

## **THE DEVELOPMENT OF AGRICULTURE, A BASIC CONDITION FOR THE PROGRESS OF THE ROMANIAN ECONOMY**

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*This paper resembles the importance that agriculture has for the progress of our country. Agriculture is a sector of primary importance in Romania, both through its contribution to the economy and the share of employment. Its continuous development and improvement and the countryside must be designed and analyzed under three main aspects, namely agriculture, food and environment. Romania is one of the world's largest exporters of agricultural products, particularly wheat and other cereals. Romania is a major exporter of agricultural products in the U.S., but also in Europe and East Asia. As happened with other people, the percentage of population and GDP employed in agriculture has been on the rise dramatically in the 20th century. The rural space in Romania is characterized by poor economic diversification and a major dependence on agricultural activities, which results in obtaining low incomes for farmers. The rural labor force should be directed to other activities, particularly in services, based on a correct and permanent information, human resource awareness and training. The rural employment strategies include measures to improve the quality of human resources to facilitate access to non-agricultural employment in connection with labor market needs.*

**Key words:** agriculture, development, cultivated area, gross domestic product, labor force

### **INTRODUCTION**

Romania has the sixth largest agricultural area used among the countries of the European Union and is one of the top ten world exporters of wheat and corn. However, Romania's agriculture is underdeveloped, affected by fragmentation of agrarian property, lack of capital and irrigation systems, and lack of professional education of agricultural workers. Romania had an agricultural area of 13.9 million hectares in 2016, France (29 million ha), Spain (23.6 million ha), Great Britain (17.3 million ha), Germany (16.7 million hectares) and Poland (14.4 million hectares), but higher than Italy (13.1 million ha), Hungary (5.3 million ha) or Bulgaria (5, 1 million ha).

60% of Romania's agricultural area (8.2 million ha) is arable land, and about two-thirds of it is used for cereal crops. This is how Romania is one of the top ten grain exporters in the world (the world's 9th largest wheat export site and the sixth largest exporting corn).

## MATERIAL AND METHOD

Although most of the cultivated area is used for cereals, they generate less than 25% of the total agricultural output (worth 14.2 billion Euros in 2015).

The share of agriculture in Romania's Gross Domestic Product has steadily decreased over the last 20 years. From 22.6 in 1993 to below 5% of GDP in 2016. This decrease came amid the structural transformation of the Romanian economy, from a predominantly industrial-agrarian economy to a service-based economy.



Fig.1. Romania GDP from agriculture

Although agriculture's contribution to GDP is declining, Romania still has the largest share of the agricultural sector in the GDP structure of all European Union countries, three and a half times higher than the European average. In addition, in 2014 agriculture accounted for 27.3% of Romania's active population, more than six times more than the European average of 4.4% of the active population.

The share of the Romanian labor force in agriculture had in 2014 a value quite close to that registered in 1992, although the share of agriculture in GDP decreased more than four times during this period, signaling significant losses of efficiency. Practically, the gross added value per person employed in agriculture amounts to 2013 at only 18% of the European Union average. If we relate to the countries of Western Europe, the gross added value generated by a person employed in agriculture in Romania is only 7% of that generated in France, 9% of that generated in Spain.

If we take into account gross value per hectare, Romania is also on one of the last positions, this being around 600 Euro / ha (2016). By comparison, in Western European countries the gross added value per hectare exceeds 1,000 Euros / ha.

In Romania, about 85% of the total labor force in agriculture is non-salaried - working on their own subsistence farms. In the European Union, the average share of non-salaried workers in the agricultural sector is 72%, and in some countries it reaches 50% (Spain), 55.8% (Germany) and 63.1% (France).

Romania's yields are from the European average with 37.1% for wheat production and 49.3% for maize production, and Romania is surpassed by many countries in Central and Eastern Europe in this chapter.

Romania suffers from the most acute problem of fragmentation of property in agriculture among all countries of the European Union and has an average holding size similar to Malta or Cyprus, island countries, with far less agricultural land than Romania.

Almost 75% of Romanian farms are under two hectares and the share of farms under ten hectares is 98% of the total number and 39% of the total agricultural area used. At the opposite end, farms with a size of more than 100 hectares account for only 0.5% of the total, but exploit 49% of the agricultural area. In contrast to the other European countries, the medium-sized segment, between ten hectares and 100 hectares, is relatively under-represented in Romania.

France and the Czech Republic, with high yields on agricultural production, account for more than 29% of all farm farms over 50 hectares - the large share of farms over 50 ha offers advantages such as economies of scale, the ability to attract farmers ready, easy access to financing and faster technology

According to European Commission data, 96.4% of Romanian farmers said they have learned their knowledge in agriculture strictly on the basis of practical experience, compared to 70.9% of farmers in the European Union

The level of training of farmers in Romania is below that of new Member States such as Hungary and Poland, where 17.9% and 47.8% of farmers report that they have received formal and full formal training in agriculture .

