

Economics of agriculture
SI – 2
UDK: 631.147 (498)

THE INTENSIVE CAPITALIZATION OF THE ROMANIAN AGRICULTURAL POTENTIAL

Bucur Ion¹, Bucur Bogdan²

Abstract

This article emphasizes the high agricultural potential that Romania has and its low utilization. Even though Romania has terrains that can be used in agriculture, around 62% of the total country surface and has around 30% of the active population involved in agriculture, it is a net importer of agricultural products. Not only that, but the agricultural cultures have a high vulnerability to the evolution of the weather, the irrigational system and the level of mechanization being underdeveloped.

By increasing the use percentage of agricultural terrains and trough expanding the ecological farming, agriculture's contribution to the development of new working places, improving the commercial balance and the general stimulation of the economic growth will be increased.

Key words: *agricultural exploitation, inelastic demand, The Common Agricultural Policy, ecological agriculture.*

Introduction

Romania has 14.8 millions hectare of agricultural terrain, being the second largest agricultural producer from the East and Central Europe, after Poland. Out of the total, the arable terrains have 9423,3 thousands ha (64,7% of the country's agricultural surface), orchards 206,6 thousands ha (1,4%), vineyards 218,0 thousands ha (1,5%), and natural pastures 3330 thousands ha (22,6%)¹. Under the aspect of the quality of the soils, Romania has the second place in Europe, and the population involved in agriculture represents about 30% of the active population, the percentage being very high compared to other European countries. Overall, 25% of the agricultural terrains have a superior quality, having a good and very good productive

1 Conf. dr. Bucur Ion, Universitatea "Petrol-Gaze", B-dul Bucuresti, nr. 39, cod 100680, Ploiesti, Romania, PO BOX 52, tel: +4 0730 220 124, e-mail: ionbucur2006@yahoo.com

2 Bucur Bogdan Ion, masterand, Universitatea "Petrol-Gaze", tel: +4 0728 074 790, e-mail: b.bucur@yahoo.com

potential. From this point of view, Romania should be a country providing important amounts of agricultural products on the community market and outside of it. In reality, the performances obtained in these areas are modest, Romania being a net importer of agricultural products (in 2006, the import of foods and live animals was one of 25850 million euro, and the export totaled 40746 million euro²). Until 1989, Romania was a net agricultural exporter and became a net importer during the transition to the market economy period. This unfavorable evolution was caused by the decrease of the agricultural production, due to structural property reforms and the increase of the internal demand for more diversified products, and of a better quality.

The agriculture's situation in Romania

In absolute sizes, out of the total agricultural surface of 14,8 million hectares, the arable terrains represent 10 million hectares, and an important part of these remain uncultivated. According to an evaluation made in November 2008, approximately 6.8 million agricultural hectares are uncultivated. One of the reasons would be that in the Romanian agriculture major changes regarding the structure of property, occupied population and the import-export relation, took place after 1989 and, even though there is a restructuring of the agricultural sector, the farm production still has a high degree of fragmentation.

Romania's agricultural surface has slowly decreased one year to another, mostly because of the transfer of the terrains towards constructions and the forest sector. By the year 2010, almost all the agricultural surface and over a third of the forest fund were privatized. The share of the small property is 66,5% of the country's agricultural surface, the old owners receiving their land back. The reduced sizes of the properties do not allow them to obtain an economic performance. In addition, they also lack capital. Most of the agricultural exploitations are for subsistence, the small owner not having the capacity of applying modern technologies of irrigation and soil fertilization, and to invest. An extremely important problem for Romania is the land improvement, because the agricultural terrains are affected by various factors that influence the production capacity, like frequent draught, soil's erosion trough water, frequent water excess in the soil, soil compaction due to poorly executed works, etc.

In these conditions, most of the agricultural exploitations are made for subsistence and have a low agricultural efficiency. For example, the wheat production per hectare is 3 times lower than in France or Germany, 2 times lower than in Poland or Hungary, and 36% smaller than in Bulgaria. High differences exist also in the case of potato culture's productivity: in Romania it's obtained an average production of 15000 kilos per hectare and in Belgium, USA, Holland, Germany, France and the Great Britain, 40000 kilos per hectare.

Romania is in an adverse situation in the meat sector, producing 47 kilos of meat per inhabitant, mostly pork – 47% of the total, and bird meat – 31%. This level of production places Romania in the last place of the European Union. Due to this situation, in 2008 meat imports were 13,7 times lower than the exports. Small productions of exported meat are mainly caused by the lack of abattoirs and deposit spaces with dissipated temperatures in the rural environment. Also, the precarious condition of the roads in the country side doesn't stimulate high investments in the rural environment. The highest percentage of the

meat production it's made for Romania's own community.

