

THE IMPACT OF COMMON AGRICULTURAL POLICY ON FARMERS INCOME IN ROMANIA

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Abstract

The paper proposes is to analyze the current situation and prospects of the Romanian agricultural and rural economy and to recommend actions to reduce potential risks of fully integration of Romanian agricultural economy in the rural economy of the European Union. This paper tries to provide an updated the agricultural diagnosis and rural development in Romania and assess the global implications on the rural economy diversification and create new jobs. The subject includes theoretical addressing agricultural management system and characteristics of the studied phenomena, directed and coordinated contemporary management. Recent research shows that changes in agriculture and rural development are reflected in the economic downturn, the occurrence of demographic problems (increased distances between work and home, low rural population), changes in social structure, refocusing on value systems, pressures arising ecosystems, destruction of cultural heritage areas, and reducing income disparity, changing habitat preferences (second homes in the village). Integrating agriculture into the market economy, technical and economic modernization is done with great difficulty due to various reasons: lack of capital and a well organized credit system, inadequate material resources, dependence on upstream prices due to high input sites industrial and agricultural nature, but also downstream, and following the disruption of agricultural contracting system.

Key words: CAP, income, farmers, prospects, economy, agriculture

Agriculture is one of the key sectors of the Romanian economy. Agriculture and forestry contribution to GDP was consistently significant. Active population employed in the sector has shown a tendency to increase in number, especially due to redundancy in restructured industries, the share in total active population representing 40.6% in 2010 compared to 27.5% in 1989. Agricultural employment acted as a buffer against the effects of socio-economic transition by absorbing manpower released by urban industries. Of the total area of 14,856,845 ha farm at the end of 2000; arable land is now 63.2%, pastures and hayfields 33.3%, the rest being occupied by vineyards and orchards.

MATERIAL AND METHOD

In the research has used to traditional research methods and techniques: analysis of scientific literature, statistical data analysis, database use, surveys, polls, measurement techniques used in marketing research (semantic differential, Likert's scale, correlation method ranks, and so on). Data processing methods were used for statistical analysis and graphics.

Information base of the paper consists of statistical data of the specialized agencies in the

country and abroad like: National Institute of Statistics, Ministry of Agriculture and Rural Development, and specialized institutions in Romania (Institute of Agricultural Economics, Institute of Agricultural Economics Romanian Academy) and European Commission Directorate for Agriculture. Research was most frequently used methods following groups: systemic, statistics, graphics, and dynamic.

RESULTS AND DISCUSSIONS

Area covered by forests has 6,669,933 hectares, representing 27.7% of the total area of the country. The private sector is the main owner of agricultural land in service on 31-12-2000 with 8098.3 thousand hectares of arable land from 9379,74 hectares, 210200 hectares of vineyard in total from 271700 ha, 174600 ha of fruit trees from total of 254900 ha and 4303.2 thousand ha pastures and hay from total of 4925.9 thousand hectares. Private farms are organized as follows: 10 900 agricultural holdings in an area of 2.475 million ha, with an average of 227.1 ha and 4170300 households, an area of 10.311 million ha, with an average of 2, 47 ha each.

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Table 1

Crop structure and size classes of farms

The crops	Arable land (ha)	Class size (ha)							
		under 0,1	0,1-0,3	0,3-0,5	0,5-1	1-2	2-5	5-10	10-20
Cereals for grain	5195147	599	25051	52682	243161	598973	1363224	732486	279443
Wheat	2035056	100	2934,3	9873,6	49251	157563	417235	243219	89844
Durum wheat	2181,66	-	-	4,26	0,24	108,82	138,53	123,71	60,15
Rye	14199,3	5,3	154,39	41,19	346,06	1414,7	5059,6	3888	944,35
Barley	164904	0,5	41,26	288,49	1257	6175,5	29018	25694	11846
Barley	210021	-	82,22	229,23	1264,9	5676,9	24368,3	26399	18440
Oat	201401	0	83,86	331,34	2745,6	16107	71,065,69	50683	24818
Corn	2526295	482	21716	41800	187786	410612	810766	375920	129440
Sorghum	1491,87	10	15,46	22,88	43,8	48,04	90,26	58,75	69,71
Rice	8537,38	-	-	-	0,4	-	13,61	6,45	8,22
Other cereal grains	31059,7	0,6	22,77	90,48	466,43	1272,6	5468,68	6493,8	3971,3

Source: National Institute of Statistics (INSSE. 2010)

These dimensions refer to family farms, but their formation and organization takes time and especially financial support to become dominant and economically viable. The wide variety of types of farms will remain in the future, especially due to new CAP guidelines for the development of multifunctional agriculture and economic modernization in rural areas, based on the expansion of SMEs. Private agriculture is by far the most important economic sector in rural areas

because 20% of the rural population is made up of farmers and 16-18% of the population belongs households headed farmer. Other households who owned land, such as those conducted by employees or retirees, they almost always labour in farm farming as a second occupation. For these populations, agriculture plays an important role as a source of food security, as demonstrated by the high proportion of self-consumption in total food consumption.

