

# COMMON AGRICULTURAL POLICY POST-2013 IN THE VIEW OF ROMANIA AND FRANCE

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## *Summary*

*The paper belongs to the field of research “International Business and European Integration”. Entitled “Common Agricultural Policy Post-2013 in the View of Romania and France”, the paper aims to analyze the positions of both countries in the context of the Common Agricultural Policy (CAP) reform. The objectives of this paper are to emphasize the need for a strong CAP, based on two pillars, the position of different countries or groups of states regarding CAP reform and the allocation of European funds on four axes within the Rural Development policy. The paper is related to the research aiming to analyze some issues of the most debated, controversial and reformed European policy. In the same time, it continues my previous research consisting in different papers concerning CAP reforms, food security, agricultural market stability, Romanian agriculture with a view to the future reform and follows the theme of the doctoral thesis entitled “CAP Reform and its Implications for the Romanian Agriculture” (coordinator prof. dr. Gheorghe Hurduzeu, Bucharest Academy of Economic Studies, Faculty of International Business, doctoral studies within 2009-2012). The research method consists in collecting and analyzing data from internal and international publications, the use of statistical data in order to realize a comparative analysis between Romania and France regarding the agricultural output volume variation within a period of ten years and the distribution of the European Agricultural Fund for Rural Development (EAFRD) on four axis in the period 2007-2013. This paper tries to reflect the similarities and differences between one of the oldest Member States of the European Union (EU) - France which has a modern agriculture and belongs to the conservative group and a New Member State - Romania, whose agriculture has a deep dual character and where the medium size farm is not developed enough. The results of the research consist in the fact that Romania should consider French agriculture a model and should adopt a strategy focused on setting up of producers ‘organizations and of agricultural chambers, the encouraging of young farmers to settle down in the countryside, agro tourism with a view to increase the value of the Romanian village.*

*Key words: Common Agricultural Policy, reform, Rural Development, Romania, France*  
*JEL Codes: Q18*

## **I. Introduction**

The cooperation between Romania and France has a long tradition. In the spirit of the strategic partnership dated February 2008, the political dialogue aims to express the common positions regarding CAP which has to be reformed in the perspective of 2013. Agriculture is the engine of rural development and has to contribute to the management of territories and to the increasing of the natural heritage of rural areas along the whole Europe. Since 2010, EU Member States have expressed a common position regarding one of the objectives of the CAP, namely to ensure EU citizens with high quality, diversified products at appropriate prices. In October 2011, the European Commission presented the legal proposals designed to make the CAP a more effective policy in order to enhance the competitiveness of agriculture and rural development. The proposals are going to be discussed with other European institutions so that the future CAP to be implemented on January 1st, 2014.

## II. Literature/research review

Through the subject presented, the paper belongs to the research consisting in books, studies, documents and communications aiming to analyze issues of one of the oldest EU policy.

The CAP reform is an important need as it is stated in the Communication of the European Commission (2010, 2011) and in the research of many European think-tanks. In the study published by Romanian Centre for European Policies (RCEP), Luca (2009) highlights the dual character of the Romanian agriculture and the fact that the middle farm size is not developed enough. In the most recent Romanian study regarding CAP, Giurcă, Alexandri and Rusu (2012) make a retrospective analysis of the publications regarding CAP reform, the implications of implementing the proposals of the European Commission in Romania. Zahrnt (2009) speaks about the winners and losers of CAP reform and later (2011) shows that EU Member States pay for wasting public money.

## III. Research method

The research method consists in collecting and analyzing internal and international data from different publications as well as a comparative analysis between Romania and France in terms of:

- variation of the agricultural output volume over a period of ten years using statistical data;
- allocation of EAFRD on four axis.

## IV. Results of the research

### 4.1. The position of EU member states on CAP reform

Most member states wish that a strong agricultural policy to be maintained, having a significant budget. Their position is against the renationalization of the CAP and the co-financing of the measures under the first Pillar.

