

ANALYSIS OF FINANCING TRENDS OF YOUNG FARMERS IN ROMANIA

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RESEARCH ARTICLE

Abstract

The work represents an incursion into the development of agriculture through specific European funds. The multitude of approaches regarding European funds with agrarian and rural specifics lead to the clear establishment of the objectives and purpose of this work. The theme presents particular importance in the current global context of increasingly precarious food safety and security. At the level of the European Union (EU), these issues have been recognized since the 1950s, establishing in the following decades the Common Agricultural Policy (CAP), designed to support agriculture in particular. The exacerbated development of industry, services and later the quaternary sectors led to the partial neglect of agriculture in the first phase of European economic recovery after the Second World War. The financing of agriculture, both at the European level and at the world level, has been imposed as a measure to eradicate global hunger and malnutrition. Through the adopted policies, especially within the framework of the CAP, the EU has become a leader in the substantial financing of agro-rural development.

The work also develops aspects related to the agro-rural sustainability of Romania, pointing out the importance of farmers, especially young ones, in national agriculture. The Romanian agro-rural entrepreneurial population is older, which is why young farmers represent the chance of a certain future for national agriculture.

Keywords: agricultural funds, financing analysis, young farmers

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INTRODUCTION

The main components of the CAP for the period under discussion are achieved through two complementary stages: - through annual direct payments and market support granted to farmers and - through multi-annual rural development measures. Through direct payments, which are not linked to the amount of production, competitiveness in the agricultural sector is increased and farmers' adaptation to the market is encouraged. Concrete and targeted measures ensure the development of farms and rural settlements, the support of social capital and the protection of natural resources. The 2014-2020 period saw the consolidation (unification) of the two dimensions of the CAP: the first, which finances direct aid and market measures, is made entirely from the European Agricultural Guarantee Fund (EGF); the second, which

supports the development of rural areas, is co-financed.

A relevant study in this regard, carried out by Zagorova (2023), shows a tendency to reduce the costs of interventions in agricultural markets with funds from the FEAGA before the indicative period 2014-2020, as well as a restriction/decrease in total intervention costs in the EU agricultural sector for the years 2014 and 2015, while for the period 2016-2019 a marked increase is again observed, with some downward fluctuation in 2018. The research data also shows a drastic reduction in financial support for export refunds for agricultural products produced in the EU, the value of which reached EUR 1.1 million in 2019, compared to EUR 146.7 million in 2012, EUR 62.4 million in 2013 and EUR 4.5 million in 2014, after which they decreased suddenly to EUR 0.3 million in 2015, EUR 0.6 million in 2016. The development of the EU CAP after 2021 is based

on the multiannual financial framework, proposed in May 2018, related to its reform for the period 2021-2027. At the heart of the reform is the EU's results-oriented CAP implementation model and the principle of subsidiarity, which gives member states a much greater role in agricultural interventions. The reform in the agricultural sector provides that the Union will initially establish the key parameters, including the CAP objectives, the main requirements and the main types of interventions under the first and second pillars, after which the Member States will draw up the multi-annual Strategic Plans for agricultural development at the national level. (Zagorova, 2023)

The Rural Development Program at the EU level for the period 2014-2020 consisted of 16 measures, most of them being divided into sub-measures. Among the most important 2014-2020 PNDR measures are: Investments in physical assets (measure 4), Development of holdings and enterprises (measure 6), Basic services and renewal of villages in rural areas (measure 7). (Michalcewicz-Kaniowska & Zajdel, 2019)

Current data show that the number of young farmers in several developed countries, such as the United States and European countries, has declined in recent decades as a result of technological, social and economic changes. In Europe, in 2013, around 30% of European farms were managed by a farmer aged over 65, and in some countries the age exceeds this figure, such as countries such as Spain 33%, Italy 40% and Portugal 50%. The low proportion of young farmers is seen as a problem due to the perceived loss of potential in creating efficient, competitive, innovative and therefore more profitable and sustainable agricultural businesses. It is the main reason why, at the level of the European Union, the financing of young farmers is a primary fact. Young farmers are more open to new ideas, ready to take greater risks, and are also more willing to use loan capital to expand their business. The main contribution of young farmers is the growing recognition that they play an important role in addressing food security challenges. (May et al., 2019)

MATERIAL AND METHOD

The Support for the Installation of Young Farmers sub-measure aims to support the initial installation process of young farmers as leaders/managers of an agricultural holding.