Table 2

Consumption from own resources in rural areas in 2010

Specification	% of total consumption in households			% of food consumption in households		
	Poor	Non poor	Total	Poor	Non poor	Total
Households:						
Employee	43,2	35,9	37,5	56,3	60,6	59,5
Private	ns	31,3	31,9	ns	55,2	55,8
Self-employed in non-agricultural activities	46,3	36,9	40,1	56,0	62,2	59,6
Farmer	60,8	50,3	53,9	73,2	79,3	76,8
Unemployed	53,2	42,9	47,3	64,9	69,9	67,4
Pensioner	49,7	45,8	46,2	62,7	71,0	69,8
TOTAL	50,7	43,0	44,6	63,4	68,8	67,5

Source: own estimates based on MARD 2010

In table 2, is show the percentage of consumption from own sources in total consumption of rural households - both of those who have land and those who do not have - is between 55% and 80%. Consumption from own sources is important in total household consumption, which has value between 30% and 60%. In addition, agriculture provides protection against extreme poverty for the part of the rural population receiving salary or pension income and reduces poverty of other groups such as farmers, self-employed in non-agricultural activities or unemployed. Direct payments are the main tool to support farmers and the agricultural budget funding source community and the national budget. The amount of direct payments allocated by the EU in the period 2007-2010 was about 967.9 million of EUR in amounts, representing 24.15% of the total community support including financial support intended for products or sectors

which are established quota or ceiling surfaces national reference. This financial support does not require co-financing from the national budget, but involves Relevant Implementation costs, but costs were evaluated and assessed. According to regulations under this scheme, direct payments per hectare are calculated by dividing the national funds for direct payments to eligible agricultural area. SAPS application is necessary for a period of time, to ensure the restructuring of farms and develop their relations with the market. The single payment scheme involves a high degree of development and stabilization of production and diversification in benefit of Romanian agriculture.

Romanian agriculture benefit, as the other Member States, and other forms of support, was including semi-subsistence reorganisation, community support from structural funds for investment in agricultural holdings and other economic activities in rural areas. These benefits

multiply the effects of support granted per hectare and per animal. Direct payments to farmers may be supplemented by additional payments Romania to the national budget (mechanism "top up") by 30%

over the level provided by the Community. But these amounts can be allocated without being put temporarily (2011).

Table 3

Allocation schedule amounts for direct payments for budget of Romania, during 2007-2016

Specification	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
% of direct payments funds increase	25	30	35	40	50	60	70	80	90	100
% Growth in national budget	30	30	30	30	30	30	30	20	10	0
Total annual payments (%)	55	60	65	70	80	90	100	100	100	100

Source: Commission Regulation (EC) no. 1290/2005 on the financing of the CAP expenditure menus, Commission Regulation (EC) no. 1698/2005 on support for rural development from the European Agricultural Fund Rural Development and the National Strategic Plan 2007-2013, prepared by the Ministry of Agriculture, June 2006

Direct payments (both in the plant and animal) are allocated without being conditioned by production within national base area negotiated with the European Union and the number of animals in national funds negotiated.

In 2006 in Romania has introduced a similar mechanism, but they fixed payment criteria, taking account of poor crops (sugar beet, textile plants, soybean and so on).

The success of such a mechanism depends on the level of payments, which is currently low and will not increase significantly in the first years after accession no. Romania decided that the payments to be paid from an eligible hectare above provided that a plot of this surface is at least 0.30 ha planted with a single crop. National base area and production of reference (average yields per ha) were negotiated by each country and the Treaty of Accession in the allocation of support from the Community budget. Were also set national funds for payments that would benefit each Member State meets the conditions agreed.

