

Economics of agriculture

SI – 2

UDK: 631.3 (498)

BLOCKAGES IN THE ROMANIAN FARMERS' PERFORMANCE

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Abstract

The main factors that obstruct the best use of farmers' productive potential are investigated and on this basis certain possibilities to surmount the present situation are highlighted.

Key words: *agriculture, competitiveness, productivity, modalities to increase the competitive potential*

Introduction

In spite of the significant agricultural potential provided by the natural resources, the farmers' performance in Romania in relation to the efficiency of resources allocation is quite poor in the European context [5].

The causes of this unfavourable situation are found both in the evolution of Romanian agriculture throughout history and mainly in the modality in which the specific policies have been designed and promoted after 1990.

Determinants of low performance

An atypical agrarian structure in the European context.

After 1990, in Romania's agriculture, a land ownership and land use structure was created that featured a strong bipolar character. Out of about 4 million agricultural holdings that exist in Romania, the individual agricultural holdings (peasant household farms) account for 99.5%. Overall, the individual agricultural holdings operate 65.2% of the utilized agricultural area in Romania. The average agricultural land area per individual agricultural holding is 2.34 ha. At the opposite pole, we can find the legal

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entity farms, representing 0.5% of the total number of agricultural holdings, which operate 34.8% of the utilized agricultural area. The average size of a legal entity farm, as utilized agricultural area, is 275.37 ha.

The defining characteristic of the individual agricultural holdings is the poor technical endowment and the excessive landed property fragmentation. The agricultural holdings with less than 1 ha of land account for 43.91% of the total number of individual agricultural holdings, yet they represent only 7.24% of total utilized agricultural area. As regards the share in total individual agricultural holdings, the agricultural holdings with 1-5 ha have a top position: 45.97% of total individual agricultural holdings, i.e. 46.52% of total utilized agricultural from this farming sector. The agricultural holdings with a land area comparable to the average area of a professional family farm in most EU Member States (20 ha and over) represent only 0.55% of total individual agricultural holdings in our country, accounting for about 14% of the total land area operated by the individual agricultural holdings in our country.

The property fragmentation process on the individual agricultural holdings can be also found in the livestock sector. The average number of animals per individual agricultural holding is: 2.45 bovines, 2.04 pigs, 21.36 sheep, etc.

Most individual agricultural holdings in Romania base their activity on their own labour resources. There are 1.63 persons on an individual agricultural holding on the average. The individual agricultural holdings that hired labour account for less than one-third of total individual agricultural holdings: 1,111,639 agricultural holdings (28.4% of total individual agricultural holdings) [8, p.154].

The high land fragmentation leads to the chronic under-utilization of labour resources. On the average 136.7 days/year were worked on an individual agricultural holding. If the number of persons existing on an agricultural holding (i.e. 1.63 persons) is taken into consideration, it results that a peasant farmer works 84 days/year on the average, which is a much lower level compared to the available time each year [7, 8].

As regards the economic activity, most individual agricultural holdings are mainly oriented to self-subsistence. In more than 80% (83.2%) of the individual agricultural holdings – which operate 66.3% of the UAA in Romania – 50% of the obtained agricultural production goes to self-consumption [8; 10]. This situation is also confirmed by the income structure on the farmers' households. In the total monthly income of farmers' households, which is quite close to the level of incomes of less-favoured social categories, such as the families of pensioners (the income of the farmer family is by only 6.1% higher) or to the unemployed family (farmer income is by 12.8% higher), the self-consumption of agrifood products has a significant contribution. The share of self-consumption is about 47% (46.9% more exactly) of total incomes on farmers' households. At the same time, the sales of agrifood products, the part of agrifood products that enters the market flow contributes by only 13.8% to the formation of the total income of farmers' households [9].

The high share of self-consumption on the individual agricultural holdings

clearly reveals a low insertion level of these economic entities into the specific market flows and circuits. In the last instance, the revealed situation could be interpreted as a failure of markets in the case of small farmers.

An unfavorable competitive environment

An under-developed competitive development, strongly distorted to the disadvantage of farmers, has developed in rural Romania in time [2]. The persistence of this undesired situation is the result of the following factors:

Maintaining obstructed communication channels between the supply and demand - In frequent cases, either the demand does not reach a large number of farmers, mainly the peasant household farms, or the farmers are not able to receive it as they should. As a result, the signals issued through the market action are weak and sometimes distorted. Under this general background, we can also notice a certain information asymmetry that is manifested in the favour of carriers of the demand of agri-food products and of agricultural enterprises that by their economic potential are favoured as compared to the large number of peasant household farms.

At the level of farm management, the result is the low efficiency in the allocation of resources, which inevitably impacts the productivity and competitiveness of Romanian farmers and agricultural products implicitly.

A strong disequilibrium existing in the competitive potential between the carriers of demand and the carriers of supply - The excessive land and operating capital fragmentation lie at the basis of a strong disequilibrium as regards the competitive potential of the supply carriers versus the demand carriers. The above-mentioned disequilibrium has been and is still fed by the lack of supply organization: the scarcity of the marketing cooperatives as well as of the agricultural producers' groups continues in Romania's agriculture. The distributive function of markets is distorted in the favour of demand carriers. The unjustified transfer of newly created value from the agricultural sector through the intermediary of prices drastically obstruct the market function as stimulant of savings in the area of agricultural producers, with well-known effects upon the dynamics of the farmers' competitive potential. This adds to the severe rural poverty, which can be noticed on a large scale.

