

## **PARTICULARITIES OF ROMANIAN AGRICULTURAL SUSTAINABLE DEVELOPMENT IN EUROPEAN CONTEXT**

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### **Abstract**

*In Romanian, agriculture have been produced a series of structural changes that have led to nonperformance and derermine an improper structure of agricultural holdings. Although Romania has a significant agricultural potential because of the land, workforce in this sector, favorable climatic conditions, agriculture performance is still reduced. One of the ways to modernize and revitalize the agriculture is the investments from European funds that have as strategic direction the sustainable development of agriculture. In this context, the objective of the article is highlighting the particularities of Romanian agriculture and to point out the sustainable development direction of agriculture.*

**Key words:** *agriculture, sustainable development, Common Agriculture Policy, European Union.*

**JEL Classification:** Q10, Q18.

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### **1. Introduction**

Romania has a significant agricultural potential but underutilized and not adapted to current economic requirements even if received important funds for alignment to the EU requirements and market conditions. Even if 62% of the country agricultural area is represented by agricultural land, there are a series of imbalances in Romanian rural economy, due to the large number of small farms and low level of technology.

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Romania area represents 6% of the total European Union area and 4% of its population. Rural areas have a great growth potential and have a vital social role, with a favorable endowment in natural resources (land, water, etc.) and human resources. Rural areas in Romania covers 87.1% of the country, comprising 47.2% of the population. Although existing resources, until now, these advantages had a limited influence in terms of generating a significant development and restructuring in agriculture.

Farm structure in Romania is not adapted and developed EU countries, so that farms in Romania is characterized by high fragmentation and low-tech. Romania has the largest number of farms in the EU, of which about 90% are subsistence farms, and some of them very large. Excessive division of agricultural land and establishment of a large number of farms has led to decreased agricultural productivity, expanding rural poverty, inefficient use of inputs.

Farm structure in Romania is not adapted to developed EU countries, so that Romanian farms are characterized by high fragmentation and low-tech. In Romania there is the largest number of farms in the EU, of which about 90% are subsistence farms, and some of them very large. Excessive division of agricultural land and the large number of farms has led to productivity decreased, rural poverty, inefficient use of inputs.

Romania's EU integration and implementation of the Common Agricultural Policy (CAP) has opened new horizons of development based on competitiveness, market orientation, productivity increase, food security, etc.

Given the low performance of Romanian agriculture, we believe that one of the ways to increase the efficiency and performance of agriculture is the implementation of investment projects from European funds through the National Rural Development Programme (RDP) 2014-2020

In the period 2014-2020 the European programs for agriculture have in their center the sustainable rural development which implies a strong rural economy, a modern rural infrastructure, an adequate technical equipment of the rural area, using local natural resources, environmental protection.

## **2. Particularities of Romanian agriculture in EU context**

If we compare the Romanian rural economy and the EU, we see a series of major differences, which causes a distorted structure of Romanian rural environment.

Romanian agriculture's contribution to GDP is significant, so that in 2011, agriculture represented 7.3% of GDP in Romania, and during the period 2012-2014 register notable declines of up to 4.7% (NSI 2014). We appreciate that there is a significant disparity between the utilized agricultural area, the number of farms and the percentage by which agriculture contributes to the GDP. These coordinates emphasizes inefficient operation of the agricultural system.

According to Eurostat data, in 2014, EU-28 agriculture has generated 159835 million euros gross value added (GVA), ie an increase of approximately 11% compared to 2010. Compared to the EU-28, in 2014, the Romanian agriculture generated 6783 million euros GVA, about 4% of GVA in the EU-28, which ranks Romania on 8 place.

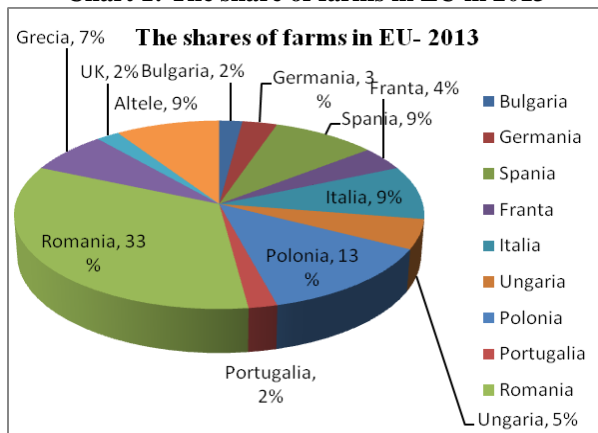
In terms of population distribution in the territory, Romania has a much higher level of rurality compared to EU countries, employment in agriculture is oversized compared with EU member states. Romanian rural employed population in 2010-2013 stands at a high level, about 28% of total employment (NSI, 2014). This situation is mainly due to the large number of small agricultural holdings. The large number of people working in agriculture, forestry and fishing is one of the clues low level of labor productivity.