In all the regions of the country, the gross value added of the primary sector (agriculture, plus forestry and fish farming) is lower than the one from the secondary sector (industry plus constructions). The gross added values in the primary sector reflect the extremely low level of work productivity in agriculture, by reasons like poor technical endowment, scattered agricultural areas, almost non-existent management in private firms. In order to increase the economical efficiency, the association of producers in medium-sized agricultural units (50-100 hectares) is required, making possible certain investments, especially technological ones, the level of farming mechanization being very low in our country. Thus, Romania has one tractor per 54 hectares, compared to 13 hectares per tractor, the average level in the EU. Plus, 80% of the tractors are obsolete.

Besides the lack of machinery, the agricultural production also records high variations due to the climacteric factors that cannot be controlled by man. The bad weather reduces the production under the one planned by the farmers and good weather increases the production over the planned level. Unplanned fluctuations have direct effects.

Variations in the agricultural production determine the prices to fluctuate contrary to its sizes. An abundant production has as an effect the reduction of prices, and a weak harvest the increase of prices. Between the incomes of the farmers and the dimensions of the productions it's a direct and ascending relation when the productions are high and the climatic factors were favorable, and they drop when the productions are low.

Agricultural products usually have an inelastic request toward price and income, their modifications surpassing the request's modification. The higher the changes in prices are as the request is more inelastic. The reduced elasticity of the agricultural products means the request is lagging behind the offer, determining a drop of prices and agricultural incomes (profits).

The Common Agricultural Policy reform and the development of the Romanian agriculture

Being a part of the European Union gives Romania a chance to benefit a common agricultural policy with a very generous budget. The incomes of the Romanian producers are afflicted by the Common Agricultural Policy of the European Union, a policy that has maintained the prices way above the market's level of balance. In order to prevent the afflux of imports attracted by the raised prices, all the agricultural goods that obtain financial support from the EU were subjected to a custom tariff. The high European prices are a factor that leads to producing more agricultural goods than it is needed for consumption. The agricultural producers are preoccupied with producing goods requested by the market, the Common Agricultural Policy being oriented towards satisfying the market's demands.

This agricultural policy is advantageous for the farmers in the EU, allowing them to obtain high incomes, but it's disadvantageous for the European consumers and the efficient foreign producers. The subsidized exports from the surplus of agricultural

products in the EU, competes with the offers of efficient producers from developed and under development countries, who can be easily ruined.

The main path through which EU's common agricultural policy supports the farmers consists in fixing the prices of various agricultural products with specialized institutions. If the market's price drops under the limit, the intervention agencies buy the products surplus.

Agricultural prices in the EU are sustained by means like:

- the products stocking system
- the production share system
- the regulations on non-use of land.

According to the new orientations, the agricultural producers receive subventions that gives them a certain income stability if the produce quantities requested by the market and if their products meet the standards of food security and human welfare. They are interested in increasing the competitiveness given that an actual trait of the C.A.P. is the reduction of dependency between the volume of subventions and the volume of productions, a process called decoupling.

Among the new traits of the Common Agricultural Policy (C.A.P.) there are:

- ensuring rural development
- eliminating production quotas until 2013
- introducing a system of unique pays per farm
- conditioning subsidies for food safety, environment and animal care compliance.

The key areas for the evolution of the Common Agricultural Policy are:

- shift from price subsidies for agricultural products to income subsidies for the people in the rural environment
- eliminating the connection between the volume and structure of the production and the direct payments through offering a unique aid per farm
- conditioning the subsidies to producing quality goods, increasing the surface of forest areas and respecting the animal welfare and environmental norms
- conditioning the grant of direct aid to respecting certain conditions like maintaining in good care the agricultural terrains, respecting the environmental, food safety, plant health and animal welfare standards

Ecological agriculture, an alternative to the traditional agriculture

A method through which the Romanian agricultural potential could be properly exploited is the ecological agriculture. Ecological agriculture represents modern ways of growing crops and animals and producing foods, and it's fundamentally different from the ways specific to the conventional agriculture. The role of ecological agriculture is to produce better food for the human metabolism, while preserving and developing the environment and in correlation with the actions of the laws of nature.

