

CHANGES AND CHALLENGES IN THE ROMANIAN AGRIFOOD SECTOR UNDER THE CAP

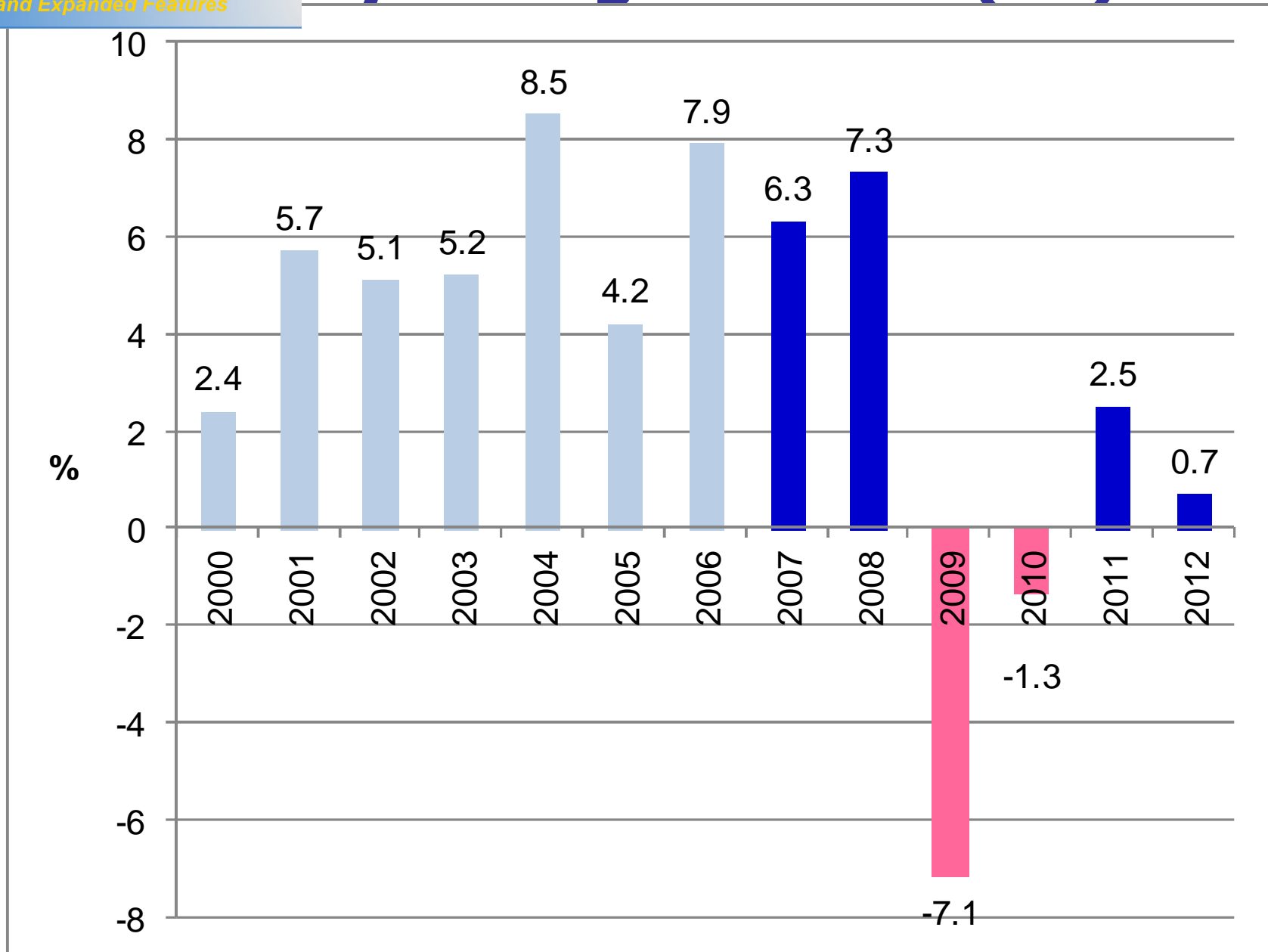