**France** belongs to the **conservatory group** represented by the former EU-15 countries like Germany, Belgium, Luxembourg, Spain, Portugal, Greece, whose position advocates for keeping a CAP with a generous budget and maintaining the support for the first Pillar, especially for direct payments. **Franco-German Protocol** emphasizes the need to adjust closer the future CAP to the global realities, to meet better the requirements of the European citizens regarding food security and to provide them food at reasonable prices, to ensure environment preservation and rural development. Priorities are considered the following principles: simplification of the CAP, stability of financial resources and a stronger market-orientation. In terms of direct payments, their redistribution is considered inadequate considering the different economic conditions and contributions of the Member States to the community budget. World economic crisis began in 2008 in the United States and spread later to Europe - where the first country affected was Greece - and this implies that measures must be taken in order to cope with increased volatility of prices. It also highlights the need to increase the role of producers' organizations and the importance of farmers' income stability. With regard to the second Pillar, Rural Development, measures focused towards the diversification of the rural economy and quality of life are foreseen. It is emphasized the increase of farms' competitiveness, the environmental measures, climate changes and management of natural resources.

**Romania** has a similar position with the **New Member States** which favors a balanced distribution of direct payments, the progressive convergence of the subsidies to those received by farmers from EU-15 and the establishment of a loan fund based on equity in order to reduce the discrepancies occurred between farmers and the increase of competitiveness among farms. Therefore, Romania asks for the establishment of a convergence mechanism that should better reflect the equity principle with regard to the payments per hectare. Certain criteria should be used that take into account the utilized agricultural area and the number of animals, the rural population, labor employed in agriculture [Giurcă, Alexandri and Rusu 2012 : 226].

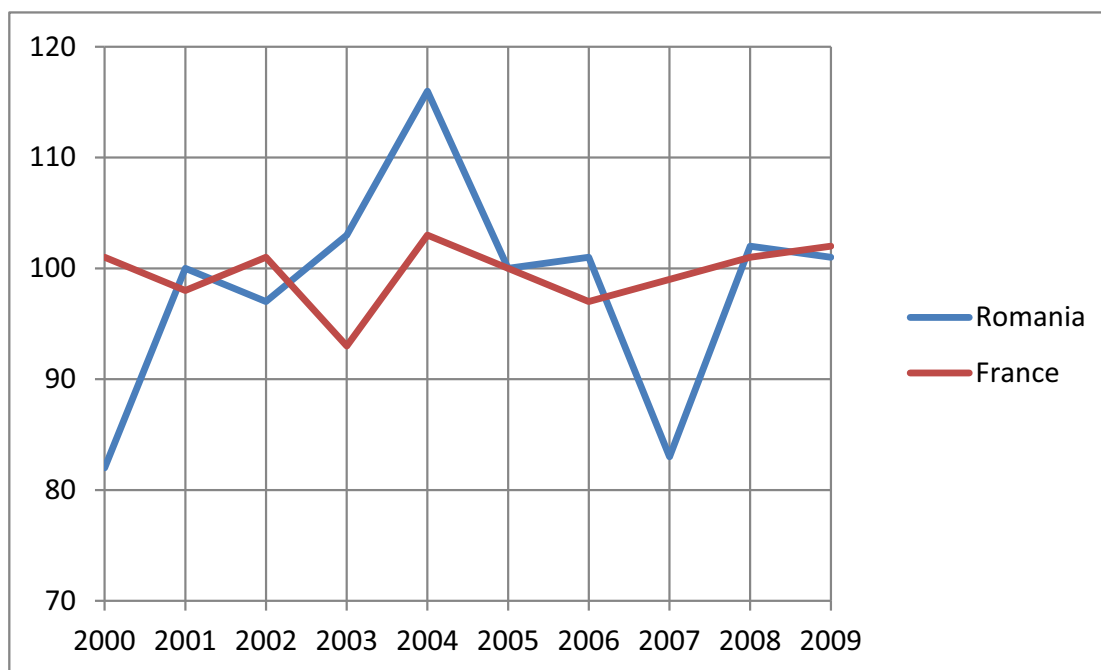
Romania does not agree with capping the direct payments for the large farms neither with greening of payments but shares the Commission’s proposal to create a mechanism for emergency crisis. With regard to the second Pillar, Romania supports the Commission’s proposal to have a Rural Development policy focused on competitiveness and innovation, climate and environmental changes. An important issue to be considered refers to the support for small farms in order to avoid land abandonment, depopulation and to attract young people in agriculture.

**Poland**, where the middle size farm is better represented in comparison with Romania, is interested **to modernize and consolidate farms**. Regarding direct payments, Romania agrees to give up the historical criteria (yields per hectare); these payments must be made according to the objectives set for them, have to be simplified, equally allocated; additional payments should be added. The future CAP must ensure food security, sustainable development and has to be more market-oriented. Subventions should provide income stability and the support of small, organic farms.

