

SUSTAINABLE DEVELOPMENT STRATEGIC DIRECTIONS FOR AGRICULTURAL HOLDINGS

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Abstract

The agriculture's sustainable development is a demand of the Community's Agricultural Policy in Romania. The objective can't be reached without competitive agricultural holdings, which work on the basis of high economic performance criteria. This is why agricultural holdings must take into account a series of strategic development directions, such as: the technical capital's optimum dimensioning and management, perfecting the human capital, perfecting the rural structures, the exploitation's optimum dimensioning, improving sales.

Keywords: sustainable development, agricultural holdings, development strategy, technical capital, human capital, rural structures

The agriculture's sustainable development is a concept integrated in the sustained economic growth and has a triple dimension: ecological, social and economic. The ecological and social aspects are demands formulated by the external environment for agricultural holdings, but their economic performance is tied to their reason to exist and to accomplish the entrepreneurs' interests.

In Romania practicing intensive socialist agriculture led to a diverse polluting phenomenon of the environment. At the same time, the structural reforms adopted in the transition period led to organizational changes with dramatic consequences for the Romanian agriculture. The privatization process and especially restoring the ownership rights over lands led to the shrinking of the agricultural holdings' dimensions below the limits needed for an efficient functioning. This aspect, together with the destruction of the existent technical base, the shortage of capital and other aspects, led to practicing subsistence agriculture and to a low competitiveness of the Romanian agriculture in comparison to the countries from the European Union.

The sustainable development of the Romanian agriculture in accordance to the Community's Agricultural Policy is a chance and a complex process at the same time, which targets: practicing an ecological agriculture, organizational reforms, mentality changes, the proper training of the farmers, important investments in the sector, etc.

In order to have a sustainable activity the following demands must be met by the agricultural holding:

- to use ecological production technologies which will ensure the integrity of the natural environment and the consumers' health protection;
- to adapt the activity to the soil and climate conditions of the area in order to achieve a high economic performance;
- to substantiate the produce offer to the demands of the market;
- to integrate itself in the natural environment by preserving the landscape's biodiversity and beauty;
- to be profitable on long term, satisfying this way the interests of the agricultural entrepreneurs.

The mentioned demands can't be carried out without the existence of a development strategy for the agricultural holdings, which will clearly mention the objectives and will efficiently manage the necessary resources for reaching the objectives.

Considering their limited character, the resources' efficient management is one of the fundamental requirements for a sustainable agriculture.

The steps taken for scientifically substantiating an improvement strategy for agricultural holdings have as a starting point the correct and efficient dimensioning of the used production factors.

By ensuring the technical-production grounds for the agricultural holdings, *dimensioning the technical capital* in close relation with the level and characteristics of the operating processes, constitutes an indispensable condition

for the activities' efficient unfolding. The investments which are well substantiated technically and economically will ensure the conditions needed for the growth of the labor productivity, for the production's quality, for preserving and protecting the environment.

The net investments in Romania's agriculture have dropped continuously from 2002 to 2005, when they represented only 3.9% from the total net investments of the economy. The agricultural corporal fixed assets ratio from the economy's total fixed assets was 1.5% in 2005. The arable area for a tractor was 85.2 ha in 2005, with an unfavorable discrepancy for our country in comparison to France (1:2.5), Italy (1:4) and The Netherlands (1:5). For other farm equipments the discrepancy is even higher. The area per tractor is almost double for commercial agricultural holdings than for individual agricultural farms.

The complex of measures used for a better management of the resources also targets the *working capital's elements* for the agricultural holdings. The direct and powerful determinism of the natural conditions (climate, the soil's agro-pedological characteristics, etc) over the agricultural production, especially in the vegetal sector, leads to big consumptions of working capital elements, especially plant health protection substances.