The purpose of the investments supported under this sub-measure is to facilitate the establishment of young farmers as leaders of an agricultural holding, thus giving them the opportunity to get involved in this activity for the first time. The objectives of this initiative include boosting the number of young farmers starting their first farming activity as farm heads, encouraging them to become competitive, associate and participate in integrated food chains. At the same time, it is proposed to improve management, increase the competitiveness of the agricultural sector, and support the modernization process to comply with the requirements related to environmental protection, hygiene, animal welfare and workplace safety. The initiative also aims to create the opportunity for young resident farmers with minimal knowledge to become farm leaders. At the same time, the aim is to encourage young people and families from the countryside to settle in this area, having a positive impact on the national economy as a whole. (AFIR, 2021)

Beneficiaries eligible for this support include young farmers aged up to 40 who are setting up for the first time as sole heads of an agricultural holding, as well as multi-shareholder legal entities where a young farmer takes effective long-term control regarding management decisions, benefits and financial risks associated with the holding. The minimum conditions for accessing the support include placing the applicant in the category of micro and small enterprises, owning a farm between 12,000 and 50,000 S.O. (standard output) (standard production value), presenting a Business Plan (BP) and demonstrating the necessary skills and abilities. The Business Plan must include the manure management methods. The implementation of the PA must start within six months at most from the date of the decision to grant support, and the applicant undertakes to become an active farmer within a maximum of 18 months from the date of installation. The beneficiary must establish his domicile, registered office and workplace in the Territorial Administrative Unit (UAT) in which the holding is registered or in the bordering area of the UAT, until the start of the implementation of the PA. These conditions ensure the efficient and sustainable implementation of business plans. (AFIR, 2021)

Non-reimbursable support under sub-measure 6.1 Support for setting up young

farmers was 100% non-reimbursable and had a maximum value of 50,000 euros.

The analysis of young Romanian farmers (aged up to 39 years), of the evolution of their livestock, is a necessity for the agricultural financing sector, but especially for the agro-rural development of Romania.

Forecast statistical analysis takes into account:

- Observed data (2016-2018) - all graphs have an observed data section (red) covering the period 2016-2018.
- Forecasts (2019-2024) - the blue extension represents the forecasts for the period 2019-2024.

RESULTS AND DISCUSSIONS

At the level of Romania, young farmers represent a group on the verge of extinction. The agricultural sector has a high degree of aging. Farms managed by elderly farmers are thinly capitalized and therefore market oriented. There is a great need to renew generations of farmers in all sectors of Romanian agriculture to improve farm management and increase productivity. The European Union, through the European Agricultural Fund for Rural Development, gives a special interest in supporting young farmers by granting installation aid, precisely to revive this segment of the population that is so necessary in community agriculture.

As can be seen in the following figures, analysis based on Eurostat data (2024), the 2016-2020 period - in which several measures from the National Rural Development Program 2014-2020 were applied - shows a revival of the number of young farmers, especially on the basis of their financing.

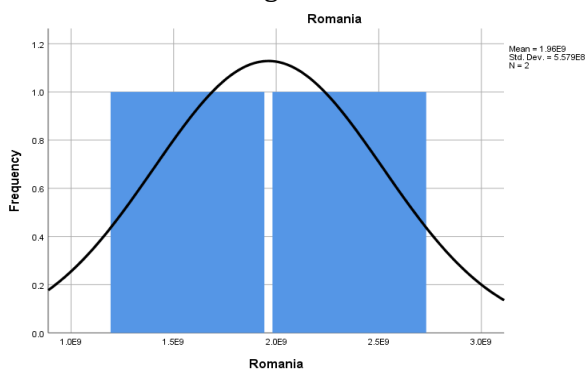


Figure 1 Effective young farmers in Romania

The histograms of the number of young farmers in Romania and in the administrative regions show an improved situation towards the end of the 2014-2020 programming period.

The frequency analysis of young farmers at the level of Romania and the development regions shows that there is an uneven distribution between the regions. The region with the highest average number of young farmers is Romania, followed by the Northeast and the Center. The Bucharest-Ilfov region has the lowest number of observations and therefore the results for this region are less stable. The coefficient of variation is over 100% for all regions, except Bucharest-Ilfov. This indicates a significant variability of funds allocated between regions.

