

PROSPECTS FOR RURAL DEVELOPMENT AND AGRICULTURE DURING THE TRANSITION PERIOD

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Abstract

In its current form, the European Union is the result of a long process of integration, which lasted more than half a century.

EU activity is based on three fundamental objectives, namely: economic and monetary unity, common market, plus the cohesion and solidarity between Member States. To achieve these basic goals, since the beginning there was an activity based on common economic policies, supported by all Member States. One of these economic policies is Common Agricultural Policy.

Key words: agriculture, rural development, common market organization, food safety, the Common Agricultural Policy.

INTRODUCTION

Throughout this period, the Common Agricultural Policy was based on three fundamental principles such as uniqueness of market and prices, community preference for supplying the Member States with food products and financial solidarity.

At the beginning, the European Community had to deal with postwar food shortages and widespread poverty. But as a consequence of the Common Agricultural Policy it did not last long until it got in a position to manage surpluses of products. Meanwhile, Common Agricultural Policy has been reformed several times to be adapted to specific conditions and requirements of the Community and world market. Each time, the fundamental principles remained valid and changed instruments and mechanisms used for implementing the Common Agricultural Policy.

The Common Market Organization is pursuing a number of objectives, the most important being, in our opinion: control of agricultural outputs and stabilizing the market, providing a stable income for farmers, guaranteeing security of supply community population and minimize costs supported by the EU budget and Member States.

The Common Market Organization at a community level was and will definitely remain a necessity for safe operation of unique agricultural market so that Member States should be able to ensure food security,

throughout the EU. Therefore Common Market Organization is achieved at Community level and the rules and community mechanisms specific to each historical stage of agriculture development are applied and respected in case of each Member State. Based on this operational framework established at Community level, Member States permanently harmonize their national legislation, create and adapt their institutional systems in order to implement the *acquis communautaire* and put the Common Agricultural Policy into practice.

Common Market Organization is achieved, as we have seen, at a community level and at a national level the road of the food product from producer to consumer is regulated. Regulation and description of this road and the system of organization and operation is performed on each product chain. Operating and organization of each product is based on the Community rules and also on the multitude of national and local details and regulations.

MATERIALS AND METHODS

Creating and developing common agricultural markets in EU has been a long and quite difficult to achieve process. To achieve this goal, the European Union has spent large amount of money at the beginning in order to create institutions and mechanisms to ensure the functioning of agricultural markets and then to adapt them to different stages of development requirements and competitive market developments, internally and externally.

The European model of agriculture ensures the preservation and stability of farmers' income level by promoting a diversity of economic activities and environmental protection in order to preserve the European way of life and to protect rural landscapes. (DONA, I., 2000) For this, according to European Union, agriculture should be a healthy and competitive economic sector and in this context the new European model of agriculture is focused on multifunctional agriculture and better meeting of market requirements and rural development. The European model of agriculture relates to a number of issues, the most important being, on our opinion, the following:

- ✚ formation of a viable and competitive agricultural sector in order to produce at the highest standards in the world market, without subsidies and with high economic efficiency.
- ✚ promoting healthy production models and environment friendly in order to ensure quality and affordable products in order to meet consumer demands on food safety and animal comfort.

- ✚ diversity of agricultural production systems by promoting traditional methods and developing organic farming in order to contribute to sustainable rural community development.
- ✚ developing a competitive and efficient agricultural sector that through product quality and efficiency to contribute to the revitalization of the rural world.
- ✚ diversifying rural economy in order to create jobs and alternative sources of income to rural areas by maintaining population stabilization within them, as well as for landscape and environment protection.
- ✚ promoting economic policies to help reduce the costs of supporting agriculture.

Common Agricultural Policy reform, which took place until 1992, did not resolve imbalances in the market and did not have the expected effects on revenue, which were unsatisfactory. Almost 80% of support reached only 20% of farmers. (MALASSIS, L., 1979) On the other hand, CAP was strongly disputed during the Uruguay Round because of the high subsidies that distort world market.