An element which determines in a large measure the yield level per hectare and the results obtained by the agricultural holdings is the level of used fertilizers: the substances used to fight diseases and insects, the quality of the used biological product. Between 1989 and 2005 to use of chemical and natural fertilizers has dropped dramatically. In 2005 the agricultural holdings used with 85.2% fewer fertilizers than in 1989, and the consumption of organic fertilizers dropped with 68.2%. In recent years there was though a rise in the chemical and natural fertilizers consumption. The compatibility of the agricultural holdings' activity at the Community's level can be ensured by reducing the costs for plant's health on the basis of rationalizing treatment schemes, by using fertilizing substances in accordance with the technological recommendations regarding the productivity growth per hectare, by using high productivity (certificates) breeds and hybrids, but also by implementing alternative technologies in the production process.

Perfecting the human capital management, from the quantitative point of view, but especially from the qualitative perspective, will improve the production results and lead to a better use of the natural resources and of the technical-material potential, with positive economic effects at the level of the whole agricultural holding.

The migration's evolution in the transition period of the Romanian employed population didn't lead to creating an occupational structure that corresponds to the community's model, which is orientated towards services and economic diversification. Our country's agriculture was confronted with a growth of the population employed in this sector, from 27.8% in 1989 to 40.8% in 2000 (the maximum number of the population who worked in agriculture was 3.523.000 persons). Only in recent years there was a downward tendency, in 2006 the ratio of the population employed in agriculture was 29.6% from the total number. The discrepancy from the other EU members is still worrying (10:1). The low incomes earned by the rural population is one of the causes for the low standard of living in rural areas, it is also responsible for the lack of financial possibilities used for improving conditions or for investments, for the youth who is moving to more attractive sectors or is leaving the country. For the 2006-2013 period a reduction with 16% is estimated for the population employed in agriculture.

The decrease in the employed rural population's rate, a population who is currently working until old ages and practices subsistence as a main form of existence, is necessary and can be put in practice by promoting rural social protection programs.

On the other hand, it's necessary to attract young labor force in the rural environment by diversifying the economic activities and thus accomplishing a growth of the incomes and the modernization of the rural area. Promoting an adequate incentives system inside agricultural holdings will lead to a better motivation of the employees. The structural work reform in agriculture must also take into account the professional training of the agricultural producers and especially aim at attracting the youth in the rural area, a measure which will lead to a younger active population in the villages once the farmers who are at the retiring age will stop working.

The structural changes in Romanian agriculture initiated by the Rural Capital Law no. 18/1991 try to close in to the community's agricultural model and in order to do this the starting point for improving the structures of production, of financing-crediting, of management and control must be *perfecting the rural structures*.

The data from the last General Agricultural Census (2002) indicated that approximately 97% of the agricultural lands are privately owned, 55.4% of the used rural area is exploited by individual households and the rest is managed by big units with legal status. The way the Rural Capital Law was written and applied generated the crumbling of the lands and led to an excessively big number of individual ownerships (over 4.4 million). Even though they exploit about 62% of the country's plough land, they usually own (49.5% of the total area) lands smaller than 1 hectare which gives them a subsistence status because they produce for their own consumption and

don't have economic power. Ensuring a rational operating of the agricultural area, increasing and stabilizing the produce offer, meeting dead-lines and reducing the production costs, doing improvement works, growing the agricultural and economic profitability are desideratum which can be solved only by creating viable rural structures based on private ownership whose dimensions allow to apply modern agricultural techniques.

Among the diverse improvement possibilities of the rural structures we find the stimulation of the lands' agglomeration by promoting associative structures, which are important especially at microeconomic level. The grouping of small producers in associations will lead to overcoming the subsistence characteristic which is present in peasant households.

The immediate consequence of the actions taken to improve the rural structures will be found in the actualization of the *economic dimension of the agricultural holdings* which makes possible the practicing of modern production technologies, a better use of the resources, and by concentrating the capital we practically create the premises for a viable and profitable operating structure.