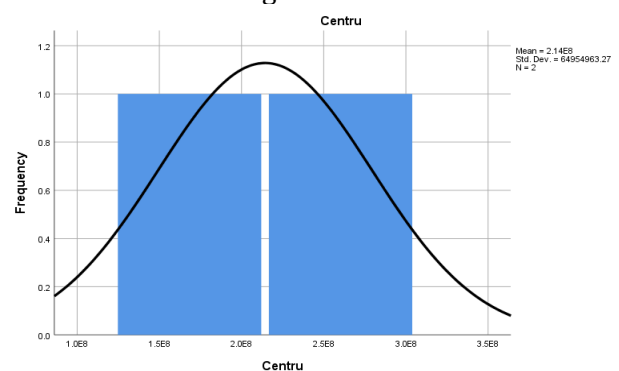


Figure 2 Number of young farmers in Center

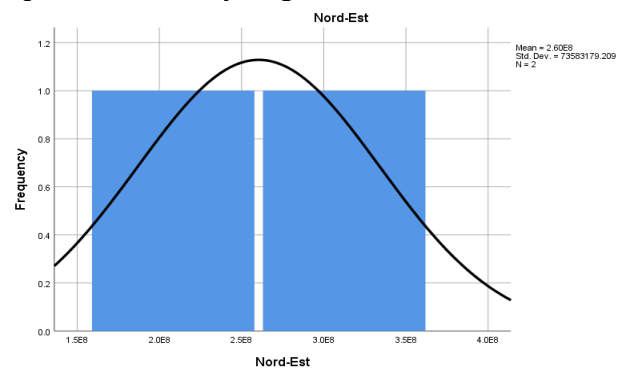


Figure 3 Effective young farmers in North-East

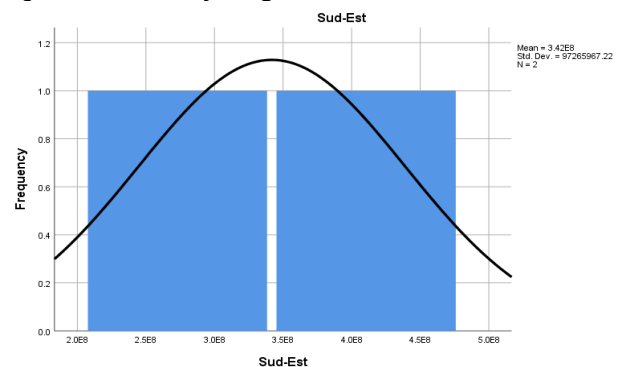


Figure 4 Effective young farmers in Southeast

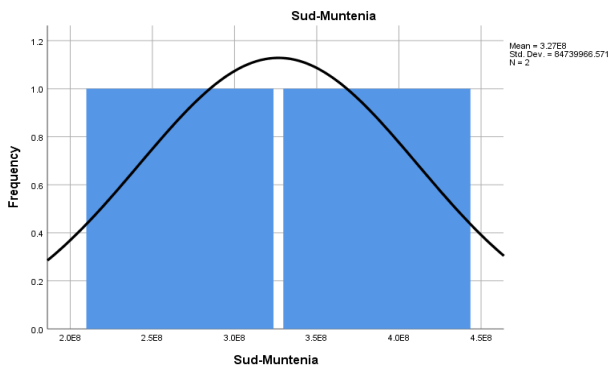


Figure 5 Effective young farmers in South-Muntenia

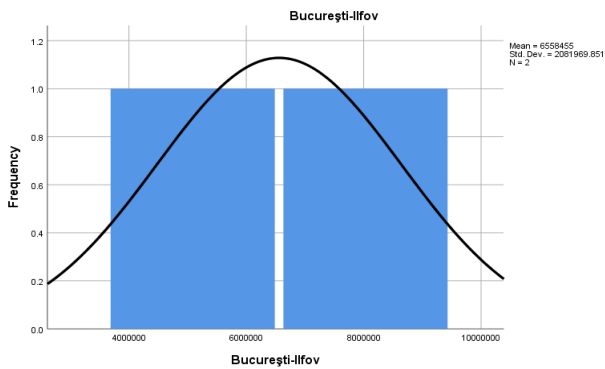


Figure 6 Effective young farmers in Bucharest-Ilfov

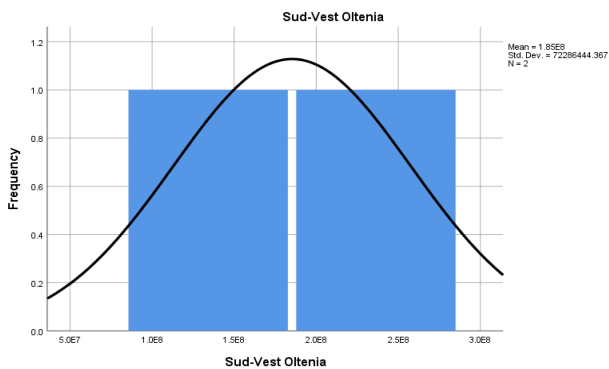


Figure 7 Effective young farmers in South-W Oltenia

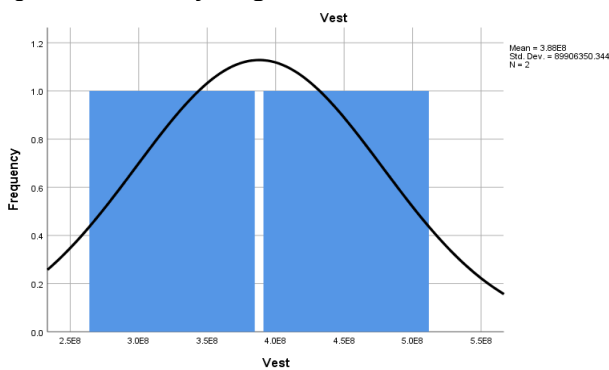


Figure 7 Effective young farmers in West

Histograms are skewed to the right, with longer tails in the direction of large values. This suggests that there may be a small number of regions that have significantly higher numbers of young farmers. The data presented in the histograms suggest an uneven distribution of the number of young farmers in Romania. The

northeastern and central regions of the country seem to benefit from a greater presence than the southern and western regions.

Regarding the forecast for the period 2020-2024, the forecast shows an overview of the future evolution of the number of young farmers in Romania in different sectors and models (figure 8).

Different models - the graph includes several models numbered from 1 to 9, each representing a specific group of young farmers from a certain development region of Romania, as follows:

1. First Model – Romania (Remodel-Model-1): a steady increase from 2016 to 2018 and a significant upward trend with a steady increase in numbers until 2024 is observed.
