

## ROMANIA'S AGRICULTURE - PRESENT AND PERSPECTIVE IN THE CONTEXT OF THE ACCESSION TO THE EUROPEAN SPACE

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### **Abstract**

*Agriculture is an important sector of the national economy of any of the various functions: the main source of economic activity and the use of force, the ecological factor of environmental protection and the fight against desertification in many areas of the Earth, a way of life, a technical and cultural tradition and, last but not least, agriculture is a civilization. In Romania, agriculture continues to hold a special status, although through the most profound restructuring process of ownership and operating system. (Berca, 2001).*

**Key words:** Agriculture, farmers, European Space, sustainable development

### **The current situation in the agricultural sector**

During the transition, one of the main characteristics of Romanian agriculture is the chronic lack of capital. This has led to increasing inefficiencies in resource allocation with consequences on the growth and competitiveness of Romanian farmers and of the entire agricultural sector. Romania's agriculture remains subsistence agriculture, structural problems of its being difficult to solve. The labour market in this sector is defined by a large share of farmers in the total population, as well as the large number of elderly farmers; through excessive reliance on farming activities of the rural population, a low educational level and a decline in the real incomes of emphasis. As a result, the farmers of subsistence farms have practically no motivation, no ability to comply with European standards, including those relating to the quality of the environment, animal welfare and food safety. Almost half of the agricultural area is farmed subsistence farms, agricultural efficiency remain at a low level overall, achievements of large farms which do, in fact, good results. In July 2010, about 3.5 million farms have plots of less than a hectare, which prevents them from accessing EU funds. In terms of agricultural trade, Romania has significant agricultural potential and comparative advantage of natural resources and was a traditional exporter of agricultural products until 1990. An analysis of the Romanian agricultural trade in the aftermath of the 1990s reveals a considerable change of position on the international agricultural markets, the net exporter of agricultural products in import, with a deficit of more than 5 billion dollars in the past

13 years. The situation reveals a decline accentuated as a result of the decrease in agricultural production on the background of structural reforms of the agricultural property and increasing domestic demand for various food and of superior quality. During the period in question, one can distinguish three stages in the agricultural trade. Thus, between 1990-1993, recorded a sharp decline and a negative trade balance, between 1994 and 1999 shows a slight recovery of the agricultural trade balance, followed by a further deterioration during the period 2000-2001, in which it is found. The share of agricultural exports in total exports in Canada remains low, at between 3.3% and 8% (compared to Hungary which has a contribution of agriculture to GDP by only 5% as a share of exports of agro-food products by more than 20% of the total). The discrepancy between potential and results concerning trade in agricultural products and the balance is even more relevant if you consider the fact that, in 2010, 42% of the workforce was employed in rural areas, and the share of agriculture in GDP of Romania was over 11%.

A large share of agriculture in GDP means the elements of insecurity because the system is not under items to protect you. Is the most risky sector of the economy because it depends on climatic factors. A low share of agriculture in GDP, while increasing gross domestic product means a healthy economy, but other sectors and to provide resources to this area with economic risks.

According to the Romanian Commercial Bank (BCR), the agricultural sector could record this year, an increase of 0.3% as potential gross domestic product under the terms of the Romanian agriculture represents between 7-8% of GDP, compared with other countries in the European Union, such as Poland and Hungary, with 4%. The Minister of agriculture has also pointed out that at the present time Romania has 9.4 million hectares of arable land, but between 8.4-8.6 million hectares. ([www.capital.ro](http://www.capital.ro))



Fig. 1. The share of agriculture in GDP

The main internal factors that have affected and will affect the production and marketing of agricultural products, causing the balance of agricultural trade deficit are: the structure of the agricultural holding and fragmented the uncertainty of integrated distribution systems and marketing; the volume of production from control year to year removed export strategies, a good example of this is the production of cereals. It also contributes to the lack of information on the market at the level of the producers, in particular in respect of quality standards.

