

ROMANIAN AGRICULTURE, WHERE TO? CHALLENGES AFTER EU INTEGRATION

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Abstract: Along the time, the Romanian agriculture has passed several stages, different point of view of property regime, the operating system and the contribution of this sector to the GDP formation. Currently agriculture is in the process of transformation, a process whose aim is the harmonization of Romanian agricultural policy rules and fundamentals of the Common Agricultural Policy. This work is intended as a short study of developments in the agricultural sector phenomena, captured point of view of financing the activities of this sector.

JEL classification: G 28, G 29

Key words: financing; instruments; measures; policy; projects

1. INTRODUCTION

Accession to the European Union, marked a new era in agricultural economics and rural development of our country and was probably the strongest factor pressure for the rapid reform Romanian agriculture and rural economy, given the need to integrate successfully in the European rural economy.

2. INSTRUMENTS OF FINANCING AGRICULTURE DURING THE PERIOD OF TIME 2007-2013

Rural development policy complements and accompanies market policy and aims to strengthen and diversify the economy of the rural community. This policy is based on an integrated multi-sectoral approach to rural areas. The harmonization of rural development policy priorities established by Community European Council Regulation no. 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development - EAFRD – through which Community strategic guidelines for rural development from 2007-2013 were adopted.

The main financing instrument of the EU agricultural budget for rural development objectives is since 2007 the European Agricultural Fund for Rural Development. EAFRD funding is made based on annual budget allocations differentiated and includes pre-financing, intermediary payments and final payments.

To achieve complex rural development measures provide the means of coordination with other EU policy by:

- Development Fund (ERDF) established in 1975, serves one of support lagging
- regions in order to reduce gaps in rural development;
- Cohesion Fund (CF) created to support , based on the principles of economic
- and social solidarity, the poorest Member States;
- European Social Fund (ESF), which was created in 1960 and serves to
- support professional and market training;
- European Fisheries Fund (EFF);
- European Investment Bank (EIB).

According to the Council Regulation no. 1290/2005 on the financing and the Council Regulation no. 1698/2005 on Community support for rural development by the EAFRD, in 2007-2013, rural policy has the following essential rules:

- financing from only one Fund;
- one system programming;
- a single set of financial rules;
- a single control system.

3. THE EVOLUTION OF FARMING IN 2007-2013

The European model of agriculture is based on a competitive sector, market-oriented. Common Agriculture Policy moving its focus from direct subsidies to agriculture - pillar I of the CAP - for the integrated development of the rural economy and to protect the environment - the second pillar of the CAP.

Nationally, agriculture is one of the most important sectors of the Romanian economy. The contribution of agriculture, forestry, fisheries in gross domestic product in 2009 represent averages about. 9.7%, while their contribution to GDP to other EU countries is approximately 1.7%.

Rural development policy proposed by the European Union for the period 2007-2013 is as follows in tabel number 1.

Target setting Axes and Measures		European Union Strategy National strategies Rural development programs
Axis 1 Increased competitiveness Agricultural and forestry sectors	Measures	<p>Human Resources:</p> <ul style="list-style-type: none"> - Training and information measures; - Early retirement; - Use services advice; - Farm management, consulting services; <p>Physical Capital:</p> <ul style="list-style-type: none"> - Investments in farms; - Processing / marketing; - Infrastructure agricultural / forestry; - Restoring production potential Agriculture; <p>Quality of agricultural production and agricultural products (under the CAP 2003):</p> <ul style="list-style-type: none"> - Financial assistance to achieve standards; - Financial incentives for ensuring food quality; - Promoting food quality.
		Transitional measures: - Semi-subsistence farms; - Setting groups manufacturers.
	The share of funding	Minimum 15%
	EU co-financing	Maxim 50-75%
	Territorial application	All rural areas
Axis 2 Improving the environment in rural areas	Measures	<p>Sustainable management of agricultural and forest land:</p> <ul style="list-style-type: none"> -mountainous areas - afforestation (fund agricultural / non-agricultural); -agricultural and forestry areas "Natura 2000"; - agro-forestry; - the forest; - restoring production potential forestry; agri-environment / welfare animals; financing of investments unproductive.
	Basic level (agriculture)	Eco-conditioning (cross-compliance)
	Share Financing	Minimum 25%
	Percentage of EU co-financing	Maximum 55-80%
	Territorial application	All rural areas