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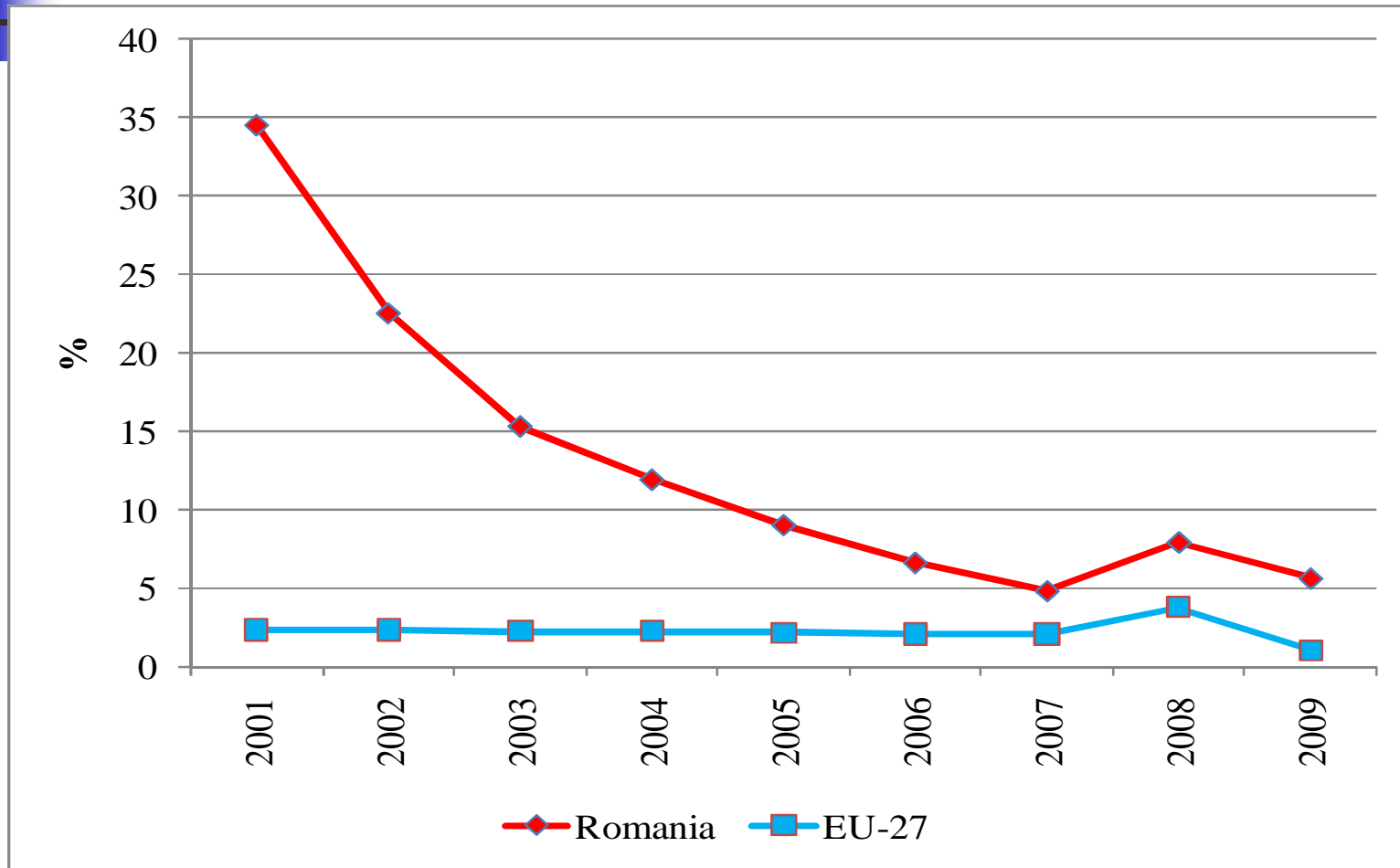
Joined EU in 2007

