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ROMANIAN AGRICULTURE IN THE CONTEXT OF NEW CAP PHILOSOPHY - APPROACHES AND TENDENCIES

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Abstract

The approach of the economic role of agriculture in the new European context, implies understanding into a new vision of the mechanism of functioning of this complex system of activities that do not reduces himself only to the agricultural production and to the agro food industry, generally, but they have major implications for the employment, to the use of natural potential of each economy, especially in shaping the rural society, which has continued to hold a significant share in European economies. This paper aims to analyze some aspects in the evolution of the CAP to the Community level and influences that it has on Romanian agriculture.

Key words: *CAP, agricultural exploitation, direct intervention, SPUS*

Introduction

In conditions of market economy, sustainable and competitive, the analysis of the role and the place of agriculture in the macroeconomic systems ensemble are considered as a "Sine qua non" condition for all those states who try to find ways for superior exploitation of their economic potential. Common Agricultural Policy harmonizes, at the European level, the agrarian interests of the states members, in shaping an efficient mechanism to capitalize the natural potential and to ensure food security through an important and varied agricultural production. The capitalization of agricultural potential through CAP has not offered significant results for increasing the competitiveness in this sector, the significantly interventionism of this policy having as results a system who depends more on the financial support than on the capitalization of the potential. Referring to this aspect Luca (2009) says "*the fundamental interventionist*

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nature of CAP has made that the initial intentions and the big goals to be frequently forgotten in the context of eternal bargains inter-governmental". The problem with a fully integrated European policy is that each country tends to be considered as a common stack from they need to grab as much. Is a form of prisoner's dilemma that the decision-making process of the CAP has never escaped^d. Also do not need be ruled out direct intervention, for the consideration of an exaggerated liberalism, at least in the case of agriculture, the economic efficiency criteria should be, somewhere fined. Even in the case of CAP, the tools for supporting the agricultural production system through direct measures to support prices, establishment of production quotas or the granting refunds, are still applied, we are witnessing now to a new political orientation of the community policy especially to the rural development area. Once with economic integration in the EU, Romania, as part of the operating mechanism the CAP has to shape and adapt their national agricultural policy, of course, in accordance with the community practice, but considering the national specificities. It owns a significant share of agriculture in the national economy by mobilizing both natural resources but especially of the human resources impose an improvement of the national agricultural potential. In this context the addressing of the role and implications of agriculture on the national economies requires rethinking the entire operating mechanism. The steps to reform the CAP and of its transformation into a modern policy accounted for the European decisions a turning point in harmonization of intercommunity relations, especially as the financial sizes of the PAC hold a significant share in the EU budget and a new approach of the agricultural policy was more than necessary. So "Over the past 15 years, the Common Agricultural Policy (CAP) has changed radically in response to pressures from European society and its evolving economy. The reforms from 2003-2004 has marked a new stage in this process, introducing the separation of direct payments via the Single Payment Scheme (SPS) in most sectors of the first pillar of the CAP and strengthening rural development policy, the second pillar of them. (European Commission COM (2007) 722 final).

Common Agricultural Policy (CAP), the size and role it has in the European policies is a tool with major implications in shaping the European decisions space. The high degree of interest shown towards the implementation of financing mechanisms and functioning of the CAP resides from the complex character of European construction from 60s. Subsidizing the agricultural activity in the Community space was the main lever in raising the degree of coherence at the level of national agricultural communities of the Member States and for diversification of agricultural production. The Community intervention in agricultural field has been achieved but not on an economic needs stringent criteria, but rather for supporting the rural population in the first instance, for which the agriculture represent and the main form of income. Application of nearly six decades of a unitary agricultural policy at the level of entire Community space outlined the occurrence of an agricultural model, EU specific. We can thus say that the CAP is an integral part, inextricably linked to the communitarian agricultural model.