2. Second Model – Northwest (Innovators-Model-2): has a modest growth trend between 2016 and 2018, as well as similar growth to the first model, but less steep.
3. Third Model – Center (Creators-Model-3): shows similar growth to the previous models and a steady ascent, in line with the first two models.
4. The Fourth Model – North-East (InTech-Model-4): has a slight increase until 2018 and a continuation of the increase, although at a slower pace compared to the first three models.
5. Fifth Model – South-East (Skills-Model-5): a consistent increase is observed between 2016 and 2018 and a significant rise is predicted until 2024.
6. Sixth Model – South-Muntenia (Soundness-Model-6): shows little growth until 2018 and modest and steady rise until 2024.
7. The Seventh Model – Bucharest-Ilfov (Bumper-Model-7): has significant growth between 2016 and 2018, as well as steep growth to 2024, the highest of all models, suggesting rapid and extensive growth in this sector.
8. The Eighth Model – South-West Oltenia (Sonder-Model-8): shows moderate growth until 2018 and a continuous rise, similar to other models.
9. Ninth Model – West (Verdant-Model-9): Shows growth through 2018 and steady ascent at a similar rate to most other models.

The histogram analysis of young farmers from the north-west region of Romania shows that the population mean and standard deviation indicate a significant variability among young farmers, with the maximum frequency being approximately 1.568 (figure 8).

