

## **THE IMPACT OF ECONOMIC CHANGES ON PUBLIC PROPERTY IN ROMANIAN AGRICULTURE**

**Alexandra Cristina CIOTEC**<sup>1</sup>

<sup>1</sup> *The Bucharest University of Economic Studies*

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### **Abstract**

*This article aims to highlight the economic role of private property in Romanian agriculture. The transfer of land from public property to private property was carried out in Romania at the beginning of 1991, which resulted in major changes in the agricultural structure of the country. The establishment of the property right was achieved by issuing a property title within a minimum area of 0.5 ha for each entitled person and a maximum of 10 ha of family in arable equivalent.*

*This was the main reason behind the problematic situation, unfortunately still valid, of Romania's agriculture. Territory parceling has prevented productivity growth and encouraged the subsistence economy and its own consumption, although Romania is one of the ten EU Member States in terms of size of agricultural area.*

**Key words:** economic, public property, agriculture, Romania

**JEL classification:** Q15

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### **1. Introduction**

The legal literature refers to the concept of public ownership and the concept of the public domain as concepts with different meanings, the property is a legal institution and the public domain is a totality of property subject to property (Ioan Alexandru, Mihaela Cărauşan, Sorin Bucur, 2005).

In Romania, the public domain is known to have the following specific features:

a) goods that make up the public domain, by their nature or by an express provision of the law, fall within the category of those which must be preserved, protected and transmitted to future generations;

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<sup>1</sup> *Ph.D. student, Faculty of Agrifood and Environmental Economics, Bucharest, Romania, cristina\_ciotec@yahoo.com*

b) these goods are of general importance, being part of the natural, cultural, historical, documentary, scientific etc. heritage, as the case may be. and are intended for public use or use in the public interest;

c) the legal status of goods in the public domain, irrespective of their owner, is in whole or in part administrative or public law. (Liviu Pop, Liviu-Marius Harosa, 2006)

In Romania ownership right is classified as follows:

- the property right is defined as the property right belonging to the State and to the administrative units on movable and immovable goods that constitute the public domain or which, by their nature, are for public interest or use, national or local, on which are exercised the attributes of property rights for public power and public interest. (Ioan Lucian, 1997, p. 31 after Ioan Alexandru, Mihaela Cărăușan, Sorin Bucur, 2005, p. 428).

- the right to private property is the right not only of the state and administrative-territorial units, but also of the natural and legal persons (over movable or immovable property) to which possession, use and disposal are exercised by private power and interest. (Ioan Alexandru, Mihaela Cărăușan, Sorin Bucur, 2005, p. 429)

In another sense, "goods of public interest are the goods intended for the operation of public services (installations, equipment) or those that, through the socio-economic importance, the cultural or historical value (art collections, museums, etc.) and serve the general interests of society or local authorities. (Vasilică Negruț)

The French legal doctrine introduces in the nineteenth century the term of public domain, as a result of the economic necessity, of protecting with the means of the law the property belonging to the state, which served the entire community, being individualized by the private domain. (Proudhon after Lucica Matei, 2006, pg 79)

The Land Fund Law no. 18 of 1991 stipulates that land may be subject to the right of private property or other real rights, having the right of natural or legal persons, or belonging to the public domain or the private domain.

The public domain may be of national interest, in which case the ownership of it, under public law, belongs to the state, or of local interest, in which case the property, also under public law, belongs to communes, cities, municipalities or counties.

Managing the domain of national public interest is done by the bodies provided by law, and the administration of the public domain of local interest is done by the mayoralities or, as the case may be, by the prefectures.

Also under the Land Fund Act it is emphasized that the public domain land is affected by public utilities and that land owned by the State is those land entered into its patrimony in accordance with the legal provisions existing up to January 1, 1990 and registered as such in the land registry system and the forestry arrangements.

State-owned land managed by scientific and agricultural research institutes and resorts for the research and production of seed and planting material of superior biological and breed animals and the administration of the Institute for the Testing and Registration of Plant Varieties Culture and its territorial centers belong to the public domain and remain in their administration.