- Economic reforms after 1990 went slower than in other CEEC-s, therefore last to join EU
- Important gap in general economic development, and agriculture as compared to OMS and other CEEC-s
- For the last 7 years, increased efforts for development

Yearly change in GDP (%)



Inflation rate

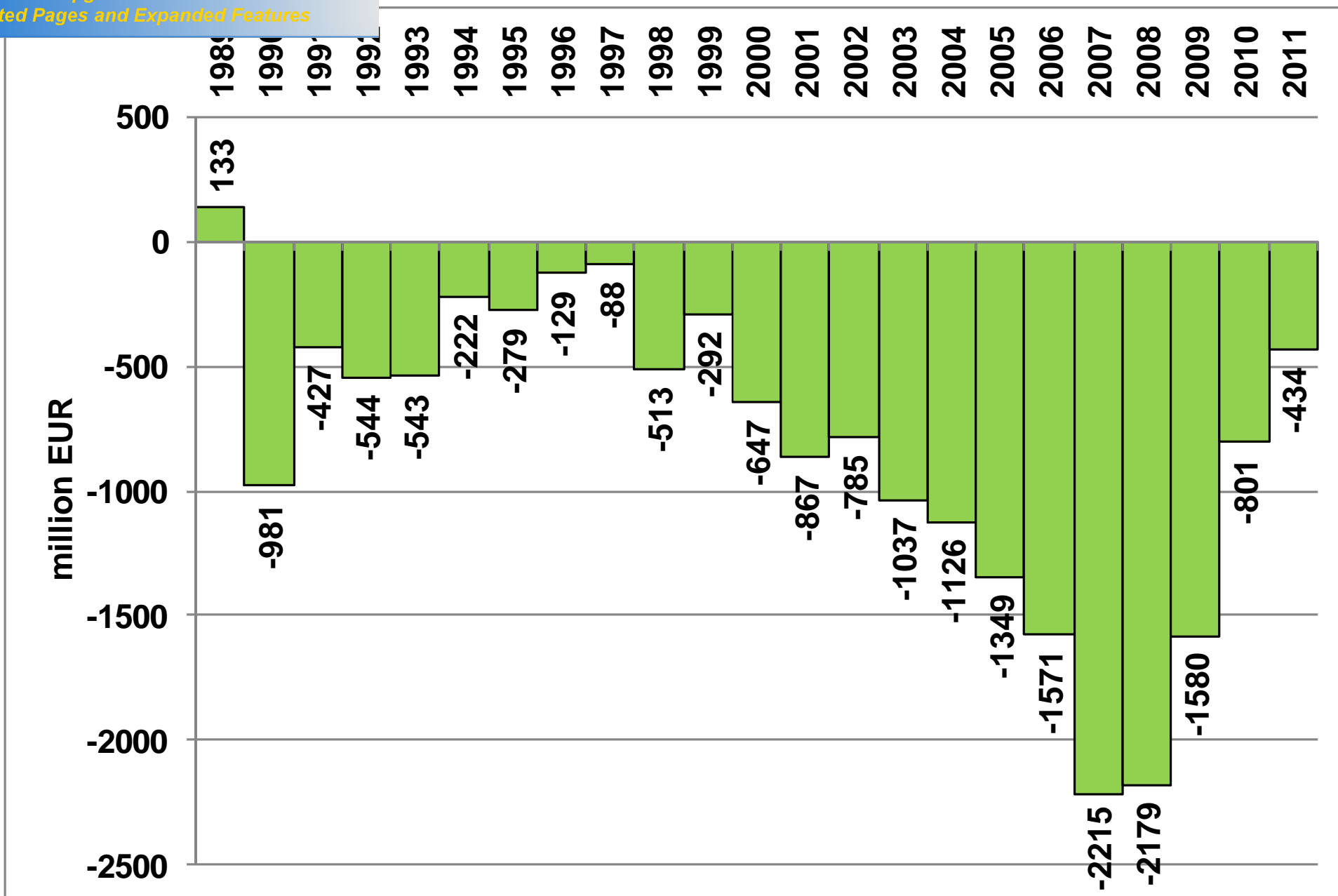


Indicators for agri-food industry

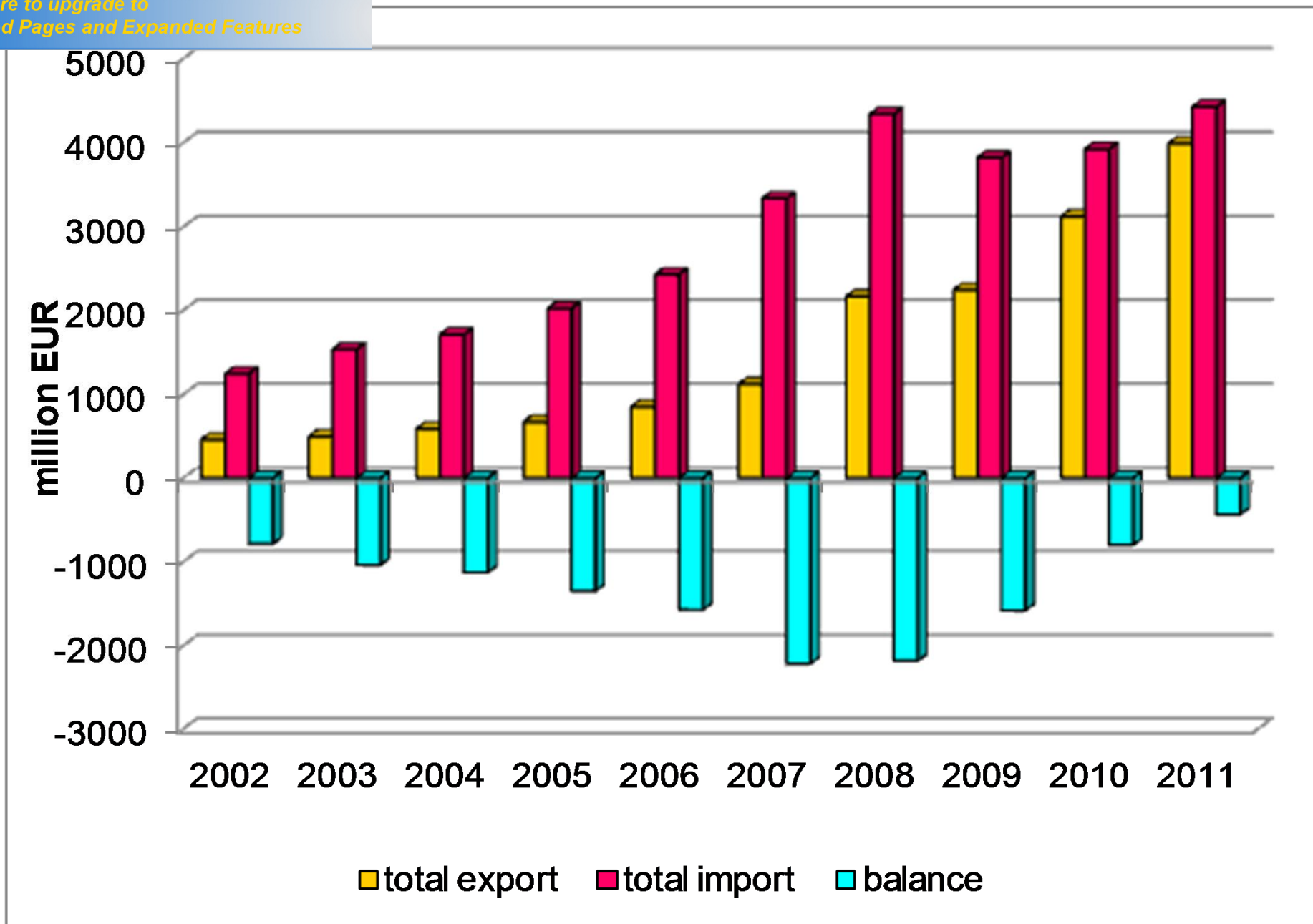
	Unit	Romania	EU 27
Labor productivity in agri-food industry			
GAV/employed person (2007)	'000 EUR /employed person	32,0	44,7
GAV average yearly growth / employed person	% per year	7,1	1,5
Employment increase			
Number of employed persons	'000 pers	216,5	4992,3
Share of employment in agri-food industry	%	2,3	2,2
Employment increase(2005 -2007)	% per year	-0,3	0,1
GAV			
Total GAV in agri-food industry	million EUR	6928,3	223074,4
Share of VAB in agri-food industry	%	6,3	2,0
VAB in agri-food industry (2000 -2007)	% per year	6,77	1,09