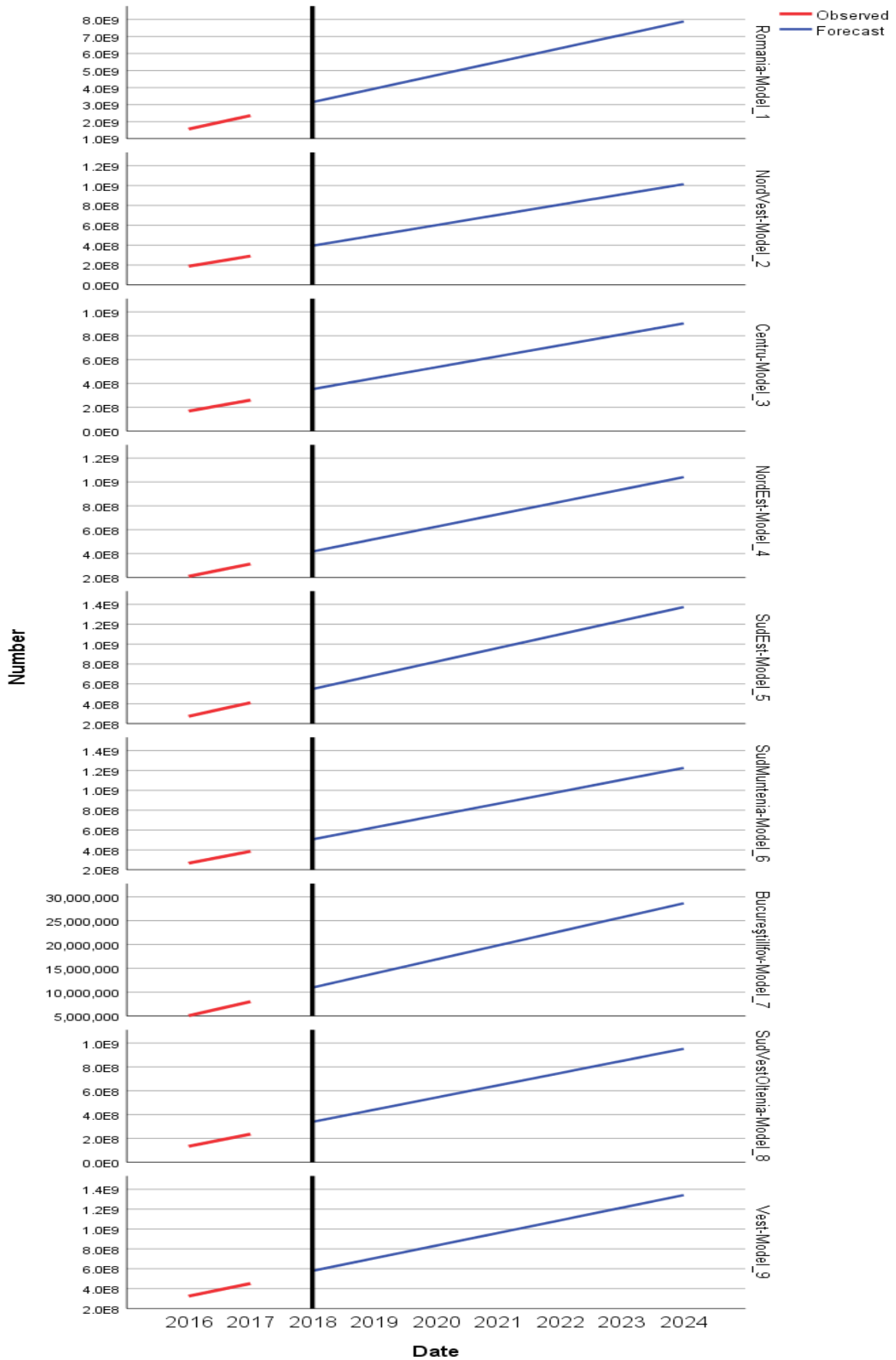


Figure 8 Forecast regarding the number of young farmers in Romania and development regions

This region has the largest population of young farmers.

The histogram shows the distribution of income frequency among young farmers in the

northwestern region of Romania. The information presented in the histogram can be used to perform a specific analysis of this population category.

The histogram is slightly skewed to the left, with a longer tail for lower incomes.

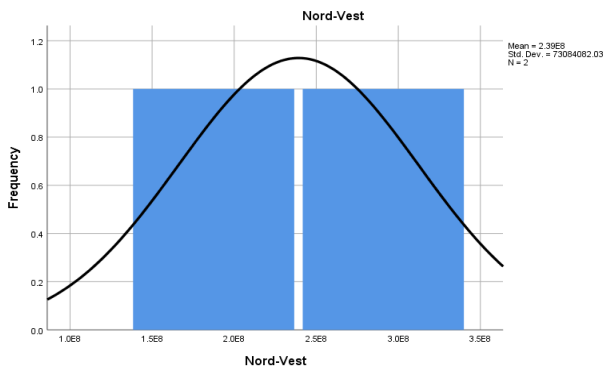


Figure 9 Effective young farmers in North-West

This suggests that most young farmers have relatively low incomes, but there are also a small number of farmers with significantly higher incomes.

CONCLUSIONS

The general trend of all models predicts a steady increase in the number of young farmers in various sectors until the end of 2024. Model 7 Bucharest-Ilfov (Bumper-Model-7) shows the steepest and most significant growth, suggesting a rapid expansion in this sector specific. All graphs show consistent growth, suggesting optimism regarding the future of young farmers in Romania. This analysis suggests a positive outlook for young farmers in Romania, with expansion predicted in all sectors represented in the models. However, for accurate strategic planning, detailed analysis of each model and the specific factors that

contribute to these predictions would be beneficial.

Based on the conclusions presented above, the following recommendations can be formulated specific for the North-West region of Romania:

- the government should implement policies to support young farmers with low incomes, such as subsidy programs or low-interest agricultural loans;

- training and education courses should be organized to help young farmers improve their skills and competences, which could enable them to earn higher incomes;

- markets for local agricultural products should be developed, which would give young farmers more opportunities to sell their products and earn more income.

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