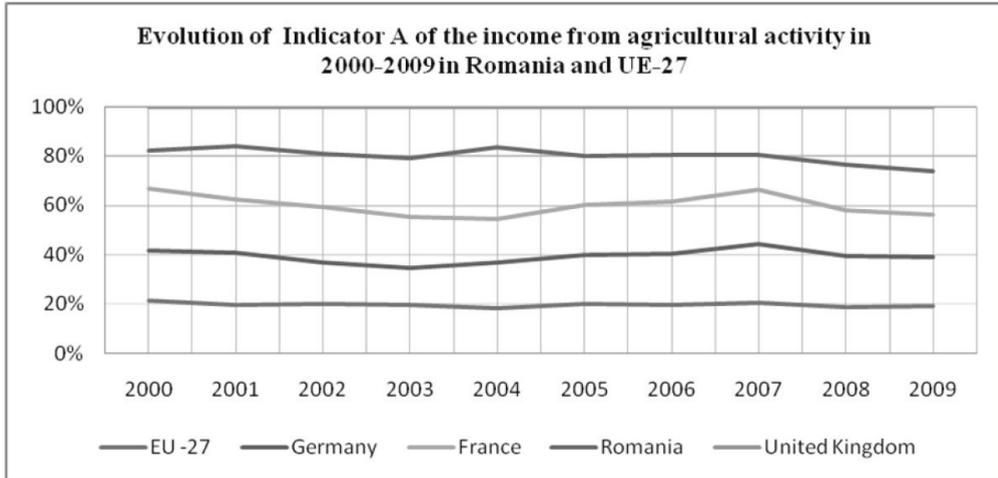
Simplifying the CAP represent both for the EU but especially so for Member States, where agriculture has a significant role in the all aspects of economic activity, a necessity springing from objective realities, especially since the application of this

policy require a bearish administrative mechanism and very resistant to change. All these measures have as effect improving the functioning CAP to the European level, but failed to reduce the divisions between member states regarding the future of this policy in the EU space, especially when it comes to funding them. Thus one of the first activities was aimed mainly the removal from the legal and the administrative community space of those documents considered to be obsolete in the application of the agricultural dimension of European policies. This steps continued with the drafting of a new and unique regulation of organization for the organization of the agricultural market called CMO Regulation (Regulation (EC) no. 1234/2007 establishing a common organization of agricultural markets and on specific provisions for certain agricultural products (OJ L 299, 16.11.2007, p. 1) which brought together all the 21 specific regulations in only one document much more flexible and easy to apply. Thus, as specified in one of a European Commission Communication to the European Parliament: "*Generally speaking, the adoption of the single CMO significantly reduced the number of regulatory acts of the CAP, which is henceforth regulated by only four legal documents, namely Regulation on direct payments, the single CMO Regulation, the Regulation on Rural Development and the Regulation on CAP financing*". (European Commission, COM (2009) 128 final).

Single payments system was also simplified and improved, especially following the adoption of the report on cross-compliance which envisages compliance with certain standards of environmental sustainability and environment respect of the agricultural producer who is thereby stimulated to produce environmental friendly.

Romanian agriculture in the CAP

In this context the analysis of the role and place of the Romanian agriculture in the community agricultural space can be made in terms of two parameters that describe the ability of this branch to generate income and GVA. According to the methodology used by Eurostat in determining the *indicator A corresponds to the deflated (real) net value added at factor cost of agriculture, per total annual work unit and the implicit price index of GDP deflator is used as in this process*. In graph no.1 are presented the evolution of this A index for the period 2000-2009 at the level of EU-27 and in the case of the most powerful economies (Germany, France, UK), including its evolution in the case of Romanian agriculture. As you can see the evolution of this indicator describes a decrease in the value of this indicator for most presented economies. The last three-year period (2007-2009) describes a collapse in the value of this indicator. If we consider that the evolution of this indicator for the year 2007 coincides with a new budget and financing CAP period, when the European states were forced to give up the financing scheme on the surface, we can say that this situation is one of a cause of the trend indicator A.



Source: own calculation based on EUROSTAT datasets, available at: <http://epp.eurostat.ec.europa.eu/>, retrieve on: 27.09.2010 and Europe in figures - Eurostat yearbook 2010

The evolution of the indicator A is especially important for understanding the capability of agriculture to generate income. As can be seen from the evolution trend of this indicator, described in the chart no. at the level of EU-27 and of the three most performer economy at European level, recorded decreases in the level of this indicator. In terms of its evolution in the case of Romanian agriculture describes the same tendency at European level, but with a more pronounced decline than in the other economies. The evolution of this indicator in the case of France, known as "the main beneficiary of the CAP financing" records values more than 100% and superior to the European average, but still in decline, and highlights significant differences after the entry into force of the new CAP. If in case of Romania in 2000 this indicator was 66.9 %, nine years later it reached at 91.8%, values lower than those recorded in the period 2001 to 2004 when its value exceeded the threshold of 100 and are appreciating that the Romanian agriculture is capable to revitalize them in the general economic context marked by the collapse of industrial activities. One year after EU accession this indicator reached a value of 112.3, and would later continue their downward trend. This accounts shaped for the 2008-2009 period overlaps to the EU-27 trend.

As seen in Table no.1 the Direct aids hold significant share in total budgetary allocations over the period 2008-2010, constituting the main lever of intervention in the agricultural community. In Table 1 are presented the main destinations in financing this.