If we make a comparison between Romania and the EU in terms of utilized agricultural area (UAA) and number of farms, are resulting the followings:

- at EU level 48.18% of farms have over 5 hectares and represents 95.57% of UAA while in Romania only 9.11% have size over 5 ha and represents 71.47% of UAA;
- at EU level 51.86% of farms have size up to 5 hectares and represents 4.43% of UAA 90.89% while in Romania 90.89% have size up to 5 hectares and represents 28.54% of the UAA;
- 48.26% of Romania UAA is occupied by large farms of over 100 ha, and at the opposite end lies subsistence farms (up to 5ha) occupying 28.54% of UAA.

Regarding the farms existing in the EU in 2013, we see that the highest percentage is represented by Romanian farms, ie 33%, which underlines the fragmentation of farms and which has negative consequences on economic performance. We can see from the chart. 1 that the farms from Romania, Poland, Italy and Spain account 64% of the total number of farms in the UE28

**Chart 1: The share of farms in EU in 2013**

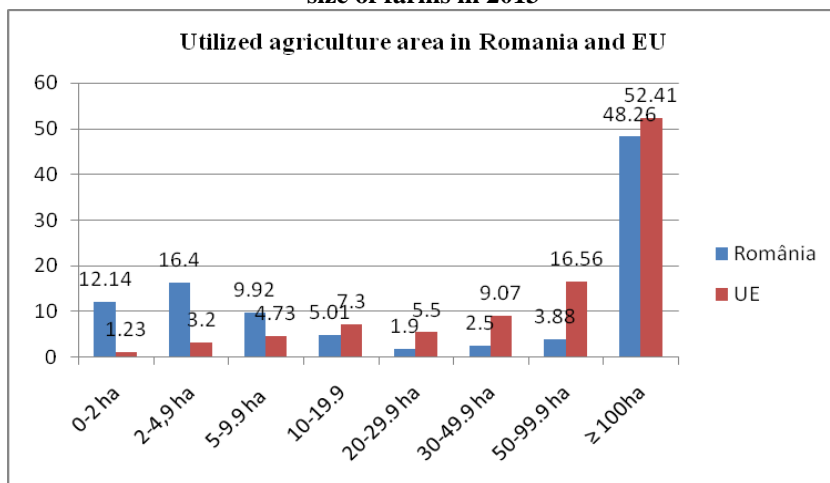


Source: Eurostat (ef\_kvftaa), author's view

In Romania the largest share, 91% owned by farms which have a size of up to 5 hectares, which highlights that agricultural production is based mainly on subsistence farms.

Considering the above mentioned, we appreciate that reducing the number of subsistence farms by transforming them into competitive farms would be one of the priorities of rural development policy 2014-2020, if we want the Romanian agriculture to become competitive and to influence the Community market.

**Chart 2: The utilized agricultural area in Romania and EU depending on the size of farms in 2013**



Source: Eurostat (ef\_kvftaa), author's view

The main features of Romanian agriculture in the EU context are highlighted by a series of indicators:

- the number of Romanian farms represents 33% of the farms for EU 28, which places our country at first place
- Romania represents 7% of the utilized agricultural area of EU, occupying 6th place
- Romania livestock represent 3.8% of EU 28, which places our country in 9th place
- The employment population in Romanian agriculture represents 16.3% of the labor force employed in EU agriculture, occupying the position 2 (first place is occupied by Poland)
- One of the most important indicators that reflect the efficiency of available resources is the value of agricultural production which in

Romania's case represents 3.6% of total EU production, occupying position 8.

Regarding the exploitation of agricultural land in Romania, it is important to note that the total agricultural area of Romania at the end of 2014 was 14,63 million hectares, which represent 61.37% of the total national land, growing with 18.189 hectares compared to 2013 (NSI TEMPO online).