A credit market that is practically blocked - mainly for the large number of individual peasant farmers. Out of different reasons, among which the high transaction costs stand out, the credit market in the Romanian rural area does not fulfill its role of institutional infrastructure that is absolutely necessary in ensuring the financial base of agricultural producers.

The consequences of financial credit market blockage upon the competitiveness of Romanian agricultural products and farmers can be felt at two levels:

- on the short term by the decrease of average yields in the absence of necessary resources for the use of adequate inputs as well as by the increase of costs generated by the interest rate explosion;

- on the medium and long term, by the drastic restriction, in certain cases even annulment of the structural adjustment measures in the rural economy.

Institutional environment crisis

This undesired situation is most pregnant in the rural market area. In the competitive environment area, the institutional crisis essence is represented by the contradiction between the institutions that regulate the behavior of market operators and the mechanisms “imposing” the observance of these norms.

Due to the large scale of the revealed contradiction, the confidence level in the mutual relations between the agricultural producers, as well as between these and the demand carriers is quite low. As one of the consequences of this situation, the supply organization level continues to be quasi nonexistent on most agricultural markets in our country. At the same time, the contractual relations on medium and long term are still low developed [1; 3]. Another consequence and at the same time expression of the institutional crisis is represented by the increase of different opportunistic behavior forms. Both in the case of demand carriers and in the case of supply carriers, the breaking of assumed promises represents a common practice, without too great penalization risks. This type of behaviour adds to the risk and uncertainty situations in which the rural market operators have to carry out their activity. As a result, the transaction costs, which are already significant due to the excessive supply fragmentation, are high; this high transaction costs determine many agricultural producers to turn to occasional market relations, while the demand carriers are oriented to imports. One of the most serious negative consequences deriving from the persistence of the institutional crisis is represented by the incomplete utilization by the agricultural producers of the advantages provided by the private ownership right. One should not overlook the possible negative effects generated by the farmers' lack of confidence in the market institutions (mainly contractual relations) for the sale of production, for attracting the necessary resources for economic activity consolidation respectively.

Possible evolutions

The economic consolidation of the Romanian agricultural producers brings into prominence the need to promote certain actions in order to facilitate the development and extension of structural reforms [6] in the agricultural sector, along two main directions: the enterprise reform and in this context the land and operating capital concentration; creation and development of competitive markets in the Romanian rural area.

The analysis and evaluation of existing constraints and blockages on the rural markets in our country suggest certain priority directions of action: supply organization, demand demonopolization, unblocking the connections between the demand carriers and the supply carriers, institutional crisis attenuation, etc.

In the supply area, as it has been already revealed, the existing problems are generated by the strong fragmentation of property and/or of capital operating modality, which continue to be the dominant characteristic of the Romanian agriculture. The modalities to surmount the present

difficult situation envisage the increase of the concentration level of agricultural production and/or – according to the case – of its commercialization. In this area, there are well-known solutions: capital concentration into competitive and viable farm units in an open economy; development of contract-based agriculture and of integration relations between the farm units, mainly on cooperation basis. In this context, the problem that is raised has in view the reasons why the above-mentioned solutions have not been successful and what perspectives might exist for the structural adjustment process acceleration in the future.

The modest results in capital concentration, in land concentration in particular, are determined by objective causes as well as subjective causes mainly connected to the agricultural and rural development policies. The objective causes derive from the limited level of budgetary resources that could be released by Romania's agriculture in different periods for supporting the rural economy. Yet it is under this framework that debatable economic policy decisions intervened. In the first place we have in view the propensity for the present moment to the detriment of the future. The budgetary resources have been and still are allocated without taking into sufficient consideration the problems of farm consolidation and production sale, of creating the necessary material and institutional premises for the creation of competitive markets as one of the determinants of farmers' competitiveness. In the second place, as one of the causes of the slow evolution of capital concentration into competitive agricultural units resulting into the creation of favourable conditions for supply organization, we should mention the attempt to solve up the problem without taking into consideration the effects that are generated by the existence of strong barriers in the downstream sector. These are determined by multiple causes, among which the low diversification of economic activities in the Romanian rural area and the farmers' low educational and training level stand out [4]. A decisive impetus in the concentration of economic activities in agriculture might be provided by the increase of the share of budgetary allocations devoted to rural development, mainly to the diversification of economic activities through the creation of necessary conditions for stimulating the establishment of SMEs of different profiles in the rural areas.

The rural cooperation in the marketing area is found in a similar situation. This segment of the Romanian agriculture is constrained by the scarcity of resources for the establishment of the production conditioning, storage and marketing infrastructure, on one hand; on the other hand, by the low level of farmers' confidence and by the high transaction costs.

The high transaction costs represent an overall constraint to the Romanian farmers' competitiveness.

The diminution of transaction costs will be possible as a result of progress experienced along two levels, apparently separated, namely: the process of land and operating capital concentration; attenuation and gradual surmounting of the crisis of agricultural markets as main institution of the economic system. At this latter level, we have in view the promotion by the governmental action management of certain measures meant to lead to the establishment and development of long-lasting relations between the demand and supply carriers, through the

development of integration relations inclusively, and on this basis the consolidation of mutual confidence between the market operators with all the favourable results of this process. In this sense, it is also worth mentioning the need to promote certain actions in the legal and institutional infrastructure areas meant to guarantee the observance of the law.

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