It took another reform, more radical, of the Common Agricultural Policy, known as “Mac Sharry reform”. The essence of the reform was to stabilize the agricultural market, imposed by the state of development of agriculture and pressures on the World Trade Organization in order to expand liberalization of international trade and agricultural products.

Regarding the management of agricultural markets, “Mac Sharry” reform had as main objectives: the reduction and gradual elimination of guaranteed high prices that caused large budget surpluses, the adjustment of agricultural production in the form of shifts, the priority being the income support through “payment compensation system”.

Central measures of this phase of reform were lowering the intervention prices for key products, along with “land freeze” in order to limit production, introducing compulsory withdrawal from the culture of at least two cultures whose market was highly unbalanced (cereals and oilseeds), balancing the extending production measures with environmental protection measures and conservation of landscapes. (LESOURD, M., 1997)

The “Mac Sharry” reform in 1992 also contributed to reducing export subsidies, which enabled the European Union to cope with the Uruguay Round negotiations. Reduction of export subsidies and subsidized export volume, between 1994-2000, contributed to creating a more stable trading environment and these measures were in line with the reforms occurring in the European Union.

The reform measures contained in the Agenda 2000 sought to remove imbalances in the market by reducing institutional prices to major commodities in order to maintain the competitiveness of agriculture in the liberalization of exports context, limiting and eliminating subsidized exports, reducing domestic agricultural subsidies.

The new agricultural market reform measures were: redefining the role of the intervention mechanisms, optional surfaces withdrawal from culture, extending the quota system until 2006, gradually reducing the intervention price (guaranteed) during 2000-2006 with 15% in the field crops and 20% in beef prices, aiming to get closer to world prices, maintaining the commitment to guarantee farm incomes through guaranteed payments; simplification of the common organizations of agricultural markets and provide greater operating flexibility mechanisms.

RESULTS AND DISCUSSIONS

Currently we believe the EU is in a quite advanced stage of simplification and reduction of intervention measures to increase agricultural competitiveness in order to face competition with the U.S. and the accelerating process of international trade liberalization imposed by World Trade Organization.

Among the tools and mechanisms used by the Common Market Organization over the time, we mention (LE ROY, P., 1994):

- ✚ the agricultural prices system
- ✚ system of stock intervention (cereals, sugar, beef and sheep meat, milk powder etc.)
- ✚ Subsidies to farmers by different mechanisms (quality criteria, production quotas, taxes etc.)
- ✚ production and processing aids, subsidies to processors in special cases (e.g. perishable products etc.)
- ✚ subsidies as compensation payments for direct support of farmers' income
- ✚ limiting agricultural production through various regulations concerning the withdrawal of surfaces or growing culture of plants that are not subsidized
- ✚ direct limitations by introducing quotas system (to milk, sugar, tobacco etc.); external protection (by charging high duties for imported products) in order to ensure Community preference
- ✚ subsidies for Community food products export (whose domestic prices are higher than world market).

Some of these instruments and mechanisms have been used more and others less, depending on the historical stage covered. At this stage, for example, some traditional instruments and mechanisms (intervention price, direct compensation payments) are replaced with new ones (the single farm payment scheme) more tailored to requirements the European Union has to face in the future.

In the early stages of implementation of the Common Agricultural Policy, the Common Market Organizations comprised approximately 60% of the agricultural products of the European Community and now they increased to over 90%. At first the general framework of Common Organizations of Agricultural Markets has been common to all products and later it was distinguished by species or groups of agricultural species. Following this process of differentiation, over the time, the number of common organizations of agricultural markets has risen to 21.

Each product involves a certain way of CMO. This led to the use of appropriate and specific regulatory instruments and mechanisms. Along the Common Agricultural Policy reform, depending on how the means of intervention have been used, several categories of common market organizations have been outlined.