Source: Giurca D., Alexandri C, Rusu M. (2011) - The Reform of the Common Agricultural Policy in the Context of the Post-2013 Budgetary Perspective,, IER, Bucharest

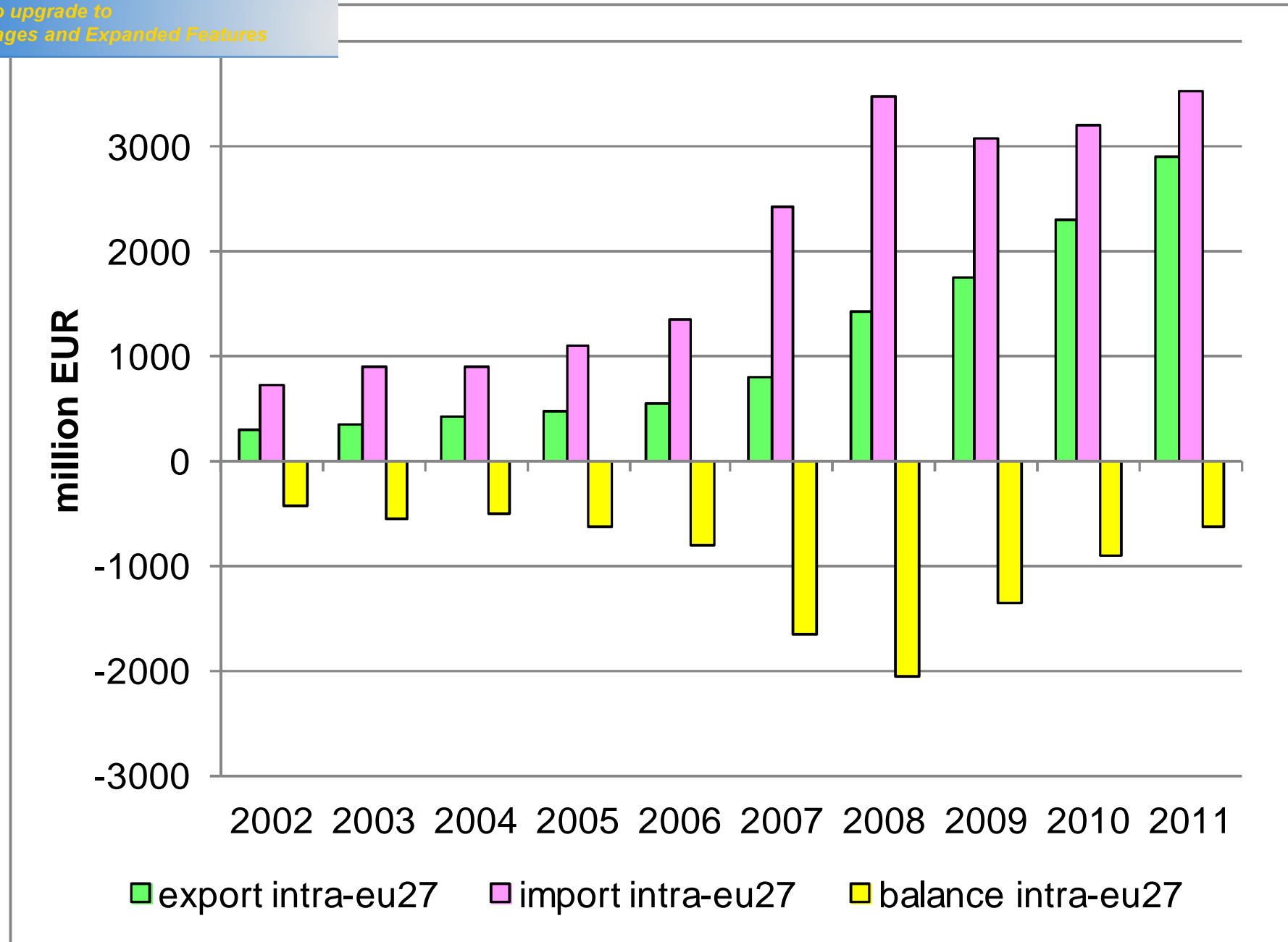
grifood trade balance (million EUR)



