

ROMANIAN AGRICULTURE IN EUROPEAN PERSPECTIVE

Nistor Ioan

Babeş-Bolyai University, Faculty of Economics and Business Administration, Cluj-Napoca, Teodor Mihali Street, No. 58-60, email: inistor@econ.ubbcluj.ro, Phone 0745678242

Nan Anca Petruța

Babeş-Bolyai University, Faculty of Economics and Business Administration, Cluj-Napoca, Teodor Mihali Street, No. 58-60, email: anca_nann@yahoo.com, Phone 0744582312

Borza Georgiana

Babeş-Bolyai University, Faculty of Economics and Business Administration, Cluj-Napoca, Teodor Mihali Street, No. 58-60, email: georgiana.borza@gmail.com, Phone 0745661655

The integration of Romania within the European Union determines Romanian agriculture to be faced with great challenges, such as the alignment with the norms imposed by the Common Agricultural Policy, as well as the inclusion within an extremely dynamic competition market.

The present paper attempts at illustrating the effects that the Romanian integration within the EU has upon agriculture, upon the application of the Common Agricultural Policy and the financial crisis which covers this field as well, together with the research for solutions directed towards reducing the effects of the crisis and relaunching the rural economy.

Keywords: agriculture, common agricultural policy, financial crisis

JEL Classification: Q₁₃, Q₁₄

1. Introduction

Romania has become a member of the European Union on the 1st of January 2007. Romania is the country where more than a third of European Union farmers live, while Romanian agriculture represents approximately ten percent of the value of agricultural production in the EU. The contrast between these two figures illustrates both the huge potential of economic growth, together with an increase of the income level and workforce employment offered with the accession to the EU common market, as well as the challenges that Romania has to face in order to take advantage of this potential. Three main challenges can be noted in this respect: the first one is the accomplishment of the requirements imposed by the agricultural community *acquis*; the second is the decision concerning the way in which the key common agricultural policies should be introduced, including the need of increasing the department's power of absorbing the financially significant support programmes of the European Union; the third challenge –which may be considered the most significant of all –is assisting Romanian agriculture in the process of modernization, so that it may be able to benefit significantly from the opportunities offered by the integration within the EU common market²³¹.

In the field of agriculture the advantages are fewer during the first year of the accession, but in the long run the integration of Romanian agriculture will lead to: an increase in agricultural productivity (through the adoption of the *acquis*, and especially, through the access to funds directed towards agriculture and high technology), uplifting the development of medium (up to 50 ha) and large (over 100 ha) agricultural exploitation, improving the access on the EU market and the disappearance of all commercial barriers, a slowdown of workforce migration from agriculture towards the industrial sector.

Agriculture has been awarded an increased degree of attention in the accession process due to the following reasons: agriculture is under the effect of the instruments used by the common

231 Manole V., Stoian M., *Tribuna Economică*, no. 22, 4th of June 2008, p. 82.

agricultural policy, of veterinarian and phytosanitary commercial policies; over 30% of working population in Romania is involved in this field. Likewise, Romanian agriculture is characterized by a dual structure, consisting in the coexistence of two basic forms of agricultural production, one of subsistence and semi-subsistence and the other of production for the market.

At present, there is a significant difference between the performances of Romanian agriculture and those of the EU, the profitability of Romanian agriculture being inferior to that of the EU. The process of increasing the natural potential of agriculture depends upon the combined efforts of all the decision factors involved.

2. Applying the Common Agricultural Policy

The objective of the common agricultural policy (CAP) is that of offering a reasonable life standard to farmers, high quality food products at fair prices to consumers and that of protecting our rural patrimony. This policy has evolved in order to answer to the needs of our society. Thus, food safety, together with the protection of the environment, the rapport of good value for money and the cultivation of plants used for biological fuel have an ever-increasing importance. In this respect, CAP is oriented towards consumers and taxpayers, while also offering EU farmers the liberty of producing according to the demand on the market.

Upon considering this problem from the perspective of Romanian agriculture, we ask ourselves if the EU is promoting a certain 'European pattern of agriculture'. According to the European views, European agriculture must be enduring, productive, competitive and spread all over Europe (including underprivileged and mountaineous areas). The agricultural field should continue to ensure an equitable lifestyle, to contribute to the keeping of rural areas, to conserve nature and bring a considerable contribution to life vitality in the rural areas. It must be able to answer to the concerns expressed by the consumers and citizens in general regarding the availability, the price, the quality and safety of the products destined for consummation, the protection of the environment and the guarantee of animals' welfare²³².

As for the current situation of the Common Agricultural Policy, the following tendencies²³³ are being shaped:

- the reduction and/or elimination of production subsidies;
- the drastic reduction of the stimulation of market measures;
- ever-increasing support for the elimination of CAP budget;
- premature and unfounded euphoric state concerning both the stability, safety and security of food products and European solidarity;
- the naivety, irresponsibility or even interest of the major European decision factors, who continue to keep European farmers away from the results of contemporary bio-technology.