*Table 1 - Evolution of Direct aids in EU for the period 2008-2010**
-Million Euros-

Heading	Appropriations 2010	Appropriations 2009	Outturn 2008
Decoupled direct aids			
SPS	28 480. 0	27 239 .0	28 233 .8
SAPS	4 497. 0	3 789 .0	2 974. 3
Separate sugar payment	283 .0	255. 0	206. 2
Separate fruit and vegetables payment	12 .0	12 .0	N.A
Article 05 03 01 — Subtotal	33 272. 0	31 295 .0	31 414 .4
Other direct aids			
Crops area payments	1 445. 0	1 450. 0	1 432 .2
Supplementary aid for durum wheat: traditional production zones	50. 0	54. 0	46. 1
Payments for specific types of farming and quality production	449 .0	425. 0	422. 8
Article 05 03 02 — Subtotal	5 995. 0	5 922. 0	5 620 .4
Article 05 03 03 — Subtotal	6. 0	562. 0	533 .6
Chapter 05 03 — Total	39 273. 0	37 779. 0	37 568 .5

Note:* data based on 2010 budget and not containing the whole budgetary classification

Source: Authors own selection from DG Agriculture, based on Agriculture and Rural Development budget expenditure, 2010 budget

Direct aids analysis reveals a number of important issues in the area of participation and interest of the CAP, developed under this policy as a result of EU Member interest. Financial allocations in the SPS (single payment scheme) although they have remained constant over the reporting period continue to hold the largest share in direct aids. So this type of financing is the main lever to stimulate agricultural activities in the Member Community. If we consider and SAPS (single area payment scheme) used to finance this budget allocation is 33.272 million, ie. 84.8% of total budget allocations for Chapter 05 03.

Table 2 - Evolution of the financial allocations for the period 2009-2016 in case of the national ceilings for Romania and some European economies

Year state	Bulgaria	Hungary	Poland	Romania	Lithuania
2009	287 399	807 366	1 877 107	623 399	230 560
2010	336 041	947 114	2 192 294	729 863	271 029
2011	416 372	1 073 824	2 477 294	907 473	307 729
2012	499 327	1 205 037	2 788 247	1 086 608	346 958
2013	580 087	1 318 975	3 044 518	1 264 472	380 109
2014	660 848	1 318 975	3 044 518	1 442 335	380 109
2015	741 606	1 318 975	3 044 518	1 620 201	380 109
2016 and next years	814 295	1 318 975	3 044 518	1 780 406	380 109

Source: Adapted from the Annex no VIII from Regulation (CE) NR. 73/2009 al Council JO L 30/76 din 2009

As it can be seen from the dates presented in the above table the financing of agricultural policy in Romania, under Article 40 of the Regulation on the establishment of direct support schemes for farmers, is tripled in 2009-2016, reaching a national cap in 2016 and after to the 1,780,406 thousand Euros, higher than that of Hungary, which represent only 1,318,975 thousand EUR, but accounting only 50% of Polish ceiling. These rights for payment can represent for Romanian farmers a motivation for increasing the using degree of the agricultural land and for growth of the financial profitability of a farm. As it is discussed in a recent study, *Salasan and Fritzsich (2009) shows that "strengthening the Romanian agricultural sector calls for concerted policy actions that are finely targeted for different groups. Fostering the restitution of land to former owners, developing a functioning land sales and rental market, and providing access to agricultural product markets could promote the resurgence of a highly productive group of commercial private farmers. Nonfarm job creation in rural areas could provide income opportunities for abundant agricultural labor force"*. Therefore, the role of agricultural sector is more complex than the basic activity in creating food for fork. It has a major impact for rural communities. Agriculture, for transition economies, as it is the Romanian keeps becoming a place for retreat for many social categories as the industrial unemployed or for other categories searching for a place to work. In this context the direct support measures for agricultural activities become more necessary than ever.

Conclusions

Addressing the Romanian agriculture in the new context of CAP transformation requires the reconsideration of the place and role of this sector in the overall national economy. Reforming Community mechanisms represent an objective necessity generated by the global economic context, where agricultural issues must answer to the criteria of competitiveness, based on existing market and not on an order from state intervention. Even if the agriculture has not been a sector with high competitiveness and severely influenced by the action of external factors (natural and weather conditions) she represent a generally source of added value generation for economies in transition, centered to these economic branch. Even if in the case of Romania the agricultural issues is a very complex and varied problem, in the context of achieving consistency with the Community Space, achieves a concentration on this area of action, in the new context of the frame of CAP. Recognizing the role of agriculture in the national economic system is necessary to adopt some measures designed to increase the productivity of this sector, in terms of increased global competitiveness, where the market role is fundamental.

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