Following the adoption of the land fund law, the Government, on a proposal from the Ministry of Agriculture and Food, delineated the areas of land strictly necessary for the research and production of seed and planting material of superior biological and race animals, and those destined for production, administration of institutes and resorts agricultural research and production. These measures have also been applied to state-owned land used by agricultural or forestry units.

## **2. Changes on public property in Romanian agriculture**

It is well known in the economic theory that in order to be prosperous, a state needs a strong economy, a developed economy that maximizes the production factors. The efficient use of the resources available to produce economic goods must be the goal of each state. The extent to which economic goods are attracted and used in economic activity expresses the degree of development of that country.

Starting from the premise that, in order to have a viable economic system, we need to properly set up the resources we have in place to identify development opportunities as well as weaknesses that require improvement.

The Strategy for Medium and Long-term Agri-Food Sector Development, created by the Romanian Ministry of Agriculture and Rural Development on the 2020-2030 horizon, expresses concern about the process of structural transformation worldwide, as a result of the emergence of new global challenges long-term:

- the increasing global population, increased pressure on natural resources and global warming create a new framework at national and international level.
- at both European and national level, the aging of the population is growing
- global food demand is on the rise, increased urbanization, rising input prices, pressure on water resources and growing crop and animal vulnerability to climate change will limit food production
- globally, the demand for food will increase by 70% by 2050 compared to 2015 as a result of the growing population and revenue growth. Developing countries will contribute most to this trend, with their demand for food to double in the coming years. It is estimated that the world population will grow from 7 billion, currently to 9 billion by the middle of this century, and 95% of this increase will occur in the least (Commission of the European Communities)
- according to the Food and Agriculture Organization of the United Nations, rising global revenues will mostly be associated with increased urbanization (it is expected that 70% of the world's population will live in the urban area by 2050 compared to 49% in 2015) and with rapid economic growth in some of the most populated countries (eg Brazil, China, India and Russia).

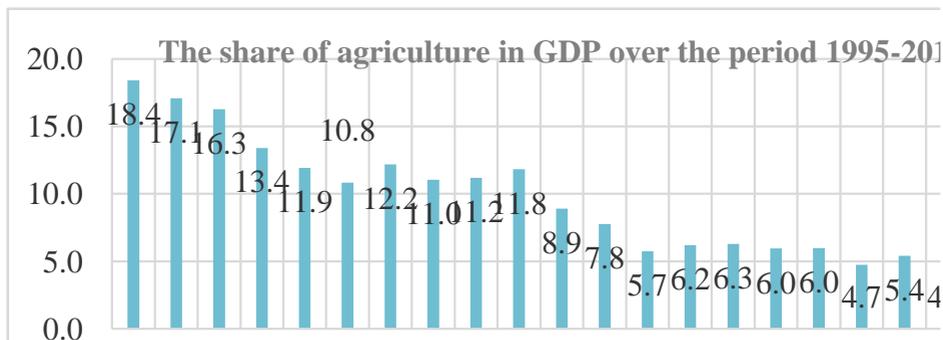
The agriculture has been the basic branch of the national economy for a long time, with a significant weight in Romania's gross domestic product, as can be seen in the chart below. After 1990, Romania crosses a period with multiple socio-economic changes, the shift from a centralized economy to a market-based market economy has led to a decline in the share of agriculture in GDP. This was gradually done, mainly due to the structural transformation of public property.