Axis 3 Quality of life in rural areas and diversification of the rural economy	Measures	Quality of life: basic services for the economy rural population; training; capacity building for development strategies; Economic Development: diversification of activities nonagricultural; support for micro-enterprises; encouragement of tourism activities; conservation and management natural heritage.
	Implementation	Local Strategies
	Share Financing	Minimum 15%
	Percentage of EU co-financing	Maximum 50-75%
	Territorial application	All rural areas
Axis 4 LEADER	Implementation	LEADER program for selected territories within the scope of the three thematic axes
	Share Financing	Minimum 7%
	Reserves	3% of total EU funds for rural development
	Percentage of EU co-financing	Maximum 35-80%
	territorial application	All rural and selected territories

Source: National Rural Development Plan 2007-2013

4. ANALYSIS OF AGRICULTURAL FINANCING ACTIVITIES ON THE ANALYZED HORIZON

Declining share of agriculture in GDP was due to the entry on track market economy and the development of other branches of the national economy, special services that reach a share of about 50% of GDP and construction industry which accounted for about 24% and 7.4% of GDP in 2006¹.

Of the 23.8 million hectares in Romania, in 2008, the agricultural area of the country is 14.7 million ha -61.7% of which 9.4 million ha is arable land. In 2008², the agricultural area of the country was 13.7 million hectares, of which 8.7 is arable land. Romania is on the seventh place 7 in Europe as an agricultural area, after Spain, France, UK, Germany, Italy, Poland and the 5th as arable land after Spain, France, Germany and Poland.

In 2008 and 2009, arable land occupies about 62% of agricultural land, 36% is occupied by pastures and meadows and vineyards and orchards occupied about 2%.

In the first year after accession, namely in March 2008 - the first session for the projects - 917 projects were submitted for the three measures of investment, which has a total value of 729.8 million euros, while for period 2 to 25 April 2008 by the 936 projects submitted were solicited grants EAFRD 563 million, which represents public funding of projects.

¹ National Institute of Statistics - Romanian Statistical Yearbook 2007, page 12.

² www. PNDR.ro

For the three funded measures , the submitted projects had the following values:

- **Measure 121** - Modernisation of agricultural holdings - were submitted 722 projects with a total value of 266 million public funding is **141 million**.

- **Measure 322** - Investments in the renovation and development of villages, were submitted **179 projects** with a total value of **388 million euros**.

35 projects for adding value to agricultural and forestry products were also submitted (**measure 123** - Adding value to agricultural and forestry products), the total value of the 72 million of public funding required is **34 million**.

In 2009, the second year after accession, the number of projects submitted, increased, projects being submitted for other financing measures as well, as follows (Table nr. 2):

**Table number. 2. - Statement of projects within the RDP - Session 30.04.2009
EURO**

Measure	Number projects submitted	Public value of projects submitted	Number selected projects	Public value of the selected projects	Number contracted projects	Public value of contracted projects
112	661	13.765.466	-	-	-	-
121	3.581	983.537.829	807	182.606.293	787	176.161.950
123	440	422.506.251	281	256.044.782	164	145.868.563
123 (Scheme XS 13/123A/2008)	247	113.706.025	212	97.072.140	124	45.617.798
123 (Scheme XS 28/123F/2008)	177	78.896.763	157	67.450.879	103	45.838.124
141	6.444	48.330.000	-	-	-	-
142	3	91.650	-	-	-	-
312	144	22.384.315	51	8.811.682	48	7.894.354
313	273	49.415.762	222	43.308.595	94	17.532.912

Source: RDP, 2009

Paying Agency for Rural Development and Fisheries (APDRP) contracted during 2010, 13,950 projects related investment measures of the National Rural Development Programme (RDP), 33.270 also being evaluated projects. The value of all those contracts exceeds 1.52 billion.

In 2010 there were a series of sessions for submitting projects for funding following measures:

- **Measure 112** - "Setting up of young farmers"
- **Measure 121** - "Modernization of agricultural holdings"
- **Measure 123** - "Adding value to agricultural and forestry products"
- **Scheme N578/2009** - Agricultural and Forestry Products
- **Measure 312** - "Support for the creation and development of micro enterprises"
- **Measure 313** - "Encouragement of tourism activities"
- **Measure 125** - "Improving and developing infrastructure related to the development and adaptation of agriculture"
- **Measure 221** - "First afforestation of agricultural land"

So, in all the 10 sessions for submission of projects in 2010 were submitted and evaluated 33 270 projects worth over 2.5 billion euros, 18,791 were selected to military projects worth 1.76 euros. Also during this period were completed 682 projects with a public value over 153 million euros.