Another problem characteristic of the Romanian agricultural sector from the perspective of human resources is the fact that there is no clearly defined professional status of the farmer. This has strong implications, on fiscal and social insurance and health care.(Zahiu , 2006)

Romania is on the penultimate place in the European Union from the perspective of capitalization of agricultural holdings.

Among the causes of this low degree of capitalization are the high level of fragmentation (lack of scale economies and the possibility of easy obtaining of funding), low farm income and lack of agricultural training among farmers.

The symptoms of low capitalization in agriculture are numerous and significantly affect production yields. For example, the technological endowments of agricultural holdings are rudimentary - less than 2% of holdings in Romania own at least one tractor.

The main obstacle to the technological endowment of the Romanian farmers is the reduced surface of the agricultural holdings, which does not allow the efficient use of the modern technological means and does not justify the investment in them, given the harvests obtained.

Another problem is the lack of access to the necessary infrastructure, such as liquid fuel. All countries in the European Union, including Hungary and Bulgaria, have reached 100% coverage of agricultural areas with liquid fuel infrastructure, while in Romania coverage is only 56%.

Romania is much behind other European countries and from the point of view of the irrigation system, given that the drought frequently affects over 50% of the agricultural land, but only 12% of the agricultural land has viable irrigation. Also due to the high fragmentation of agricultural holdings, small and very small farms do not have the economic resources needed to re-start or design irrigation systems.

Romania is behind the other EU Member States and in terms of farmers' expenditure on plant protection products, a factor that affects agricultural yields. (Popescu , 2013)

From the perspective of spending from the state budget for agriculture, Romania is on the penultimate spot in the European Union. However, this statistic does not tell the full story, because much of the investment in agriculture in Romania comes from programs like the National Rural Development Program or the Common Agricultural Policy, which are largely funded by European money.

According to the fiscal council data, the agricultural sector has the second largest share of total tax evasion in Romania, 9% or about 1.7 billion Euros.

The agricultural segment in which this kind of tax evasion is most pronounced is the sale of primary agricultural products, especially cereals and fruit-vegetables. The producer sells production directly out of the field and it reaches final consumers at a price several times higher, and undeclared amounts between the buyer's purchase and the final sale go into evasion. (Dornean, 2013)

Also, agriculture is strongly affected by the phenomenon of "black work", but it is harder to quantify, as farming subsistence and unpaid family labor are widely practiced.(Norwood, 2007)

## **RESULTS AND DISCUSSION**

The application of the solutions listed below could improve the productivity of Romanian agriculture, including the increase of the total cereal production by approximately 70%:

Optimizing the size of agricultural holdings by registering properties in the national cadastre system, improving the way grants are awarded to small farms, stimulating farmers' association, introducing a minimum trade dimension and targeted tax measures.( Drummond, 2013)

- Increasing the capitalization of agricultural holdings by facilitating farmers' access to credits through mechanisms for guaranteeing agricultural credit, stimulating the use of irrigation systems and their modernization, facilitating access to relevant European and national funds.

- Increasing the degree of professional training of farmers by modernizing and promoting agricultural vocational and technical education, increasing the involvement of young people in agriculture by implementing schemes to support them (or facilitating access to relevant European funds, offering adequate counseling services and training).

- Reducing tax evasion in the agricultural sector by licensing cereal storage, optimizing taxation in the agricultural sector, regulatory measures to reduce tax evasion.(Barry, 2011)

- Sustainable rural development by adopting the latest innovations from other European countries by vertically and horizontally integrating farm activities and rural clusters, promoting farms that focus on low ecological impacts and sustainable energy generation, promoting modern farm management models increase the value added in agriculture, through rotation or diversification methodologies of recruitment, but also through IT or robotics applications, promoting innovation through collaboration between universities, public and private entities.

## **CONCLUSIONS**

The pillars of Romanian agriculture should focus especially on using natural resources (agricultural land, renewable energy, climate), human capital (R & D units, vocational and higher education), attracting financial resources (credit system, subsidized), stability and long term strategies from the political and administrative decision makers. On the other hand, stimulating investment in developing agricultural and non-agricultural activities should be both considered so as to contribute to the development of rural economy. Any development strategy in the medium or long run, aimed at increasing competitiveness and regional convergence of the Romanian economy, can't ignore the presence and future of the agricultural sector, as an important subsystem of the national economy. Any strategy

targeting rural economic development must also take into account all economic and social aspects that characterize the rural areas and should take into account the macroeconomic and European strategies. (Alec, 2013)

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