**Table 1 The share of agriculture, forestry and fishing in GDP  
- million lei current prices -**

Year	Agriculture, forestry and fishing	%	Industry	%	Gross domestic product
1 995	1 404,1	18,41	2 276,2	29,85	7 625,6
1 996	1 933,2	17,09	3 520,5	31,12	11 312,5
1 997	4 119,9	16,28	7 643,1	30,19	25 313,0
1 998	4 965,9	13,40	9 859,6	26,60	37 072,3
1 999	6 550,1	11,91	13 726,1	24,96	54 996,7
2 000	8 722,1	10,82	20 005,0	24,81	80 627,3
2 001	14 270,8	12,19	31 019,3	26,50	117 061,6
2 002	16 670,7	11,03	41 003,7	27,13	151 120,6
2 003	21 974,8	11,18	49 004,5	24,94	196 490,4
2 004	29 068,7	11,81	61 860,0	25,14	246 071,7
2 005	25 729,4	8,91	72 097,7	24,95	288 913,6
2 006	26 789,0	7,76	85 370,7	24,74	345 121,8
2 007	24 426,1	5,73	105 040,7	24,64	426 291,1
2 008	33 109,1	6,19	136 569,6	25,53	534 842,5
2 009	32 944,5	6,29	134 533,9	25,68	523 828,9
2 010	31 410,2	5,95	156 681,9	29,69	527 721,4
2 011	33 516,1	5,98	179 166,4	31,99	560 027,2
2 012	28 063,1	4,74	147 680,2	24,93	592 360,6
2 013	34 257,8	5,40	159 476,6	25,14	634 237,2
2 014	31 154,1	4,67	168 612,3	25,29	666 670,9
2 015	30 213,6	4,25	170 925,5	24,05	710 565,9
2 016	32 737,9	4,31	182 647,7	24,04	759 734,7
2 017	36 169,0	4,24	206 251,9	24,20	852 120,4

Source : <http://www.insse.ro/cms/ro/content/produsul-intern-brut>

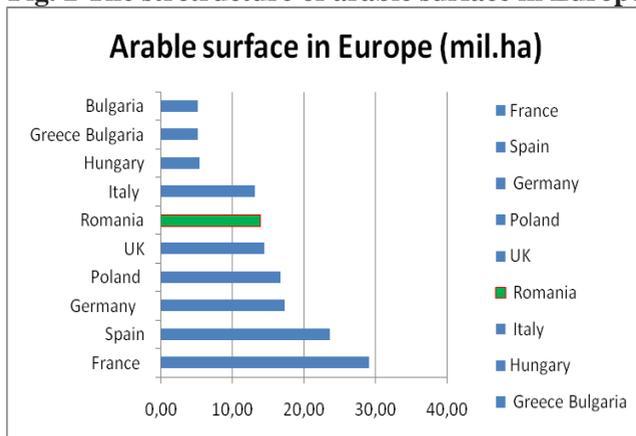
**Fig. 1 The share of agriculture's contribution to GDP**



Source : <http://www.insse.ro/cms/ro/content/produsul-intern-brut>

Although agriculture is not the easiest way to restore the Romanian economy, it represents for Romania the most productive production factor because it has a great potential, an advantage over the twenty-one member states of the European Union, the land fund size.

**Fig. 2 The structure of arable surface in Europe**



Source [www.madr.ro](http://www.madr.ro)

Regarding the private domain of the state The law of the land fund The private domain of the state and of the communes, cities, municipalities and counties, respectively, consists of the lands acquired by them in the ways provided by the law, as well as from the land disposed, according to the law, in the public domain . It is subject to the provisions of ordinary law, unless otherwise provided by law.

**Table 2. The dynamics of public property and private property**

Year	Total agricultural area		From which			
			Public property	Private property		
	thousands ha	%	thousands ha	%	thousands ha	%
<b>1991</b>	14798,3	100	4473,5	30,2	10324,8	9,8
<b>1995</b>	14797,2	100	4103,3	27,7	10371,3	72,3
<b>2000</b>	14856,8	100	638,6	4,3	14218,2	95,7
<b>2005</b>	14741,2	100	654,1	4,4	14087,1	95,6
<b>2008</b>	14702,3	100	722,7	4,9	13979,6	95,1
<b>2009</b>	14684,9	100	787,2	5,4	13897,7	94,6
<b>2010</b>	14634,4	100	827,2	5,7	13807,2	94,3
<b>2011</b>	14590,9	100	916,2	6,3	13674,7	93,7
<b>2013*</b>	14611,9	100	931,3	6,4	13680,6	93,6
<b>2014*</b>	14630,1	100	930,4	6,4	13699,7	93,6

