belgium – 3,987 euro/ha, Denmark – 2,843 euro/ha.

- the gross value added in Romanian agriculture is half the EU15, which leads to a final agricultural production of about 1.400-1.500€/ha in Romania from 2.400-2.600€/ha in UE15;

- food self-consumption in Romanian subsistence farms is 90-92% from their production and in case of the semi-subsistence farms the self-consumption is 50-52% (compared to 10-12% in EU15), this state resulting in a value of commercial agricultural production of de 400-420€/ha in Romania, four times lower than in the EU15;

- agricultural yields (average productions) realized in Romanian farms during 2000 – 2008 of 2,500 kg/ha are at the level of the EU6 yields realized in the 6-th decade of the last century;

- the equipments of a Romanian farmer in comparison to the one of a EU15 farmer is about 25-26 times lower (9.000-9.200€ in UE; 350€ in Romania)

- bank loans for European farms are 15-16 times higher than those granted for Romanian farms (1.700-2.000€/ha in UE, 110€/ha in Romania);

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<sup>1</sup> The Economist, No. 7 (New Series), 7<sup>th</sup> of March 2011

- resting an average arable area for the last 10 years of 1,150 thousands ha/year (40 thousands ha in 2002; 2,300 thousands ha in 2009 and about 3,000 thousands ha in 2010), representing an average loss of agricultural production of 1,050 millions € (290 mill. € in 2002, 2.165 mill. € in 2009 and 2.900 mill. € in 2010);

- banning the cultivation of genetic modified soy since 2005 (condition too easily accepted during the negotiations for EU acceding), has caused a 330 mill\$/year loss for Romania (about 2 billions \$ during 2005-2010), of which about 150 mill. \$/year for imports of genetic modified soybeans and soybean meals from USA, Argentina and Brazil,

- rehabilitation of irrigation systems on about 30-35% of the total irrigated area but their functionality on an average surface of only 280,000 ha/year (9-10% during 2000-2009);

- the consequence of non-performances in Romanian agriculture is reflected in the extremely high proportion of imported food expenditures (42.9% in 2008 and 39.8% in 2009) and the share of foods imports in the total food consumption (25.1% in 2008 and 21.8% in 2009).

Labor productivity is also relevant for expressing the dimensions of disparities in agriculture.

**Table no. 1**  
Average labor productivity in agriculture (lei/occupied person)

Year	2005	2006	2007	2008
UE 27	12801.71	13368.40	14820.15	15021.04
Romania	2176.35	2672.98	2531.60	3045.73

**Source:** Processed data extracted from Romanian Statistical Yearbook 2010 and Eurostat - <http://epp.eurostat.ec.europa.eu>

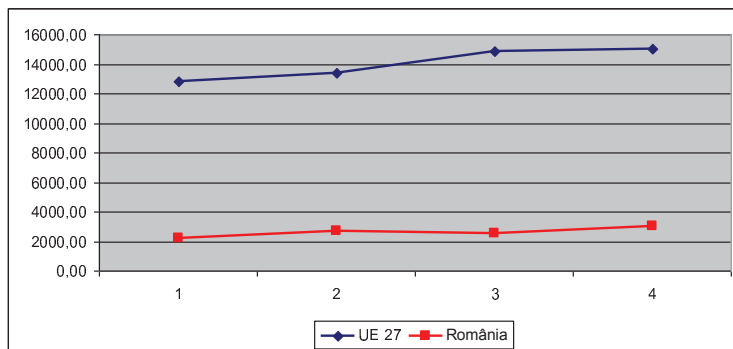


Fig.1 – Evolution of labor productivity in agriculture in Romania and EU27

These major differences are due to lower productions in our country and to the high percentage of occupied population in agriculture. However, there is a slight increase in the productivity level and also, the statistics show a decrease of occupied population in agriculture (from 43.5% in 2001 to 30% in 2008<sup>2</sup>).

Romania's accession to the European Union in 2007 meant the acceleration of economic and social convergence in order to integrate in all levels. So, agriculture entered in a new phase of its post-revolutionary evolution by harmonizing national policies to the Common Agricultural policy. This is among the first common policies adopted by European Union, having its origins in the Treaty of Rome in 1957 (at that time was the European Economic Community).

Currently, the Common Agricultural Policy is based on two pillars:

1). Common market organizations – being targeted here measures referring to direct payments and market-related subsidies granted to common market organizations such as purchasing products for public deposits, surplus recovery schemes and exports subsidies. Funding for Pillar 1 comes from the Guarantee Section of European Agricultural Guidance and Guarantee Fund (EAGGF).

2). Rural development – the measures deal with environment protection, supporting the disadvantaged areas, promoting the food

<sup>2</sup> Douglas, K. K., Report - Romania and Common Agricultural Policy, Oktober 2010, p. 7

quality, respecting the standards, animal welfare. Measures under this pillar are co-financed by the European Union and the member states.

The agriculture represented Chapter 7 on the EU adhesion negotiations, this chapter being opened in 2002. During 2002-2003 period, there were several steps taken in order to approach the national and the UE agricultural policy. We can mention here some important elements:

- Enactment of the Law on organization and functioning of the markets for agricultural and food products (Law no. 73 of 2002)
- Creating the Farm Accountancy Data Network;
- Enactment of some provisions regarding ecological policy;
- Accreditation of SAPARD Agency, on 31<sup>st</sup> of July 2002, which immediately started its financing activity through the pre-adhesion funds;
- Finalizing in February 2003 of the Agricultural and Rural Policy for UE adhesion.