3. General Presentation of Romanian Agriculture

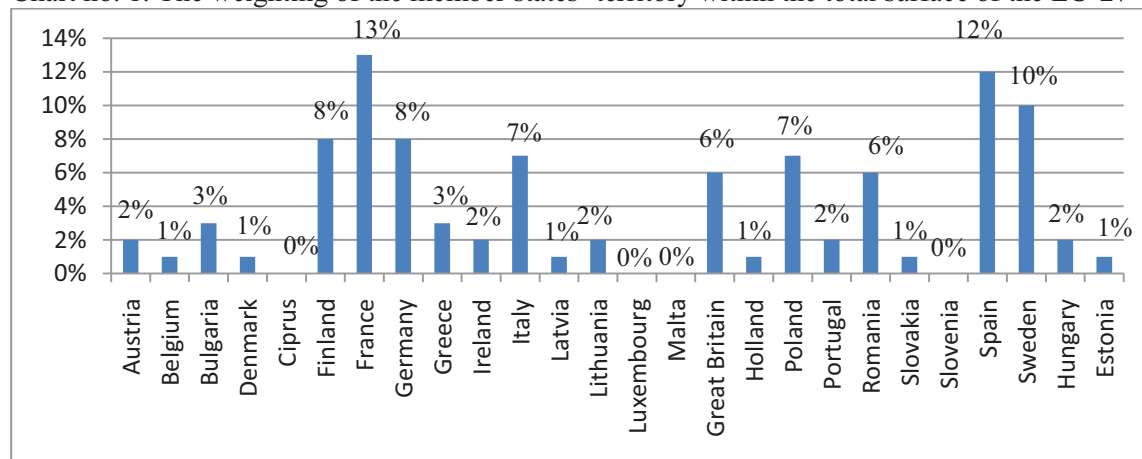
The EU integration is probably the most powerful pressure factor for the rapid reformation of Romanian rural agriculture and economy, given the necessity of a successful inclusion within the European rural economy. The Romanian rural economy, widely dominated by agriculture, is still weakly integrated within the market economy. In the current context of market economy, the welfare of the citizens living in both in the rural and urban areas, together with that of the producers, depends upon the understanding and application of marketing techniques.

Romania, with a territory of 238.391 km², almost equal to that of Great Britain (244.820 km²), occupies the ninth place among the 27 member states of the European Union, after France, Spain, Sweden, Germany, Finland, Poland, Italy and Great Britain.

232 „Politica agricolă comună (PAC) și agricultura în Europa-întrebări frecvente” www.ec.europa.eu.

233 Șoimu V., Lumea Satului, no.3, 1-15 February 2009.

Chart no. 1: The weighting of the member states' territory within the total surface of the EU-27



As it results from the chart above, Romania's territory represents approximately 6% (5.51%) of the total 4,325,787 km² which represents the UE-27.

Of the 23.8 million ha of Romania's territory, 14.7 million ha (61.7%) consist in agricultural area, out of which 9.4 million ha represent tillable land. From the point of view of its agricultural area, Romania occupies the 7th place in Europe after Spain, France, Great Britain, Germany, Italy, Poland, and from the point of view of its tillable land, it occupies the 5th place after Spain, France, Germany and Poland.

In what concerns the gross domestic product (GDP), we mention that the share of the agricultural sector within Romania's GDP has decreased significantly in the last 4 years, from 12.6% in 2004, it dropped to only 7.1% in 2008.

According to a report of the European Commission, Romania and Bulgaria have the lowest agricultural production in the European Union, as compared to the other member states, and this situation will be maintained throughout the following years. The average production/output in Romania and Bulgaria is of approximately 3 tones/ha and might increase lightly during the following 6 years, while in other countries such as France or Germany, the average production per ha is double, that is 6 tones/ha. The average in the EU, including former communist states, is at present of about 4.7 tones/ha. According to the report which contains predictions for the markets and agricultural revenues in the EU, for the years 2007-2014, the production of grain in Romania might remain below its potential, despite the restructuring which is in full process. The draught seems to be the main reason for this situation, as it was in the case with the low production in 2007 as well. The unfavourable weather conditions have also affected countries in Western Europe, the agriculture in France and Germany having to suffer damages caused by flooding. In the course of the following 6 years, according to the report, the situation will be improved because of the favourable market conditions, the access to a unique market and implementation of the common agricultural policies²³⁴.

4. The World Crisis Includes Romanian Agriculture as well

Although it is placed far from the epicenter of the financial crisis and has reached a record dynamics this year, Romanian economy is not completely sheltered from the effects of the decline which has kneeled down the great international markets.

²³⁴"România nu va reuși să devină un competitor important în agricultura UE până în 2013", www.topbusiness.ro.

The feeling of fear is widespread among farmers, in the context of the financial crisis and the pessimistic predictions concerning the economic results for next year. The market of agricultural products is the first victim of the recession but productivity and credit accession are currently considered problematic to producers²³⁵.

85% of Romanian economy depends upon external economic factors, being vulnerable to every economic shock produced on any international market. The Romanian agricultural sector is currently in a very vulnerable situation compared to the decline on the world market. The effects of the economic crisis will be especially felt in the medium and long run, particularly in the sectors of rural development and investments in zootechnics, which will lead to an enhancement of the current differences between the Romanian and European agricultural sectors.