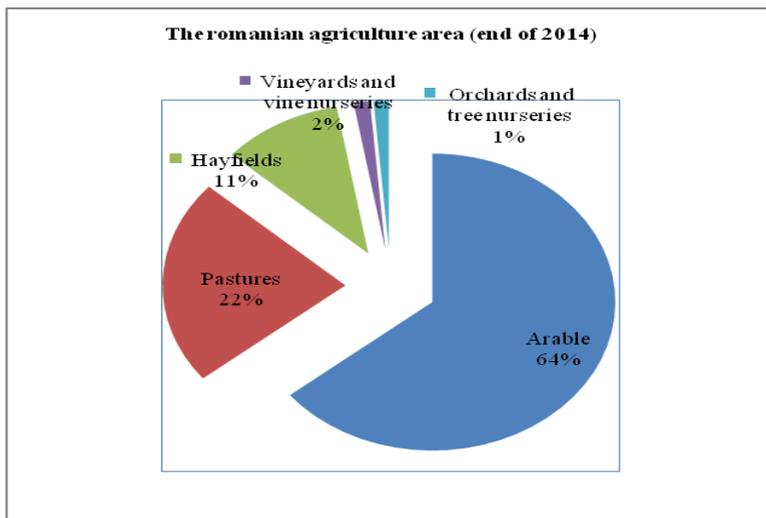
Source: Popescu, Gabriel - Agrarian Policy Issues, A.S.E. Publishing House, Bucharest 2001, pg 48

\*Processed data INSSE Statistical Yearbook 2016

The Romanian Land Fund is constituted according to the law of all land, irrespective of its destination, the title on which it is held or the public or private domain to which it belongs.

According to the national statistics, Romania's land base for 2014 amounted to an area of 23.8 thousand hectares, of which 14.6 thousand ha represent the agricultural area of the country about 62%.

**Fig 3. Land use by category of use in 2014**



\*Processed data INSSE Statistical Yearbook 2016

According to the Romanian legal framework, more precisely the Land Fund Law, land is classified according to its destination as follows:

a) land with agricultural use, namely:

- productive agricultural land - arable land, vineyards, orchards, fruit-trees, hop plantations and rainforests, permanent meadows, greenhouses, sunbathing, ponds and others like that;
- those with forest vegetation, if they are not part of the forest arrangement, the wooded pastures;
- those occupied with agro-technical constructions and installations, fisheries and land improvements, technological and agricultural production paths,

storage platforms and storage facilities serving the needs of agricultural production;

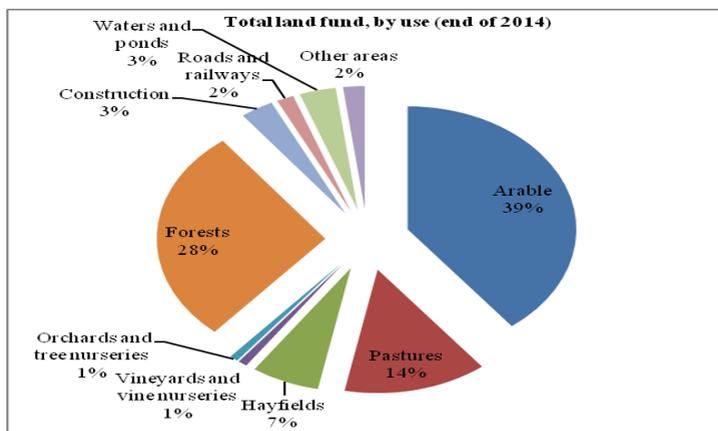
- non-productive land which can be arranged within the framework of the improvement areas and used for agricultural production;

b) land with a forestry purpose, namely: the wooded land or those that serve the needs of crops, forestry production or management, lands for afforestation and non-productive lands - rocks, abruptly, boulders, ravines, ravines, torrents - if included in the arrangements forestry;

c) land permanently under water, such as: minor watercourses, bottom of inland waterways and territorial seas;

d) intravilan land belonging to the urban and rural localities, on which are located the constructions, other settlements of the localities, including the agricultural and forest lands;