Romania has adopted special measures in respect of agriculture, but at the same time benefiting from EU aid funds aimed at this sector.(Istudor,2006)

### **The major problems of Romania to be solved for the benefit of EU support for agriculture and sustainable development**

For EU Member States, farming continues to be a master, and a weighted population and gross domestic product, is in the process of restructuring and modernization. The integration of these countries into the CAP agriculture is considered to be extremely difficult, requiring a long transitional period, so as not to cripple the existing structures of the CAP. For the Member States of the EU, agriculture remains an important economic sector; Thus, in 2011, agricultural output accounted for, on average, 6.8% of GDP in 10 countries, compared with only 1.7% in the EU. The 10.3 million people employed in agriculture in these countries is, on average, 22.5% of the total employees. Within the EU, 7.5 million are working in agriculture, i.e. 5% of the total workforce. The CAP on the expansion will cost States I am about 18 billion annually, of which two-thirds ' direct compensatory payments for producers. In the new Member States, prices for agricultural products are 10-50% lower than those in the EU.

It was claimed many times that in Romania, many of the food products are sold at prices comparable to those of Western countries, although wages are much lower. According to Eurostat data, in 2009, food products were sold in Romania at prices equivalent to 66% of the average prices recorded at EU level, but the percentages vary significantly if the situation should be analysed by categories of products.

-the most expensive foods are eggs, milk and cheese, and the goods for which the Romanians spent annually purchase about 10 billion or 2.3 billion euros.

The price at which these products are sold is the average price of 92,9 registered in the EU, Romania being more expensive than Sweden or Germany in this respect. The cheapest country is Poland (62.8% of the EU average), while the most expensive Ireland (137.2);-nonalcoholic drinks are

sold at a price equivalent to 75,2% of the EU average, Romania being the cheapest country in the EU. The most expensive country is Ireland (146,3%) and alcoholic beverages are very cheap to us, the price of 70,1% of the EU average-is the cheapest meat food to sell at a price equivalent to 58.3% from the average recorded in the EU, but 10 years ago the percentage was 38%. The cheapest meat can be bought in Poland (56,3% of EU average), and the most expensive in Denmark (130,8%);(Docavalichi,2010)

Taking into account the percentage of 66% mentioned above, Romania is the second cheapest country among all the 27 Member States in relation to the price of food. First place in the ranking is Poland with over 63.7% and third place Bulgaria with 67.8 percent would. The most expensive food in Denmark (138,5%)

On the other hand, however, the average salary in Romania is only about 15-20% of the average EU level, so that the share of the purchase costs of food in total consumer spending is very high – according to the INS, the Romanians give on average 40% of income on food, the civilized countries does not exceed 10-15%.

At the moment, in Romania the following dilemma arises: a) if the CAP will be applied (and in particular the system of price support) in the new Member States, there is a risk of a major increase of agricultural production b) Member States will have to take action toward a more competitive farming, which involves significant costs. To become a country with a competitive agriculture, Romania needs especially to progress in adopting European standards in this sector and the food industry. Agriculture is the most voluminous chapter. The common Acquis in the field of agriculture is the most extended and accounts for approximately 40% of EU legislation. Because of this, the effort in the direction of legislation in this sector is considerable. In Romania, at the moment, special attention is paid to the ability of the State to implement and consolidate the acquis.

This involves mainly two preconditions: a) the creation of a competitive market, with public and private institutions capable of meeting the requirements of the common market and the establishment of institutions) that are compatible with those of the EU, capable of managing the CAP. Without an appropriate institutional framework, Romania will not be able to cope with the huge administrative task of implementing both pillars of the CAP. (Market Support and income, rural development). The common agricultural policy (Cap) was founded in 1963 and has suffered from at least three major reforms in 1992, the first in 1999 (Agenda 2000), and the third in June 2003 (on the occasion of the completion of the negotiations on the accession of the ten new EU members in Eastern Europe).

The main objectives of CAP are to:

1. increasing agricultural productivity through:-the rational development of production;
  - technical progress;
  - optimal use of production factors.
2. to ensure a proper standard of life of the community:-agricultural profits;
3. ensure the abundance of tenders.
4. stabilising markets.
5. ensuring the attainment of the decent prices to the consumer.

In the half-century of existence, the common agricultural policy (Cap) was perhaps the most debated, controversial, analyzed and reformed European policy. Here's why it's no surprise that the first sector report published by the European Policy Centre of the framework of the project \"Romania-actor active in the European debate\" is dedicated to agriculture.

The CAP has changed quite a lot from the 1950s until now, maybe not so much as they wanted many analysts and economists, but was changed. From a policy based on subsidizing the production and protection of domestic markets to non-European manufacturers, to a policy under which aid is no longer seeks to stimulate production, income support but directly and a policy that favours rural development and protect the environment.