The arable land per capita places Romania among the top five countries in Europe, with 0,44 hectares / person in 2013 which reveals the growth potential of agricultural production: Lithuania-0,77ha / person, Hungary 0,68ha/person, Estonia- 0,48ha/person, UK- 0,48ha/person (The World Bank, 2013).

### **3. Impact of the Common Agricultural Policy on sustainable development in Romania**

After Romania joined the EU in agriculture are applying the mechanisms of Common Agricultural Policy (CAP) which are combined with policies to adapt to Community requirements, taking into account national particularities.

At EU and Member States level there are two important mechanisms of funding the measures and financial support that contribute to the CAP objectives: the European Agricultural Fund for Rural Development (EAFRD) and the European Agricultural Guarantee Fund (EAGF).

By EAGF are financed several expenditures in order to support the development of EU Member States (Regulation (EC) no. 1290/2005, Article 3):

- direct payments to farmers according to CAP requirements;
- intervention measures to regulate agricultural markets;
- information and promotion actions for agricultural products.

EAFRD is a financial tool created by EU in order to support the member countries in implementing CAP, via this fund are financed rural development programs to ensure sustainable development of rural areas.

CAP can be described as having three dimensions: market support, financial support schemes and the third dimension relates to rural development. These dimensions are interconnected, their sustainability is given by the capacity of the three to act collectively. The first two dimensions

are funded exclusively from the EU budget, while rural development dimension is co-financed by the Member States (European Commission, 2014).

Looking at the literature, we consider that the CAP represent a set of mechanisms and regulations related to two fundamental issues for rural areas: establishes the regulations for production and marketing of agricultural products in the EU; establishes the mechanisms for the development of rural areas.

CAP rests on two pillars: Pillar 1 referring to market measures for ensuring food security, regulate the supply-demand relation, increase farmers' income and Pillar 2 includes measures regarding the agriculture and agrifood modernization, economic development of rural areas, economic and social cohesion.

Application of CAP in Romania is performed by Ministry of Agriculture and Rural Development together with its institutions and management of funds for supporting agriculture is achieved by Agency for Payments and Intervention in Agriculture (Pillar 1) and Agency for Rural Investments Finance (Pillar 2).

European funds for agriculture are accessed based on the key document National Rural Development Programme (RDP) which contains the terms and conditions of investment financing for rural areas.

CAP objectives in 2007-2013 were outlined around three clearly defined objectives: economic, environmental and territorial goals (European Commission, 2013):

- increase the competitiveness of agriculture and forestry;
- improving the environment and rural areas;
- improve the quality of life in rural areas and diversify the rural economy.

The CAP budget allocated to Romania for the period 2007-2013 is EUR 13524 million euros, which represent 3,6% of the total budget of CAP. For the total amount 40,7% represents amounts for Pillar 1 (5502 millions euros) and 59,3% for Pillar 2 (8022 million euros).

The EU rural development directions for 2014-2020 are reflected in (DG Agriculture and Rural Development, 2013):

- encouraging innovation and knowledge transfer in agriculture, forestry and rural areas;
- increased competitiveness of farms and promoting innovative technologies to ensure sustainable development;
- supporting the organization of supply chains, processing and marketing of agricultural products, animal welfare, risk management in agriculture;
- conservation of ecosystems related to agriculture and forestry;
- resource efficiency, carbon reduction and diminish of climate change in the sectors of agriculture, agri-food and forestry;
- promoting social inclusion, poverty reduction and economic development in rural areas

In the period 2014-2020, the budget allocated to Romania by CAP is 8026 million euros, representing 8,40% of the total CAP budget. In terms of the budget allocated by CAP, Romania is ranked sixth of all the EU28 countries, which means that it has a significant financial allocation. It appears that for the total budget of CAP, Poland received the largest allocation, 11,46% followed by Italy with 10,93% and France with 10,91%.

#### **4. Strategic Directions for sustainable development of agriculture**

Sustainable development policy aims is to achieve an improvement in quality of life, which requires economic progress, environmental protection and social inclusion.

Sustainable development focuses on three important dimensions, namely economic, social and environmental dimensions (European Union, 2015).

It is important to note that in the last period was promoted an intensive agriculture by granting various forms of financial support, which, on the one hand contribute to increasing agricultural production, and on the other hand causes environmental pollution with pesticides and chemical fertilizers that have negative effects on the consumers.

Increasing the soil productivity, crop yields through fertilizer, manufacturability and replacement of human activity and aimalelor work with technology causes the profitability increases of farms but in the same time causes environmental, soil, and people health degradation.