The development of ecological agriculture is based on the existence of an essential connection between agriculture and nature. It doesn't mean influencing the

synthesis processes in order to maximize the efficiency of the agricultural products. To the development of the production of ecological good also contributes the request for agricultural products and the making of studies on the ecological agriculture.

Ecological products do not identify themselves completely with quality or natural products. The ecological agriculture minimizes the usage of internal origins factors in order to intervene in the synthesis process. This type of agriculture does not use growth stimulators, synthetic pesticides or forbidden systems of animal growing.

Among the objectives of ecological agriculture there are:

- decreasing pollution caused by growing crops and animals
- improving the soil's biological activity
- recycling vegetal and animal waste in order to give back to the soil some nutritive elements
- maintaining the soil's fertility on a long term
- increased use of the renewable resources in the local agricultural systems
- preserving the essential qualities of the products trough proper manipulation and processing
- preceding agricultural exploitations by conversion periods, with length variable according to the type of culture. The conversion period is 3 years for the perennial cultures and 2 years for the annual ones.

In order to practice ecological agriculture, certain rules must be followed:

- producing ecological crops trough direct soil exploitation, without using pesticides, fertilizers, etc.
- assuring optimal conditions of animal growing, the use of hormones being forbidden. Thus, large exterior surfaces must be made available for the animals.
- crop rotation
- keeping some natural predators, like spiders or birds, who contribute to pest control
- the acquisition of conformance certificates for the ecological products by the producers. In order for those certificates to be released, specialized inspection agencies control the compliance to the rules and principles of ecological products, the labeling mode, etc.

In our country, the ecological agriculture is practiced on small areas, mostly on research and vegetable production stations. The natural conditions and favorable resources require the expansion of this type of agriculture, contributing to the increasing use of the Romanian agricultural potential. On top of that, the Romanian farmer's traditional approach on agriculture, caused by the impossibility of making modern technological investments, is suitable for the ecological agriculture.

Conclusion

The main problem that stops the Romanian agriculture from reaching its full potential is not the lack of natural resources, but the lack of technology, mechanization

and proper agricultural management. If these issues are solved, the work efficiency will dramatically improve, allowing the practice of an intensive agriculture with a high level of food production, in other words, a true agro industry.

Another solution is the ecological agriculture, who offers a market that pays good prices for the natural and healthier products. On top of that, trough practicing ecological agriculture, the biodiversity is protected, as well as the varied and beautiful natural landscapes that can be seen in different areas of our country.

Thus, agriculture's contribution to the creation of working places, the improvement of the commercial balance and the stimulation of the general economical growth, can be increased.

Literature

- 1 "Anuarul statistic al României pe 2008", chapter "Agricultura și Silvicultura", <http://www.insse.ro/cms/files/pdf/ro/cap14.pdf>
- 2 "Anuarul statistic al României pe 2008", chapter "External Commerce", <http://www.insse.ro/cms/files/pdf/ro/cap18.pdf>
- 3 "Analiza cost-beneficiu a adoptării ACQUIS-ului comunitar de mediu" in Probleme economice, vol 108-109.
- 4 "Costuri și beneficii ale adoptării de către România a legislației europene de protecție a mediului", Platon Victor, Ciutacu Constantin, Mazilescu Roxana in Probleme economice, vol 38/2002.
- 5 "Dezvoltarea regională durabilă între actualitate și necesitate", Fistung Daniel , Antonescu Daniela Miroiu Rodica , Popescu Teodor , Marin Răsvan in Probleme economice, vol 38/2002.
- 6 "Dezvoltarea regională în România-concept mecanisme, instituții", Antonescu D. , Oscar Print, Bucharest, 2003.
- 7 "Dezvoltarea rurală durabilă în contextual integrării europene (I)", acad. Păun Ion Otiman, in www.acad.ro/com2005
- 8 "Impactul socio-economic al fenomenelor naturale dezastruoase în România –inundații , alunecări de teren, secetă", Chiriac Dumitru, Moldoveanu Maria, Humă Cristina in Probleme economice, vol 20-21/2002.
- 9 "Prioritățile politicilor agricole și rurale românești în perspective aderării la UE", in Probleme economice, vol 112/2004.
- 10 "Programul Național de Dezvoltare Rurală a devenit operațional", in Economistul nr 2568/ 25.02.2008
- 11 "Raportul FAO-Perspectivile producției agricole a României în 2008", in Economistul 2568/20.02.2008.
- 12 "Politica agricolă comună-cale de integrare europeană, în România în UE .Potențial de convergență", Roberta Stanef, supplement of Economie teoretică și aplicată, Bucharest, June 2nd 2006