Thus, until the Agenda 2000 reform, we can point out the following types of common agricultural market organizations:

- ✚ a) **Common market organization with domestic intervention and protection from outside** was characterized by the fact that intervention agencies came into action when the community price dropped to the level of intervention price; in this case, these bodies have taken over at the intervention price and have stored the surplus production until the marketing conditions were improved.
- ✚ b) **Common market organization without internal intervention and with protection from outside** was used for products with high competitiveness which did not need the internal support of prices, only protection from outside by mechanisms similar to those applied for the first category.
- ✚ c) **Common market organization supported by aids complementary to prices** was used for oilseeds, certain products used in animal feed and products of regional importance (olive oil and hard wheat). For these products, the GATT/WTO agreement has banned the use of mechanisms of protection from the outside, both in imports and exports.
- ✚ d) **Common market organization with flat-rate aid to producers** was applied to products that were of particular

importance in their origin regions such as flax, hemp, hops, silkworms, some seeds. For these products have been granted more aid as a lump sum per hectare or by quantity produced. These categories of Common Market Organizations were strongly influenced by the reform measures of the Common Agricultural Policies which have undergone significant changes in the intervention system and in the system ensuring farmers' support on products or product groups. These changes occurred mainly due to radical reform measures contained in the Common Agricultural Policy Agenda 2000 and their subsequent packets.

As a result, depending on the system of intervention and support for farmers, in 2005, five types of CMO were distinguished inside EU(DONA, I., 2000). These are:

- ✚ *Common Market Organization with guaranteed prices and automatic intervention* based on the system of guaranteed prices and automatic intervention on the market if prices fall below the intervention price. By reform measures the guaranteed prices were gradually reduced and to the income support through direct payments. The process of agricultural markets liberalization is achieved by eliminating intervention prices and alignment to world market prices. We find this process very advanced in the case of cereals and in case of other products such as vegetables, fruits, wine etc. the market interventions were practiced and are practiced only in situations of major crisis.
- ✚ *Common Market Organization with guaranteed prices and conditioned intervention* was only used in case of major crisis on wine, pork, fruits and vegetables.
- ✚ *Common Market Organization - mixed* - with guaranteed prices and direct aids to complement production was based on the application within certain limits of the system of guaranteed prices that have added to direct support and conditioned intervention. This system was applied to cereals, rice and sheep meat production only for 33% of the European Union.
- ✚ *Common Market Organization with direct payments only* was based only on direct payments per hectare or animal of a fixed amount determined by the historical areas and yields on different cultures. In the case of oil crops, protein and

tobacco this system supports only 10% of EU final production.

- ✚ *Common Market Organization without direct support* was only used for customs protection. Thus, in the case of poultry meat, potatoes, and potato derivatives, through this system was supported only 25% of EU final production.

CONCLUSIONS

Original objectives of the Common Agricultural Policy aimed to ensure food safety and cutting out the development gap between member countries by increasing the competitiveness of agriculture on the path of modernization, in order to increase producers' incomes and stabilize agricultural markets. In order to achieve these objectives economic-financial institutions and mechanisms have been developed and used within the Common Market organizations.

A careful analysis of the content of all common organizations of agricultural markets regulations reveals that they basically contain stipulations concerning:

- ✚ establishing rules at a Community level related to the levels of production, quality and way of marketing;
- ✚ setting the financial support that is provided from the Community budget in order to support producer incomes and to avoid surpluses of agricultural products;

The main responsibilities of the Common Market Organization are limited to:

- ✚ a stable and unique price for agricultural products, valid throughout the European Union;
- ✚ financial aid for agricultural producers or operators;
- ✚ establishment a system of controlling production and organizing trade with Member States and third countries;

Market interventions aimed at reducing production to meet the demand, reducing costs, increasing product quality, reducing the level of guarantees. In these conditions measures to cover loss of income and reduce rural exodus were and are necessary.

Measures to increase people's income, to encourage rural stability and protect the environment aimed at economic diversification through the development of activities generating alternative income.

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