Regarding 2011, APDRP sessions took place following the submission of projects, according to the proposed schedule for the sessions for 2011:

- ✓ Measure 112-2 submission session during July 1 to 29, respectively, 3-31 October, with cumulative allocation of 100 million Euro;
- ✓ Measure 121-1 session submission period April 1 to 29, with a allocation of 150 million euro.

In the years 2012, 2013 respectively statement submitted projects is presented in table no.3.

Table no. 3. - State of the PNDR projects - on 19/09/2013 EURO

Measure	Number projects submitted	Public value of projects submitted	Number selected projects	Public value of the selected projects	Number contracted projects	Public value of contracted projects	Payments made
							Public value
111					23	16.512.262	14.163.084
112	22.494	630.074.066	13.446	339.118.514	12.542	312.507.035	216.460.626
121	8.154	3.008.189.083	2.378	971.622.667	1.960	731.866.181	458.746.717
123	1.762	1.771.015.954	753	762.476.983	557	524.249.835	244.917.071
123 (Schema XS 13/123A/2008)	247	113.706.025	215	101.626.174	150	60.056.978	48.163.441
123 (Schema XS 28/123F/2008)	177	78.896.763	157	67.450.879	88	33.881.683	27.047.902
Schema N578/2009	453	311.099.775	232	176.523.754	194	140.102.231	43.007.194
125	1.701	1.789.032.854	555	611.012.899	537	579.132.489	144.248.556
141	88.846	666.345.000	63.543	476.572.500	58.196	439.052.814	173.722.696

Source: RDP, 2013

5. PRACTICAL RESULTS OF THE IMPLEMENTATION OF RURAL DEVELOPMENT PROJECTS

Compared to the end of 2009, when there were 8,399 contracts signed in the amount of 1.25 billion euros, a significant increase in both the number of contracted projects and their values.

So since March 2008, when they launched the first investment measures, and by the end of 2010, 23.557 APDRP signed financing contracts worth 3.4 billion euros.

Regarding payments for investment measures, in 2010, they exceed the amount of 640 million euro, compared to only 197 million, paid in 2009. For measures delegated to the Agency for Payments and Intervention for Agriculture, APDRP made payments amounting to 404.53 million Euros. In total actually paid 1.04 billion euros.

Strongly dependent on climatic factors, agriculture has experienced two years, 2009 and 2010, decreasing by an average of -4.8% recovered in 2011, exceptional point view weather which saw an increase of 11.3% over the previous year resulting in the whole period 2009-2011 average annual growth of 0.3%.

Romania has performed from December 2010 until January 2011 agricultural census by updating data on existing farmland , livestock , irrigation systems , the number of farmers and the equipment of the farms . Under EU rules in the field of statistics , each Member State must carry out a general agricultural census every ten years. General Agricultural Census recorded all agricultural units, regardless of the type of property and organization. However, the European Commission decided in Romania, since 2010, prohibiting any aid granted by the State in agriculture, including irrigation sector granted . In compensation , subsidies per hectare of the European Union were granted further in 2010, which will be gradually supplemented at the level of other EU countries.

6. CONCLUSION

In conclusion, the period 2009 - 2012 was characterized by two distinct periods of the first two years characterized by a deep recession and the last two years show a slight economic recovery, but that is not enough to mark a growing trend and therefore the significant improvement of the socio-economic. Romania's macroeconomic situation has improved over the period 2009-2010, halting the economic decline and the favorable external trading partners have an important role in this direction. The national economy has undergone a restructuring process, creating the conditions for further development of sustainable criteria.

Ensuring optimum performance in the agricultural sector remains sustainable long-term solution for the development of farmers' income problems . Financial support schemes aimed at the specific needs of the agriculture sector adjustment such as farm amalgamation and modernization and refurbishment measures them by providing funds for investment in order to create European-style commercial farms , is the minimum necessary for the performance in this sector and we believe that it must be carried out within the second pillar of the CAP measures " rural development " . However , expanding the organization and the operation of producer groups is a prerequisite for farmers to benefit from financial support programs to correlate the level of production and quality of products the market demands , stimulate the development of organic products and providing equal rights and obligations for all operators in the food system. This involves the operation of the board on the product, which is an organized structure at national, sectoral policy development branch with the product and their harmonization of strategy and EU agricultural policies.

For the period 2014 - 2020, Romania will have to respond in the direction of "smart growth" and "development of an economy based on knowledge and innovation" to benefit from:

- a favorable environment for investment in science and science education, strengthening the capacity of these systems able to support and lead to the achievement of such ambitious growth targets investment of approx. four to five times the current level,

- a greater number of researchers globally competitive and as a result more scientific knowledge and its stronger trading.

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