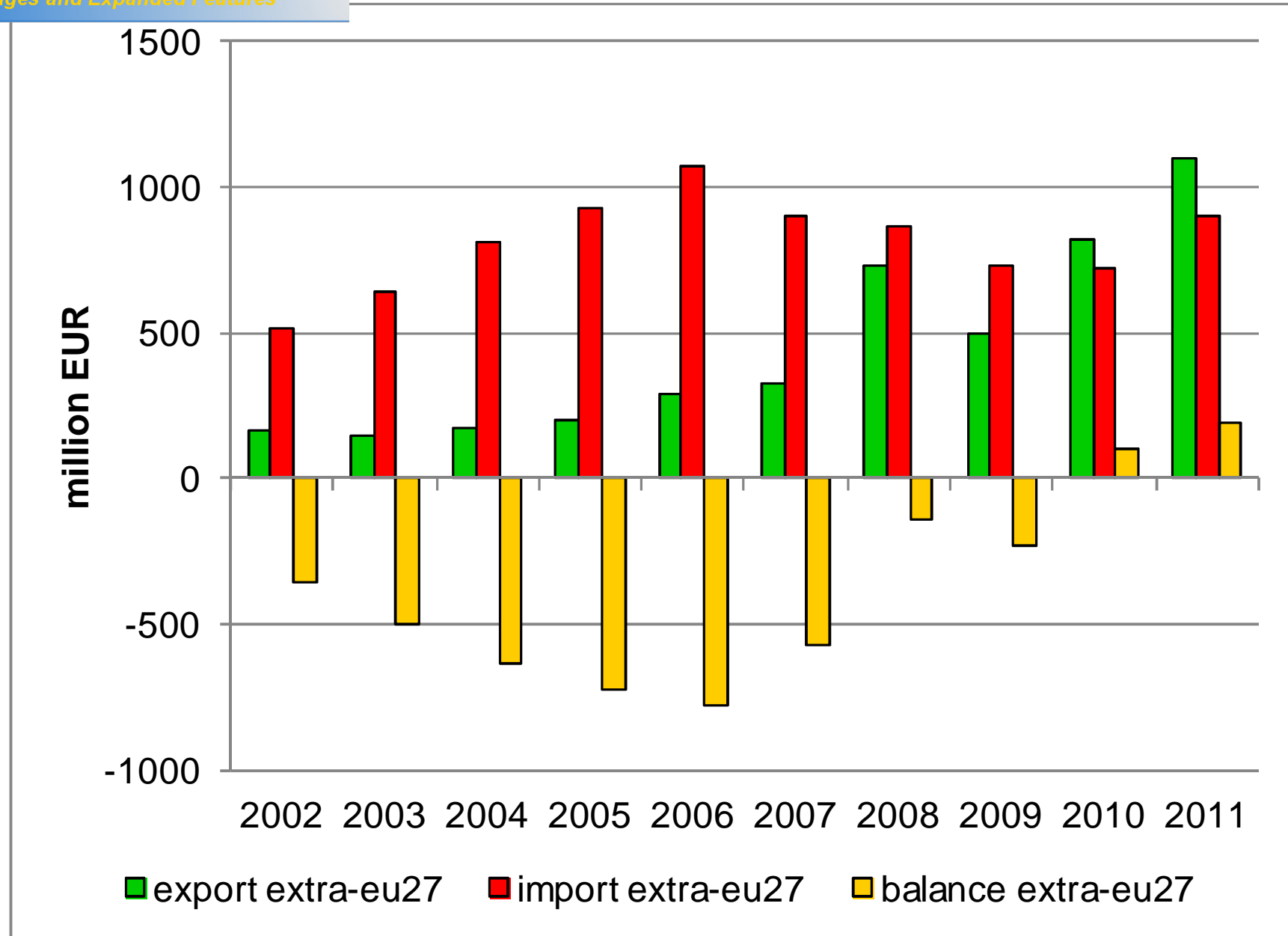
Maldivian agrifood trade (2002-2011)



agrifood intra-community trade



agrifood extra-community trade





Population

- Total: 21.4 million
- 56% of Poland's population
- 4-th consumer market in CEE (after RU, UKR and PL)