The **reforming group** includes countries like **Great Britain, Netherland, Denmark, Sweden**. Their position, with some differences, are in favor of phasing out the direct payments by 2020 and the transfer of funds to Rural Development. The most vehement position belongs to Great Britain - one of the biggest contributors to the EU agricultural budget - which supports the full liberalization of the CAP, considering that this policy distorts the market, is expensive, supplies expensive foodstuffs and is paid from European citizens’ money.

#### 4.2. The need for a “Common” Agricultural Policy

The demographic growth, the changing diets in the emerging countries, the risks induced by climate changes, soil degradation and water supply shortages are reasons for the rising of the food global demand. EU is facing the challenge of maintenance and perpetuation of production capacities and a stable commercial relations system. In this way, the evolution of the Romanian and French agricultural output volume variation for ten years is shown in the figure below.



Source: Eurostat

Figure 1. Variation of the agricultural output volume in the period 2000-2009

The above figure shows that the Romanian agricultural output variation is higher than in case of French production. This reflects a higher exposure of the Romanian agriculture in front of risks, the availability of resources to manage these risks (irrigation, fertilization, etc.) being reduced. To

stabilize the production volumes in the context of food security is an important issue and this implies the modernization of agricultural holdings. Furthermore, the instability of production volumes leads to price volatility, having a negative impact towards the consumer's access to agricultural output.

With regard to the role of the CAP, Romanian public opinion distinguishes among EU Member States and considers that providing decent living standards for farmers is a priority. On the other side, French people focus on supplying high quality products.

A strong CAP can lead to a sustainable rural area that allows an economic activity even in less favored area (LFA). CAP reform is closely linked to the EU 2020 Strategy in terms of green, sustainable and inclusive growth.

Currently, in Romania 29% of the population is employed in agriculture and 45% lives in rural areas; the contribution of the rural area to the net added value is 30%. In France only 3% of the population deals with agricultural activities, 17% live in rural areas whose contribution to net added value is 13%. Romania has to develop its infrastructure to facilitate the access in the countryside and to increase the life standard of rural inhabitants.

Semi-subsistence farms represent a significant percent in the structure of the Romanian agriculture, the output being used mainly for own consumption. Therefore, Romania must adopt measures in order to integrate them into the market but also to develop medium size farms. In Romania, rural population is aging, farmers over 65 years represent more than 40% while in France only 13% belongs to this group of age. Therefore, Romania has to provide support for young farmers to settle down in rural areas. In this respect, the support for young farmers increased from 25,000 Euros to 40,000 Euros (Measure 112 "Settle down of young farmers").

Ensuring increased agricultural productivity and upgrading the agricultural equipment are other requirements that Romania has to apply in order to develop its agriculture and to align to EU standards.

#### ***4.3. Similarities and differences between Romania and France regarding CAP***

At the public debate concerning the future CAP launched by the European Commission in June 2010, many EU citizens and institutions took part; the main views expressed focused on the supply of healthy, safe food at affordable prices, sustainable use of land, rural area support and food security.

The Romanian contribution to the public debate focused on the following areas: good quality, safe products at reasonable prices for health, development of short circuits in the food chain, the preservation of the environment, the promotion of the biological output and landscape management, new working places and appropriate revenues, food security for all Member States.

The position of French authorities revealed several future expectations such as: safe, healthy, diverse and high quality food, better environmental and natural resources preservation, fight against climate changes, landscape diversity and dynamism of rural areas.

The analysis of the opinions reflects that the order of priorities is different but the expectations of both countries regarding the reform in agriculture are comparable.

The position of Romania and France on the future CAP reflects several common points like:

- to provide the European citizens good quality, diverse food at affordable prices, food security being one of the objectives of the CAP;
- to keep a similar structure of agriculture based on two pillars (Pillar I – direct payments and market measures and Pillar II – Rural Development);
- the need to maintain the European CAP budget at least at the level of 2013; the budget allocated to the CAP should fulfill its important objectives and meet many challenges agriculture is facing today;
- both countries are against tax increase, renationalization of CAP and co-financing;
- a more transparent and simpler CAP;

- the coordination with other EU policies such as Cohesion Policy and Competition Policy  
 In the field of expenses, the positions of Romania and France can be considered divergent. Romania might expect to an increase of funds allocated while France can expect to a decrease of funds, particularly Pillar I – direct payments can be directed to pay the social public goods (important criteria for Romania) and environmental (important option for France). With regard to Pillar II, both countries consider that the budget has to be at the same level or even increased.