The CAP is based on two pillars: pillar I-oriented agriculture as the economic sector – direct payments and market interventions (traditional CAP) pillar II – geared towards rural development (modernisation of villages and agriculture, the development of alternative economic branches of agriculture, protection of the environment and the countryside).

Thus, the two Romanian agriculture so different interests of the divergent and often require different types of intervention from the State. Unfortunately, the margin of manoeuvre of national Governments within the CAP is not very high, and the CAP is intended as a unitary policy, regardless of the size of the holdings. Romania to integrate gradually into the mechanisms of application of the CAP and should reflect seriously how common European policy affects its agricultural structure.

So far, the CAP means for Romania mainly subsidies for producers and money for rural development. Only that the balance between the two is opposite to the Western countries, in the sense that in Romania the rural development has allocated more funding than subsidizing farms. (Zahiu, 2006).

The transition to the market economy seems to have been more than originally expected in the Central and Eastern European countries. In part,

the expansion was caused by the economic situation in many countries in the region, which was damaged in a large extent at the beginning of the transition process. She was almost unanimously accepted that Governments will have to play an important role in the efficient transformation of national economies. So that the beginning was caused by: a) the merger in terms of land use, which, unfortunately, did not happen in Romania for reasons purely psychological; b) leasing or selling of agricultural land; on the same point Romanian land market is about to be formed, because of the sense of ownership among the farmers who wanted the land regardless of the cost; c) ratio of the advantages and disadvantages of individual farming; even if it is the basis of European agriculture, but presents a number of drawbacks. The major advantages of the individual type of agriculture would be: to reduce transaction costs, the work done can be better monitored. a better control of resources allocated, which could lead to greater efficiency. One of the main constraints on the development of individual agriculture we can mention the following: insufficient institutional models, which refers to the lack of credit and financial institutions, as well as the existence of supporting underdeveloped institutions; the workforce ill-formed, property rights and the relevant legislation continues to have a rather uncertain.(Stanef,2010)

Structural imbalances in Romania in the agricultural sector are larger, more complicated corrections needed.

1. The excessive Fragmentation of agricultural property is one of the main shortcomings. Currently Romania budget funds both by turning farms commercial and the small size (2 million ha).

2. Another issue agricultural is the large number of subsistence farms and livelihoods. The Romanian authorities should carry out a restructuring of the semi-subsistence farms on the principles of efficiency.

3. Another problem of the Romanian agriculture is a large share of farmers in the total population, as well as the large number of elderly farmers. For this the EU proposed for Community agriculture the application of early retirement schemes (early retirement schemes) that can guarantee total revenue of up to 150,000 euros\farmer (in equal instalments for 10 years). The Romanian authorities will need to apply this scheme which will involve farmers more in age (min. 55) to stop all commercial farming activity definitively, and the use of land to be transferred to other younger farmers who will have to show that they can improve the viability of farms. (Z, 2011).

Compliance with quality standards and regulations sanitary and phyto-sanitary is another direction of utmost importance in the process of harmonisation in the Community rules.(Otiman,2010)

Solutions to increase the competitiveness of agriculture.

The European Union offers various programs for producers.

A. SAPARD is a financial instrument of the European Union to help the candidate countries in the pre-accession process in the field of agriculture and rural development, with a view to the allocation criteria of agricultural area, the population was occupied in agriculture, GDP, less-favoured areas. Through this program, Romania receives about 150 million. Euros annually in the period 2000-2006, non-reimbursable financial assistance in order to facilitate the adoption of Community legislation in this field and to improve the competitiveness of the agricultural sector Program SAPARD funds two types of projects:

- Private (generating income), such as those relating to measure investment in processing of agricultural products;
- Public , relating to the development and improvement of rural infrastructure.

Since 2006 the SAPARD Agency has granted financial support over 25% for agriculture and food processing projects in flood disaster areas. Grants awarded for projects setting up or upgrading of agro-food processing grow to 75% of the total eligible project value, compared with 50% of the SAPARD contribution is normally granted.