In the EU countries there is a dimensional variety of the agricultural holdings. They have between 4.3 ha in Greece and almost 70 ha in Great Britain, with a Community average of 18.4 ha per agricultural holding. Although some economists think there is no optimum dimension for agricultural exploitations, because this could only be achieved in the conditions of steady prices and with existence of an optimum allotment of the production factors (a difficult achievement in agriculture), Romania, with an average dimension of 1.63 ha per holding / individual farm, is at a considerable distance for the Community's agricultural pattern. The legal, organizational and institutional measures, the economic-financial levers used by the state and the actions taken in the next period must target the agricultural holdings' growth and the shaping of commercial agricultural holdings orientated towards the market. The structural adjusting of the agricultural holdings in Romania in order to increase their dimension is done through different methods: the stimulation of the small producers' association; the development of the rural market, of the mortgage credit and of the lands' leasing; the production's restructuration in big agricultural holdings (the average is 270 ha per unity with a legal status); building ecological farms; merging and organizing the agricultural holdings' territory.

Seen as a result of using all the production factors and with direct consequences over the economic-financial results, *perfecting the agricultural production* is a key element of the development strategy for agricultural holdings. In order to be aligned to the practice of the developed countries, the quality standards of the Romanian farm produce must be improved. Standardizing the farm produce according to qualitative performances is tied to reaching minimal technical conditions which must be met in order to face up to the competitive side of the market. Drawing up a registration plan of the Romanian products according to the example of the EU countries, would allow selecting the products in accordance with the ecological criteria, or better said, in accordance with the danger degree for man and environment because the consumers protection is an important section in the European Union legislation (R CEE no. 2092/1991, regarding the framework of the production, commercialization and support of the ecological production; R CEE no. 2078/1992 regarding the production methods which are compatible with the environment protection; R CEE 2092/1999 for the stipulation of the development measures regarding organic production, etc.).

Practicing ecological agriculture is an important characteristic of the developed countries' economy, which includes important areas; at EU level 3.7 million ha (2.9% of the total agricultural area) were cultivated in 2001. Romania has recent accomplishments in this field (the year 2000), cultivating approximately 170.000 ha in an ecological system in 2006. Even if organic agriculture is just starting in Romania, our country is among the first 20 exporters at world-wide level. We export nuts, wild fruits, mushrooms and cereals. In 2006, 95% of the vegetal organic products were exported and 20% were products of animal origins. The export of ecological products has grown from 600 tons in 2000 to 7200 tons in 2006.

The method of *calculating the agricultural production costs* must also be aligned to international practices, so that the financial books, accounting records and costs' calculus will be in accordance with the International Accounting Standard IAS 41 "Agriculture". The careful monitoring of the production cost at the level of each agricultural holding becomes an important rationing factor of the resources' allotment and consumption. The positive outcomes appear by influencing the farm produce's prices and by growing the unitary profit.

Considered one of the regression causes for the Romanian agriculture in the transition period, the shortage of capitals for production or investments brings to attention the problem of the *financing sources* which sustain the development of the agricultural producers. The structural adaptations imposed in order to be aligned to the Community's Agricultural Policy can be sustained only through additional financial flows to the agricultural holding's level, by accessing structural funds destined to improve the production, processing and

commercialization conditions, and especially by contracting technically and economically substantiated loans. The self-financing based on a good management of the treasury still remains the main source for financial resources which combined with external resources allow reaching the agricultural holdings' economic objectives.

Because commercialization is the last phase in the process which includes obtaining, processing and turning profitable the farm produce, it becomes important for one of the objectives formulated in the development strategy of the agricultural holdings to refer to *perfecting the selling activities*. An important role in identifying the characteristics of the farm produce's market, the possibility to embrace some market segments, the capitalization channels and the necessary logistics, belongs to the market researchers. The market studies' objective is to know and to estimate the consumer demand for farm produce and are materialized in marketing programs which are adequate to the conditions and to the real possibilities of the holdings. The marketing mixes include a specific combination for each agricultural holding between product strategies, price strategies, distribution policies and ways to promote production.

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