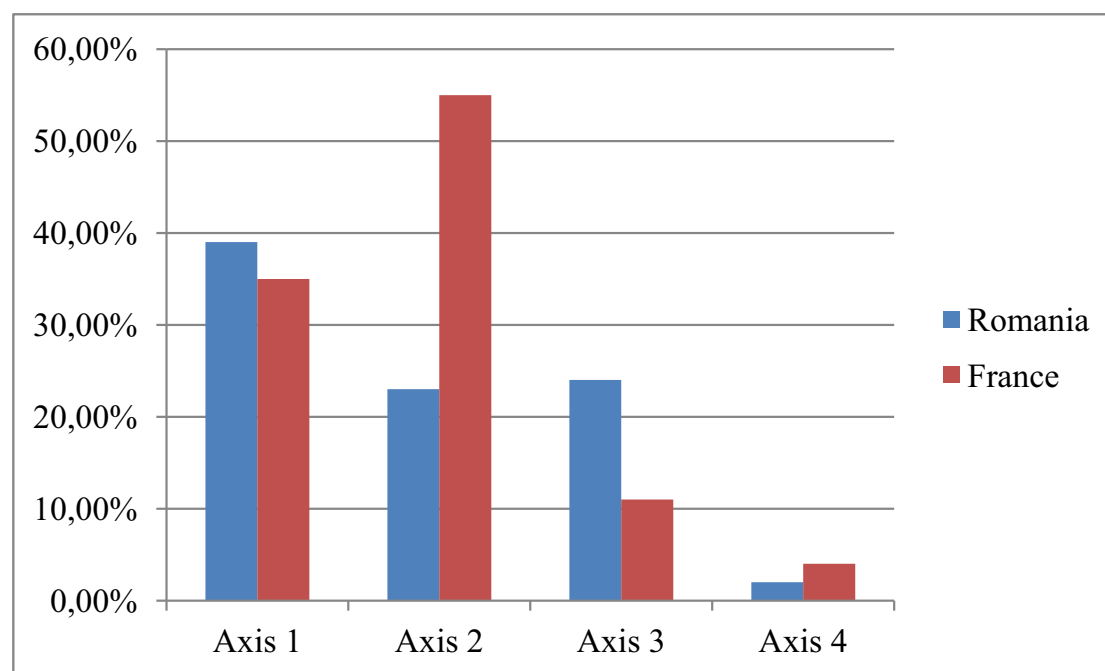
#### 4.4. Rural Development Policy

The development of the second Pillar was made in the period 1999-2001 after Agenda 2000 put together, for the first time, under a common umbrella issues concerning rural development. European Agricultural Fund for Rural Development (EAFDR) is a financing instrument created by the EU in order to support member states in the implementation of the CAP. For Romania it represents an opportunity for the rural area in value of 7.5 billion Euros while in France the amount is 7.6 billion Euros. In Romania the European funds for agriculture can be accessed through the National Program for Rural Development (NPRD) which addresses to rural development and aims to decrease the economic and social disparities between Romania and other member states.

The priorities of the program translated in four axis are:

- Axis 1 „Improving the competitiveness of agriculture and forestry”;
- Axis 2 „Improving the environment and rural areas”;
- Axis 3 „Quality of life in the rural areas and the diversification of rural economy”;
- Axis 4 „LEADER”

The distribution of funds on axis in the period 2007-2013 reflects several differences between Romania and France. While in Romania most funds are allocated for axis 1, in France axis 2 ranks first; in both cases axis 4 represents a small percent as it is shown in the figure below. The distribution reflects the fact that, for Romania, the priority is the need to modernize farms and infrastructure while in France most of the funds are designed for the environment and for practicing agricultural activities in LFA.



Source: Own calculations based on the European Commission’s data

Figure 2. Distribution of EAFRD on axis in the period 2007-2013

The second Pillar of the CAP must promote innovation and the transfer of technology in the benefit of agriculture and ensure a sustainable management of natural resources as well as to preserve biodiversity.

## V. Conclusions

Even if Romania joined EU in 2007, Romanian agriculture has a strong dual character. Therefore, **Romania** has to adopt a strategy aiming to modernize the agricultural holdings, to develop medium size farms and to focus on the setting up of producers' organizations and of agricultural chambers, the support of young farmers to set up in the rural area, the development of agro tourism. **France**, whose agriculture is one of the most advanced in the EU, can adopt new measures in order to have a more attractive rural space.

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