From our point of view, the above issues indicate that agriculture faces a number of problems:

- problems concerning the effects on human health due to pesticides, additives, fertilizers and animal feed and that is reflected in the food chain;
- water contamination due to nitrate and phosphate, which can cause population disease and diminishing the water resources;
- agricultural pollution due to intensive livestock which causes soil and water pollution by flow out into groundwater;
- diminishing productive capacity of the soil, degradation of water resources due to soil pollution, erosion;
- degradation of landscape and wildlife habitat.

From our point of view one of the strategic directions for sustainable development of agriculture is reflected in obtaining organic products in line with European standards.

Organic production is based on a series of principles (Regulation (EC) no. 834/2007):

- limiting the use of additives and non organic ingredients;
- the use of organic feed for animals;
- reduction the use of non-renewable resources and raw materials off-farm;
- recycling of wastes, animal and crop secondary products by using them as input in crop and livestock production;
- maintaining natural soil fertility and plant nutrition through the soil ecosystem;
- limiting the use of chemical raw materials and external inputs.

We believe that one of the most important strategic lines of sustainable development of agriculture is to implement the CAP principles and RDP 2014-2020 which through the projects and support measures aimed at achieving goals that lead to sustainable development. Some of the objectives of the CAP and RDP that are leading to sustainable development of agriculture and forming part of the National Strategy for Sustainable Development of Romania 2014-2020-2030 are:

- increase the competitiveness of agriculture, agrifood, forestry, orchards, fisheries;
- increase the viability of farms, market orientation, development of processing system;

- increasing the efficiency of small farms and reducing employment in subsistence agriculture;
- diversify the rural economy by developing non-agricultural activities in rural areas;
- supporting development initiatives "bottom up" through LAGs;
- encourage the association, cooperation.

In Europe were a lot of transformation, the economic crisis by the recent years is highlights the economic and structural weaknesses of Europe; the rapid evolution of economic, social and environmental phenomenas and processes requires a strategy for sustainable development of economy and society. In this context the Europe 2020 strategy proposes three development priorities (Europe 2020): smart, sustainable, inclusive growth.

## **5. Conclusion**

Specialized studies and practical reality showed that after EU accession, Romanian agriculture aligning to the standards of Member States occurs slowly, with no significant progress in terms of system functionality and structural compatibility.

The performance of agriculture in Romania is strongly affected by excessive fragmentation of ownership. Therefore the farm size does not allow efficient use of available resources which negatively affect the rural economy and farmers' incomes. On the other hand, in Romania, the structure of farms is bipolar, there are large competitive farms and small farms.

The large number of small farms, the oversize population occupied in agriculture, it is part of non performance determinants of Romanian agriculture, which requires finding solutions in order to determine structural change of farms.

Regarding the development of Romanian rural area in 2014-2020 and alignment to the directions of EU rural development, we believe that require a particular attention the following matters:

- simplification of mechanisms and procedures for attracting and implementing various programs and projects;
- support LEADER approach by providing legal and institutional support because this type of partnership structure has proven contribution to rural development in 2007-2013;

- development of a competitive agriculture and efficient use of resources;
- strengthening the farmers position on the market by supporting producer organizations, development of short circuits between producers and consumers;
- support of agri-environment measures according to the territory specificity;
- facilitating young people establishment in order to encourage the younger generation to engage in agricultural activities;
- increased attention to natural deprived areas through an additional financial support.

Regarding the sustainable development of agriculture, this it is an issue widely debated and it is the subject of numerous development strategies at national, European and global, is an integrated concept in sustainable economic growth.

In our opinion for a farm to have a sustainable and competitive activity must to comply with the following requirements:

- to adapt the agricultural production structure to the market requirements;
- to develop a profitable long term activity;
- to ensure food security by using organic production technologies;
- to use natural resources and to reduce as much as possible harmful chemicals for the soil and the consumers health;
- to provide jobs;
- to integrate in the production system advanced technologies that will produce quality products aligned with the requirements of organic production;
- to integrate into associative structures in order to diversify the activity, entering on new markets, better use of products.

Given all these factors that have marked the evolution of Romanian rural area and because of the lack of concrete measures to stimulate agriculture, we find that there is a low performance of Romanian agriculture and significant disparities between farms in Romania and the EU, which means that Romania will have to implement a number of measures that would allow to develop sustainable agriculture.

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