- Rural population: 45.1%
- Agricultural employment: 28.6%

Farm structure

	Unit	EU27	Romania
No. of farms	no	13,700,400	3,931,350 (28.7%)
UAA	ha	172,485,050	13,753,050
Workforce	AWU	116730	2,205,280
Farm average size	ha	12.6	3.5
Share of farms by size	%		
< 5 ha		70.4	89.9
5 – 50 ha		24.5	9.8
> 50 ha		5.1	0.4
Farm economic size		11.3	1.0
Share of farms by economic size			
< 2 ESU	%	60.8	94.0
2 – 100 ESU	%	36.9	6.0
> 100 ESU	%	2.2	0.0
Semi-subsistence farms			
No. of farms < 1 ESU	no	6,389,390	3,064,670 (47.9%)
Share of farms < 1 ESU	%	46.6	78.0

Farms NOT qualifying for DP (<1 ha)

- 2,13 million farms = 55.6%
- 1.03 million ha = 7.2% of agric. area

Payments qualifying for DP - estimated payments 1-st pillar

2014	2020
■ SAPS: 88 EUR/ha	■ SAPS: 117 EUR/ha
■ Greening: 44 EUR/ha	■ Greening: 58 EUR/ha
■ CNDP: 22 EUR/ha	■ CNDP: 6 EUR/ha
■ TOTAL: 154 EUR/ha	■ TOTAL: 181 EUR/ha

DP – very important in Romania

- Although less than in other MS, provided a financial previsibility for farms
- Very useful for medium and large farms
- Small farms and subsistence farms – rarely for farm inputs, mostly for family consumption

Financial envelope for Romania (2007-2013) ('000 EUR)

	EU funding	National co- financing
TOTAL AGRICULTURE, <i>of which:</i>	13941.1	2025.9
National Program for Rural Development	8022.50	1948.3
Direct payments	5586.2	0.0
Fishing Operational Program	230.7	76.9

SAPS – eligible area

- SAPS = Single Area Payment System
- 2007-2013: 8,716,329 ha
- 2014-2020:
 - proposal (based on 2009): 9,720,864 ha (+11.5%)
- close to reality - applications in 2010: 9,610,000 ha

SAPS – phasing-in

- Level of DP submitted to phasing-in process:
 - 2007 (Y1) = 25% of the EU average level
 - 2016 (Y10) = 100%
 - Complementary National Direct Payments (max. 30%) of the national level
 - DP + CNDP = max. 100%

- Amounts for DP in 2007-2013 (million EUR)

2007	2008	2009	2010	2011	2012	2013
441.9	532.4	623.4	729.9	907.5	1086.6	1204.3

Expenditures for Romania, 2014-2020 (EUR million)

	2014	2015	2016	2017	2018	2019
TOTAL	1,803.1	1,849.3	1,895.4	1,939.8	1,939.8	1,939.8
EU funds	1,472.1	1,692.7	1,895.4	1,939.8	1,939.8	1,939.8
National co-financing	330.97	156.6	0	0	0	0

Evaluation – basic payments

- Unconditional payments: only basic payment + CNDP
- Greening condition quite difficult for large cereal and oilseeds farms in major plain areas (100 ha farm should plant 7 hectares of hedges, trees, shrubs, etc.)
- Small farms accessing lump sum scheme instead of regular DP must be > 500 EUR/farm:
- farms getting less than 500 EUR/farm:
 - RO: 90%
 - FR: 8.5%
 - EU27: 43%

Support for small farms

- Pro-s:
 - encouraging development
 - improving soil and water quality
 - benefitting to biodiversity
 - reduction of fertilizer use
 - reduction of administrative costs by simplification (extremely important in countries with many small farms)
 - available for almost all farms < 25 ha (national average <25 ha)

Support for small farms

- Con-s:
 - need to be nuanced and differentiated by country
 - reduction of input use in Romania: losses in productivity and farmers' income
 - if not applied, less productive areas will be abandoned
 - It means reallocation of DP from medium to small farms
 - Equity or efficiency?
 - For RO:
 - Small farm support will improve their output and hence food security of rural population
 - Reduced benefits for urban population

Support for small farms

- 10% of the national ceiling for DP
- In countries such as RO, with large number of small farms, it is very insufficient (maybe 15%?)

plementary support for small farms?