Since 2007, once with the accession to European Union, the unique payment scheme on surface was applied. It involves a ten years period for harmonization of the payments level with those existing in EU-15, exactly the same way happened with the ten states that joined EU in 2004. Romania will reach 100% of the EU-15 level for unique payments on surface in 2016, according to next schedule:

**Table no. 2**

Unique payment scheme on surface

Year	2004	2005	2006	2007	2008	2009	2010
% of the payments leveling EU							
NSM 10	25	30	35	40	50	60	70
Romania and Bulgaria	-	-	-	25	30	35	40
Year	2011	2012	2013	2014	2015	2016	
% of the payments leveling EU							
NSM 10	80	90	100	100	100	100	
Romania and Bulgaria	50	60	70	80	90	100	

**Source:** UE delegation in Romania

Another important post-accession issue is regarding the structural funds for agriculture development. The funding for agriculture is coordinated through the European Agricultural Fund for Rural Development, a funding tool that sustains the implementation of the Common Agricultural Policy. In Romania the programming of the rural development is based on Romania's National Strategic Plan for Rural Development which is reflected in this period by the National Rural Development Program 2007-2013.

The coordination of the supporting measures through the National Rural Development Program is focused around four important axes:

- Axis 1 "Increasing the competitiveness of agriculture and forestry", aiming an improvement of the agriculture and forestry efficiency for preparing these fields to deal with the specific competition in an open trade environment. Support will be directed to SMEs, considered to be more capable to develop new products, to better exploit the local resources by innovation and adaptation than the large enterprises. Chosen priorities under this axis take into account the needs of development, but also the necessity of continuing some pre-accession measures.

- Axis 2 "Improving the environment and the rural areas" – general objective of Axis 2 measures is to improve the environment in the rural areas and to preserve biodiversity through a sustainable management of agricultural and forestry land. The measures of this axis also encourage the implementation of some measures to protect the soil against the erosion processes (e.g. extending green crops).

- Axis 3 "Life quality in rural areas" – strategic objectives of this axis consider improving the life quality in rural areas, diversification of rural economy, promoting knowledge and improving human potential. The measures of this axis generally aim the rural collectivity and especially the development of rural enterprises, based on natural resources, tourism, development of the villages and environmental initiatives to supplement the farm measures and provide alternative employment opportunities for the population within the rural areas. These measures were chosen in accordance to the weaknesses of rural environment (low incomes, excessive dependency on subsistence agriculture, low entrepreneurial skills, inadequate infrastructure) and strengths identified in Romania (high value natural resources, rich cultural heritage, etc.).

- Axis 4 “LEADER” – tries to support rural development by improving local governance and promoting the endogenous potential. LEADER approach will help achieve the objectives of Axis 1, Axis 2 and Axis 3 through integrated local development strategies and innovative actions.

These funding axes have got less interest from farmers in the beginning, but since 2011 there were a large number of applications, that mean lots of contracts and attracted funds.

There are of course a number of deficiencies in carrying out these operations such as: excessive bureaucracy, lack of co-funding capacity, blocking of some funding contracts already signed because of additional requests of credit institutions, lack of coordination from the involved institutions, difficulties in developing the farms due to the lack of market and the competition of foreign products etc.

On the other hand, applying the Common Agricultural Policy by the unique payment scheme on surface did not stimulate the competitiveness, because a lot of agricultural workers activate in small farms.

### **Conclusions**

The conclusions that we can draw after analyzing the implementation of Common Agricultural Policy in Romania should emphasize both the positive aspects that generated an evolution of the agriculture and the negative ones generating stagnation.

Thus, although the unique payments on surface didn't support the small farms to move from the self-consumption phase to that of producing goods for local, regional or even national and European markets, they helped these farms maintaining around the break-even point.

With the launch and popularization of the structural funding, many farmers (thousands) came to apply for funding through one of the four axes mentioned below and at the same time they have to develop their farms as main objective of the received funding.

Another important issue refers to the Common Agricultural Policy reform for period 2014-2020, year 2013 being decisive in this respect. Romania will have to be actively involved in debates on the subject, pleading for further funding in all areas related to rural development and also for unique payments on surface that should reach the EU15 level. In essence the debate is between “Who benefits from



CAP and does not want to see it destroyed?” versus “Who does not obtain a net benefit from CAP and want it to be reduced or radically reformed?”<sup>3</sup> The debate started in EU since when the CAP was firstly applied and the new member states joined this debate on different positions depending on how they see the agriculture in their history and in their future. The debate classically started between Great Britain and the Nordic countries on one hand and France, Germany, Italy and other major agricultural countries, on the other hand. These are broad categories and many countries may not fit completely in one or another.

In planning the CAP there are taken into consideration the special nature of agricultural activity that comes from the social agricultural structure and from structural and natural disparities; the needs to make gradual changes and especially the fact that in the EU member states, the agriculture is a sector closely related to the whole economic system. At the time of accession, the impact of agricultural prices was smaller on the consumers than the one on the producers, in our country. Immediate real income losses will be mainly felt for two family types: the poorest ones and the ones living in urban areas, which do not produce foods for self-consumption. To fully benefit from the advantages of applying CAP, Romania’s agriculture should follow the next objectives:

- Reducing the number of agricultural workers, offering them alternative jobs and income sources;
- Creating efficient economic farms, reducing the fragmentation degree of land using;
- Developing infrastructure and some specific rural services;
- Raising the institutional-administrative capacity of obtaining funds and valuing the local resources.

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