Table 4

National base areas and reference yields negotiated of Member States

Specification	Area of base (ha)	Reference yields (t / ha)
Bulgaria	2.625.258	2,90
Czech Republic	2.253.598	4,20
Estonia	362.827	2,40
Cyprus	79.004	2,30
Letonia	443.580	2,50
Lituania	1.146.633	2,70
Hungaria	3.487.792	4,73
Malta	4.565	2,02
Polonia	9.454.671	3,00
Romania	7.012.666	2,65
Slovenia	125.171	5,27
Slovakia	1.003.453	4,06

Source: Treaty of Accession of Bulgaria and Romania to the EU. Publishing the Official Gazette, 2005

As shown in *table 4*, in the allocation of support from the Community budget, the Accession Treaty was established as the national base area to 7,012,666 ha and production of

reference of 2.65 t / ha. Romania's reference yield is low due to the drought affected crops in the years considered, especially as reduced agricultural performance. National base area and production of reference (average yields per hectare for the period 2000-2002) was negotiated by our country and laid down in the Accession Treaty in the allocation of support from the Community budget.

Were also set national funds for payments that could benefit Romania as member state, if the conditions it is due. Thus, the Accession Treaty and EU regulations, Romania with a base area of 7012666 ha negotiated in arable crops and reference average production estimated at 2.65 tons per hectare, the annual total production of approx. 18.5 million tonnes and a level of direct payment of 63 € / t, obtained by negotiation, the funds of 1,171 million euros (full amount in 2016). Under these conditions, direct payment per hectare from the EU would be 42 Euro in 2007 and 167 Euro in 2016 (excluding livestock).

Direct payments to eligible Romania from the EU budget increase from 440 million in 2007 (25% of the negotiated) to 1766 million in 2016 (full amount), if appropriate commitments. If we consider the utilized agricultural area is arable land base includes negotiated (7012666 hectares) and 2 million hectares of pasture permanent shows an eligible area of approx. 9 million hectares. UAA registered in the farm was on 12 May 2017, of 8925802 hectares. In this case, the estimation of support coming from the EU budget and national budget allocations for vegetable and livestock sector relative to UAA, as follows (*tab.6*). Payments per hectare are estimates and may change depending on completion Registry farms. SAPS application is appropriate, for a period of time, to ensure the restructuring of farms and develop their relations with the market. Switch to the single payment scheme involves a high degree of development and stabilization of production and diversification to benefit Romanian agriculture.

Table 5

Maximum funds for direct payments allocated new EU Member States -Million

Years	Bulgaria	Czech Republic	Estonia	Cyprus	Leetonia	Lithuania	Hungaria	Malta	Polonies	Romania	Slovenia	Slovakia
2005	-	228,8	32,4	8,9	33,9	92,0	350,8	0,67	724,6	-	35,8	97,9
2006	-	266,7	27,3	12,5	39,6	107,3	420,2	0,83	881,7	-	41,9	115,4
2007	200,3	343,6	40,4	16,3	55,6	146,9	508,3	1,6	1140,9	440,0	56,1	146,6
2008	240,4	429,2	50,5	20,4	69,5	183,6	634,9	2,05	1425,9	527,9	70,1	183,2
2009	281,0	514,9	60,5	24,5	83,4	220,3	761,6	2,46	1711,0	618,1	84,1	219,7
2010	321,2	600,5	70,6	28,6	97,3	237,0	888,2	2,87	1996,1	706,4	98,1	256,2
2011	401,4	686,2	80,7	32,7	111,2	293,7	1014,9	3,28	2281,1	883,0	112,1	292,8
2012	481,7	771,8	90,0	35,8	1125,1	330,4	1141,5	3,60	2566,2	1059,6	126,1	329,3
2013	562,0	857,5	100,9	40,9	139,0	367,1	1268,2	4,10	2851,3	1236,2	140,2	365,9
2014	642,3	857,5	100,9	40,9	139,0	367,1	1268,2	4,10	2851,3	1412,8	140,2	365,9
2015	722,6	857,5	100,9	40,9	139,0	367,1	1268,2	4,10	2851,3	1589,4	140,2	365,9
Next years	802,9	857,5	100,9	40,9	139,0	367,1	1268,2	4,10	2851,3	1766,0	140,2	365,9

Source: Data processed from the Treaty of Accession of Bulgaria and Romania to the EU. Official publishing it Romania, 2007

Table 6

Community support direct estimation of additional amounts of Romania's budget for the period 2007-2016

Specification	2007	2008	2009	2010	2011	...2016
Annual percentage of funds allocated by the EU. - (%)	25,0	30,0	35,0	40,0	50,0	100,0
Direct payments under negotiation results ((million of euro)	440	527,9	618,2	706,4	883	1766
Maximum support from the national budget (%)	30,0	30,0	30,0	30,0	30,0	-
(million of euro)	529,8	529,8	529,8	529,8	529,8	-
Total amount of euro from Community budget and the national budget -% annually	55,0	60,0	65,0	70,0	80,0	100,0
(million of euro)	969,8	1957,7	1147,8	1236,2	1412,8	
Amounts calculated annually per hectare eligible for direct payments to:	98	108	118	128	133	200
- Community support € / ha	48	58	68	78	83	-
- National support € / ha	50	50	50	50	50	-