The situation is quite vulnerable because of the weak capitalization of the economic operators on each branch, the lack of investments and the dependence upon imported goods. The most affected sectors are and will be that of providing credits for agriculture, of investing in it and that of capitalizing the production in the situation in which the production costs will be very high. The effects will also be felt when financing every production cycle, but also when lacking liquidities for the payment of current needs.

At present, considering the fact that there are no functional mechanisms meant to ensure a certain protection to farmers, it becomes unfavourable to be a farmer. However, if a unitary action strategy will be set, which also includes an infusion of capital in the development and functioning of these markets and in organizing farmers, then it will be a great advantage to activate on this market. Romania will not only produce for the purpose of covering internal demand, but also for the common market, and in this context, the possibility of new negotiations on the common market should be deeply analyzed, considering the current situation.

In this uncertain context, the solutions for diminishing the crisis and relaunching rural economy are:

- the stimulation of agricultural production;
- the optimization of the structures of agricultural technologies: intensive, conservative.
- the reduction of the VAT with the following consequences:
 - reduction of prices, increase in sales, stimulation of the agricultural and food production;
 - reduction of budgetary incomes – with an influence upon the investment capacity;
 - stimulation of investment in rural economy (small and medium scale processing and service enterprises).

5. Conclusions

In our country, agriculture is not exploited to its full potential, being left on many occasions at the end of the priority list. If we wish to be equal to our European partners, definitely, the producers will have to leave behind subsistence agriculture and re-orient towards the modern one. At present, it is necessary to support the rise of the agricultural production through stimulating voluntary union of lands in order to be exploited more efficiently, as well as through increasing the importance of zootechnics in agriculture. In order to increase its production and quality, it is proposed, among other things, to stimulate ecological agriculture, but also sectors such as fruit growing, vegetable growing and viticulture.

If in the near future awareness will not be raised towards the fact that agriculture is a national priority which needs to be financed more than passive economy, we risk entering into a dangerous game, with very serious consequences from an economic and social point of view, consequences that can be turned into protests and discontent on the part of the population.

235 Mihaela Mocanu, „Agricultura românească vulnerabilă în fața crizei”, www.gazetadebistrita.ro.

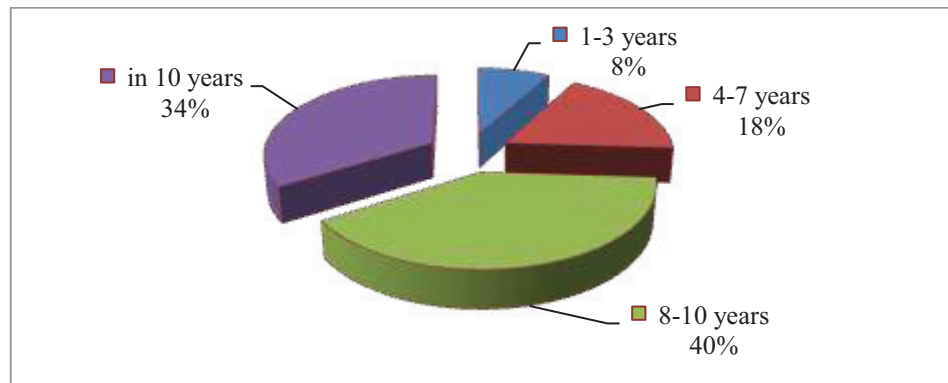
The agricultural sector is part of a state's active economy and represents that domain that can save Romania from a deep economic crisis, because it is the only sector that can still bring direct additional value to the Romanian state, also ensuring food safety for its people.

An advantageous integration of Romania within the EU must be done by taking into consideration at least two conditions which are: compatibility between Romanian and European structures and reaching the performances that would allow its stability on the common market. These performances cannot be obtained without the development and modernization of agricultural structures. But, Romania does not possess the resources of rich countries and neither a top managerial experience that would enable it to create, in a short period of time, the best agricultural structures. That is why it is necessary the usage with a maximum of efficiency of the existent resources.

Opinion Poll...

According to the opinion poll realized by Sergiu Costache and published at the national conference of agricultural insurance, march 2009 "In how many years will Romanian agriculture reach the level of the European average?" most of the people who were questioned consider that it will be aligned to European standards in approximately 10 years.

Chart no. 2: How many years will it take Romanian agriculture to reach the level of the European average?



Bibliography

1. Manole V., Stoian M., *Tribuna Economică*, no. 22, 4th of June 2008.
2. Șoimu V., *Lumea Satului*, no.3, 1-15 February 2009.
3. Mihaela Mocanu, „Agricultura românească vulnerabilă în fața crizei”, www.gazetadebistrita.ro.
4. „Politica agricolă comună (PAC) și agricultura în Europa-întrebări frecvente”, www.ec.europa.eu.
5. “România nu va reuși să devină un competitor important în agricultura UE până în 2013”, www.topbusiness.ro.