- It might hinder farm restructuring and efficiency / competitiveness improvement
- Contribution of agriculture to the rural areas welfare?
 - In some MS (e.g. UK), small farming is a hobby
 - In poorer MS (e.g. RO), small farming is essential for survival (safety net)
 - Maybe different national treatment, according to their social role

Capping

- Minor saving effects:
 - total EU27: -270 up to 860 million EUR (= -0.6% up to -2%) of the total amount for DP
- MS affected by this reduction: BG, UK, GR
- Mildly affected: HU, SK, RO
- Almost not affected: FR, PL, PT

Capping

- **Pro-s:** in RO, 20 farms get each more than 1 million EUR per year as DP, while more than 1 million farms get DP of <500 EUR
- DP are meant to support low income farms
- Current proposal: saved amounts go to 2-nd pillar
- In RO, amount for small farms support is low (10% of current DP level), and the need is higher, maybe redirecting a part of savings

- **Con-s:** due to economies of scale, large subsidies less needed than in small farms
- Risk of breakup of the most productive farms in RO (largest farms lose 1/2 of subsidies)
- Losses in credit access capability, investment capacities, competitiveness

Greening

- Greening condition quite difficult for large cereal and oilseeds farms in major plain areas (1000 ha farm should plant 70 hectares of hedges, trees, shrubs, etc.)
- In RO, very expensive at the beginning, maybe should be introduced gradually:
 - 20 EUR/ha in arable area
 - 14 EUR/ha in agricultural area
 - Higher for horticultural farms
 - Most beneficial for farms growing herbivores and farms in LFA
- Reduction of agricultural output
- Ultimate benefits later - on medium term
- Increase of: land prices, lease prices, hence higher costs

Support for young farmers

- Problem: out of eligible farms for DP:
 - head of farm is < 40 years old:
 - in 7% of eligible farms
 - they use only 12% of eligible area
 - head of farm is >60 years old:
 - in 58% of eligible farms
 - they use 91% of eligible area
- Only 1-2% of the available amount would be used

Natural development measures in the programming period (2007-2013)

Code measure	Measure	Allocated funds (EUR)	Share in total (%)
322	Village renewal and development	1,256,102,105	15.50
123	Adding value to agricultural and forestry products	874,145,927	10.80
214	Agri-environmental payments	817054,711	10.10
121	Modernising agricultural farms	816,404,482	10.00
211	Natural handicap payments to farmers in mountain areas	498,358,726	6.10
313	Encouragement of touristic activities	435,378,219	5.40
212	Payments to farmers in areas with handicaps, other than mountain areas	404,328,778	5.00
125	Infrastructure	386,597,453	4.80
141	Semi-subsistence agriculture	380,861,912	4.70
312	Support for the creation and development of enterprises	316,118,102	3.90

Main challenges with regard to the post-2013 rural development policy

- Take into account:
 - the number and severity of problems that the rural area is facing
 - the low absorption level of the allocated EU funds up to the present moment
 - the relatively poor experience in the implementation of rural development plans
- The need to identify and accurately hierarchize the rural development priorities represents an important challenge for Romania

Some conclusions

- Romanian rural economy is largely dominated by the agriculture
- **subsistence farms** - very high percentage (producing mainly for own consumption, selling occasionally products on the market).
- Played important social role during transition
- Lead to stagnation, low performance and profitability
- Perpetuated poverty
- Blocked insertion into the market economy
- Faces obstacles in accessing other sources of income – generates adverse effects upon welfare of large part of rural population

ing subsistence agriculture

- should be one of the main objectives of rural development policy
- Condition for a successful integration of Romanian agriculture in the European single market.

The structure of the land use...

- shows that the problem is rather rural
- Increase of productivity and competitiveness requires significant transfer of labor out of agricultural activity
- That would help increase the farm size and their shift from subsistence to commercial farming



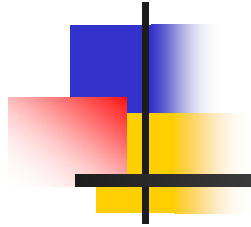
Diversification of rural activities

- Development of agricultural – connected services
- Development of basic agrifood processing in the rural areas (SME-s)
- Development of agrotourism
- Professional training
- Infrastructure development



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