Romanian agriculture benefits as the other Member States and other support, including semi-subsistence restructuring, community support from structural funds for investment in agricultural holdings and other economic activities in rural areas, substantial support for rural development and environmental protection and so on. These benefits multiply the effects of support granted per hectare and per animal. EU and national support is only part of the income, certain expenses incurred claim amounts. On the other hand, support from the national budget depends on the availability of existing and priorities for arable crops and livestock. To upgrade, you will need to obtain farm income from livestock and other activities and get a size that would allow it to obtain income that can perform annual production costs and take part in financing investment projects.

Only in 2016, direct support came entirely from the EU could reach 200 euro / hectare. Until then, prices and market developments are difficult to predict. For Member States whose reference productions negotiated are higher than 2.65 t / ha,

as in Romania, the benefits resulting from Community support is much higher. For example, Hungary has a reference output 4.73 t / ha, Slovenia by 5.27 t / ha, Czech Republic 4.20 t / ha, compared to Romania negotiated outcome. As a result, direct payment per hectare average yield increases with the reference. Up to a possible review of the results of the negotiations in force, Romanian farmers can increase their income as Umar organic production development, business diversification and especially following amounts from the funds of rural development, economic and social cohesion, and environmental protection. SAPS application is appropriate, for a period of time to ensure farms reorganisation, training and development viable networks commercial sector with market farmers. Switch to the single payment scheme involves a high degree of development and stabilization holdings to benefit Romanian agriculture.

Livestock eligible for direct payments will be distributed on the farm, taking into account the applicable Community and national criteria. Have

access to direct payments between farmers who enrol in the Registry farms meet the eligibility

criteria and make their application for Community support.

Table 7

Regional and National funds, the animal direct payments from the EU budget and the amounts projected for the year 2016 for Romania

Animal Species and Categories	National funds (head)	Direct payments (€ / head)	Amounts from the Community budget (thousand euros)
Beef cattle (regional funds)	452.000	210	98920
Suckler cows	150.000	200	30.000
Adult bovine animals for slaughter (regional funds)	1.148.000	80	91.840
Calves for slaughter (regional funds)	85.000	50	4250
total cattle			222.000
Sheep of which:	5.880.000		
-mountain	1.764.000	28	49.392
-the plain-	4.116.000	21	86.436
-goats	400.000	16,8	6.720
Total sheep and goats			93.156
grand total			315.156

Source: Accession Treaty of Romania and Bulgaria, Ed Official Gazette, 2005, the Ministry of Agriculture and Rural Development

Farmers may benefit from community support and national support (which is allocated according to the rules) within the regional ceiling and national funds. Failure to meet the conditions and obligations set amounts due is reduced.

Switching to direct area payments mechanism and single farm payment will be made, depending on the readiness of agriculture to total decoupling of support from production, after three years of accession or earlier. Although Romania has assumed full application of the Acquis Community, with some periods of transition can occur provisions of its risk of failure of objective and subjective reasons. These risks must be avoided to fully benefit from the support set by increasing the professional capacity of the administration and training of farmers.

Although the implications of CAP implementation in Romanian agriculture organization of the market need to comply with the Acquis Community. This advantage results from variable forms of support both financially and logistically, as well as market discipline.

CONCLUSIONS

The paper is a comprehensive new approach to agricultural structures in the specific context of agricultural production, which motivates the development of efficient farms to increase the quantity and quality of production. Agrarian structures that participate or have an active role in economic growth may restrict or interfere with the input structures, analyzes focusing in this direction.

Following the results obtained the following conclusions can be drawn:

➤ Fact that Romania joined the European Union will continue to lead to lower revenues Romanian farmers. Decrease their farm income depends on

the situation. Thus, where practical farm technologies in resource consumption is important shock of EU accession will be important (30% decrease in net income / hectare obtained);

➤ Unique bonuses per hectare leads to decoupled income support to farmers. Ability to recover income losses vary by state farm. For those farms that are not very influenced by new market conditions even expect an increase in net farm income;

➤ Farm crop rotation will be confused by joining the single market. The phenomenon of specialized farms into more efficient production. For productions that in the new market is expected to become inefficient implementation of technology changes;

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