**Fig. 4 The structure of land fund in Romania**



Source: Data processed by INSSE - 2016 statistical stats

e) special purpose land such as those used for road, rail, naval and air transport, construction and associated facilities, construction and hydrotechnical, thermal, power and natural gas transmission, telecommunications, mining and oilfields, pits and waste dumps of any kind,

for defense purposes, beaches, reserves, natural monuments, archaeological and historical sites, and others like it.

### **3. Conclusions**

« A high productivity agriculture contributes to the economic development of a country in several ways. It is a source of raw materials for other industries, especially for food industry. Based on savings in this sector and agricultural taxes, a source of investment is created for other growing sectors. Increasing the incomes of the population working in agriculture creates prerequisites for increasing demand for other product categories. Agriculture also contributes to improving the balance of payments situation through agricultural export earnings.

Agriculture, above all, is the main source of food for a country's population and, in the case of developing countries, one of the main branches of the national economy. In low income countries, 80% of female labor and 65% of male work in agriculture, and in middle-income countries, 60% of female and 55% of male workforce is employed in this sector. For many of the developing countries, the contribution of agriculture to the formation of P.I.B. is still very important. However, most of the poor countries face the issue of providing food for their own population. » (Zaharia Rodica Milena, 2004).

The transfer of land from public property to private property was carried out in Romania by the land fund law no.18 of February 19, 1991, which resulted in major changes in the agricultural structure of the country. The establishment of the property right was achieved by issuing a property title within a minimum area of 0.5 ha for each entitled person and a maximum of 10 ha of family in arable equivalent. This was the main reason behind the problematic situation, unfortunately still valid, of Romania's agriculture. Territorial excess territory has prevented productivity growth and encouraged the subsistence economy and its own consumption, although, paroxysmally, Romania is ranked seven among the top ten European Union member states in terms of the agricultural area. The main reason, we can say, was the poor support of agriculture as well as the lack of a coherent long-term strategy corroborated with the use of insufficiently harmonized levers in the Romanian socio-economic framework.

"By law, the right to rebuild land ownership to a maximum of 10 hectares of the family was limited, thus revealing the political and ideological

conception of the political majority of the first postdecembrist parliament (controlled by FSN) to block the formation of efficient private family- . Through this process, the recovery of the agriculture of oriental socialism was pursued. This can be argued in comparison with the way in which the law of land ownership in other former communist countries was legalized. In Poland, the Czech Republic, Slovakia, East Germany, Hungary, Estonia and Lithuania the re-establishment of the land ownership right was made within the limits of the properties owned prior to the establishment of the communist power. In Bulgaria, the property is limited to 30 hectares, and in Latvia to 50 per family. In Hungary, the area is limited to 300 ha / family, and in the Czech Republic and Slovakia to 150 ha / family.”( Paun Ion Otiman, 2007, p.160).

I agree with Păun Ion Otiman, that the privatization of Romanian agriculture, through the land fund law, is unilateral, incomplete and produces a number of negative effects on agricultural holdings. It further states that after the unilateral privatization of the land, both by Law 18/1991 and by all other related laws "the re-socialization of the agricultural holding is favored.

The 2018 forcast of European Comission I can say isn't quite positive. Looking ahead, GDP growth is forecast to decelerate to 4.5% in 2018 and 4.0% in 2019. The growth of private consumption is expected to be more tempered in 2018, as inflation weighs more heavily on real disposable incomes and wage growth slows down. Nevertheless, private consumption is expected to continue acting as the main growth driver over the forecast horizon. Investment is forecast to strengthen on the back of a pick-up in the implementation of projects financed by EU funds.

For Romanian agriculture accessing European funds has always been a huge perspective to revive the field.

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