*Tabel 1*

Sapard: annual indicative budget allocations (in million Euro, at constant 2011 prices)

Bulgaria	Czech	Estonia	Hungary	Lithuania	Latvia	Poland	Romania	Slovenia	Slovakia	Total
52,124	22,063	12,137	38,054	29,829	21,848	168,683	150,636	6,337	18,289	520,000

B another program can call the SMEs, while the agro-food sector are less concerned, is, Phare RICOP, through which the European Union offers 100 mil. to support the Government in:

- restructuring and privatization of State enterprises which recorded losses;
- funding social measures accompanying this process;
- financing of actions focused on the creation of employment opportunities in the workforce made available.

### **After effects on agriculture**

The main costs involved in agriculture after the accession to the European Union are as follows: the costs of institutional construction. This category includes all costs related to the creation of the institutional framework required for the implementation of the CAP. So far, the efforts of Romania to align CAP included redesigning the system to support the Romanian agriculture on the basis of efficiency and likely to stimulate growth of the size of the farm. Having regard to the fact that the support mechanism

adopted by Romania (similar to) involves expensive tools, budget, cost implications are obvious.

The adoption and implementation of quality standards for agricultural products and processed products, certification of quality systems, sanitary and phytosanitary standards, etc. The costs associated with these activities are resulting in: a) at the microeconomic level, especially after the imposition of quality standards and manufacturers of production become higher than the present and b) at the macroeconomic level, due to the need for the adoption of specific legislation and the creation of, etc. to certify the quality of products. Because most agricultural production is obtained in private farms (91% of cereal production in 2011), we can appreciate that the majority of the costs of implementing sanitary and phytosanitary standards at the level of small scale private farms. Elements of costs related to the implementation of the CAP will be borne directly by the farmers, and especially those with small holdings. In other words, the most affected, in relative terms, are small farmers, due to their financial capacity, preventing him to implement the CAP standards and to achieve a more efficient production. (Zahiu, 2010)

The costs for the implementation of the common agricultural policy, a number of costs related to the implementation of the new regulations also required costs, regional and local level, to make a new institutional framework and microeconomic level costs, caused partly by the characteristics of the field of agriculture and the rural environment in Romania. In addition, it will involve the transfer of funds for Romania from the Community budget to support this policy. These amounts, which are supposed to be transferred, in their entirety, from the Community budget, will be fully available only in 2013, when it is estimated that the participation of members of the new national will reach the peak. This finding suggests that Romania will have to provide its own financial resources to apply specific rules to CAP no later than 2013. (Oțiman, 2010)

On the other hand, the benefits of agriculture are: the development of rural areas. Their development will result in bridging the gap between rural and urban areas, absorbing labor force from rural areas in the non-agricultural sectors (services, the industrialization of agricultural products, tourism, etc.), infrastructure development, etc. At the same time, rural development is one of the priority areas of Romania's agricultural policy in the next few years. Rural development measures include early retirement before the age limit under certain conditions, financial support for farmers in less-favoured areas or those with specific environmental issues etc.

Agricultural production growth will be driven mainly by increasing the prices of agricultural products, even using a system of subsidies, which will be a powerful incentive for farmers.

Establishment and development of market mechanisms. The creation of institutions similar to those of the EU, as well as the increasing role of professional associations will play a very important role in the functioning and organisation of markets through better management and control, leading to some benefits for both producers and consumers (as well as issues relating to food safety, but also more reasonable prices

## **CONCLUSIONS**

For Romania, agriculture is a main branch of the economy. This area includes about 30% of persons employed in the country, compared with the European average of only 7%, and contributes with 16-17% to GDP creation, compared to 3-4% in the EU.(Hubbard,2000) The integration process is often confused with the membership. Integration is a much more complex process, significant efforts are needed on the part of Romania to establish and strengthen the institutional structures of the agricultural market, the achievement of specific performance criteria, ensuring a high stability of the sector and harmonisation with EU legislation. (Fruja, 2009) After joining the EU, support for agriculture and rural development in Romania consisted of two main forms, in accordance with the Community rules present:-direct payments from the EU budget, derived from instruments on the entire application range of the CAP on agriculture. -Structural Adjustment and rural development sector are carried out by co-financing and proposed measures. After joining, supporting agriculture was also achieved through the direct and indirect payments (additional payments, subsidies, loans, etc.), support, food prices, guaranteed payment for fees and taxes, etc.(Zahiu,2011)

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