

## **ROMANIAN FARMER – OWNER, BUSINESSMAN AND ECONOMICAL GOODS CONSUMER**

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### **Abstract**

The transition from command economy to competitive market economy brought the Romanian farmer in three aspects: as owner of land and other goods, producer (businessman) and as consumer of economic goods and services. The Romanian farmer could be considered a beneficiary of transition because he became again owner of the land he had before collectivization of agriculture. He could own an unlimited number of animals and technical means. As owner, the Romanian farmer beside benefits from transition has had losses also. He has not recovered the means of production, which he was forced to take to cooperative, nor the value of them. In a competitive market economy, the farmer is also a business man. He can use his family or he can employ labor resources, he can rent the land or he can associate with other farmers. The farmer initiate, on his own or as associate, business to obtain profit.

**Key words:** agriculture, farmer – owner, farmer – business man, farmer – goods consumer, economic assets

### **Introduction**

Agriculture is a base branch of the producing of economical goods which conditions the existence and progress of human society. It is the only natural source for producing food and agricultural material raw. Vital source of existence the agriculture offers to an important part of available active population the means to utilize the labor force. The transition from command economy to competitive market economy brought the Romanian farmer in three aspects: as owner of land

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and other goods, producer (businessman) and as consumer of economic goods and services.

### **Romanian farmer – land owner and labor force supplier**

The Romanian farmer could be considered a beneficiary of transition because he became again owner of the land he had before collectivization of agriculture. He could own an unlimited number of animals and technical means.

As owner, the Romanian farmer beside benefits from transition has had losses also. He has not recovered the means of production, which he was forced to take to cooperative, nor the value of them. Also a great influence had the losses made when liquidation of cooperatives took place after 1989 when were destroyed or deteriorated many production facilities created with lot effort over the years. Also the technical equipment used in cooperatives, which existed due to common contribution of people, remained in state production facilities. So the Romanian farmer become owner of the land but, without having production means the technical equipment for agriculture he had had in the past and without having financial resource to buy them.

Many difficulties have the people that work in agriculture but not having no land. Their major property is the labor. They offer their services on the labor market to obtain income needed to satisfy different needs. The present conditions on labor market in Romania are unfavorable because in agriculture are many labor resources used insufficiently. The week use of labor resources in agriculture most part of the year means a masked unemployment which has negative consequences as: waste of an important volume of labor resources which could not be used as production factor, waste of production volume due to leak of activity long time during a year, loose of incomes due to inactivity. Because there is not a local alternative of employment many workers from rural areas head to other areas in country or out of the country. Their chances of employment are low because of level of skills and a relative high rate of unemployment that different economies are facing.

The individual households formed by returning the lands to their old owners or to their siblings, after adopting the law no. 18/1991 (the land stock law) revised later by law no.1/2000 (“Lupu law”) , are very small dimensions, under 1,8 ha. Also these households don’t have the necessary technical means, qualitative seeds or fertilizers and have a reduced productivity which merely assures self consume. Most of them practice subsistence agriculture which affects satisfying the needs of internal market to main agricultural products.

The new land owners haven't benefit by legislative measures to facilitate access to resources needed to have a normal agricultural productivity. Due to this reason the Romanian farmers could not cultivate the land so they could recover at least the production costs. Carrying of superficial agricultural activities on small crumbled land surfaces has favored degradation process of land. Some fertile lands decayed in quality because their owners, not having technical means and resources have abandoned them unexploited. Also to them we add the lands that were in an improvement and amelioration process (preventing land erosion, landslide, draining, a forestation, amelioration of low fertile soil) before giving them back according to Land Law after which the improvement process has stopped.

In Romania, after year 1990, the agricultural surfaces exploited diminished, many of lands suffering a degradation process this reflecting in quantity and quality of production obtained.

Between 1987 and 2007 the arable surface of Romania decreased with 7463 hectares and fruit-growing plantations decreased with 9343 hectares [1].

The cause of surface decreasing consist in the fact that individual small land owners cultivated small surfaces with a diversity of plants due to lack of technical means, financial resources and in the absence of consistent support.

The main causes of obtaining low productivity and above normal quality parameters are:

- the small dimensions of individual land farms
- absence of technical means from producers households
- devastation of technical and material base needed for mechanization, irrigation and fertilizing the agricultural production on large scale
- impossibility of procuring fertilizers, quality seeds by most of land owners due to the low income they obtain
- the majority of individual land owners practice subsistence agriculture, which affects the satisfaction of internal market needs at main agricultural products.

To develop agricultural activity in an efficient manner is needed to increase the dimensions of surfaces owned by individual farmers to optimal level by associating small owners in bigger farms, buying and selling land, land renting and process land surfaces by grant. In conditions of Romanian agriculture, making of agricultural units of optimal dimensions, efficient for production, could be realized by concerting land, by associating individual land owners in bigger units. The profile of these units could be different by the associated members needs, production, services, provisioning, capitalization etc. Functioning based on market

economy principles these associations could prove viability in confronting with competitors. By increasing the dimensions of agricultural units the economical power of associated producers increases also, facilitating conditions for developing irrigation systems and mechanization equipment.

### **Romanian farmer as business man**

In a competitive market economy, the farmer is also a business man. He can use his family or he can employ labor resources, he can rent the land or he can associate with other farmers. The farmer initiate, on his own or as associate, business to obtain profit. In his actions the farmer must have initiative, operative abilities, organizational skills, ability to understand the social economic perspectives.

To produce goods the farmer must supply with goods and services entering in relations with various suppliers. To sell his products for recovering the production costs and obtain profit, he makes contact with various clients. In Romania the climate in which these relations take place is not normal, because usually the farmer is a small producer, the suppliers and clients are large, strong entities with state, private or mixed capital. These powerful clients and suppliers have the ability to determine the prices of goods they buy or offer in their favor. So the Romanian farmer buys at high prices production factors and is forced to sell cheap the goods he produces. He is not supported by state to get through the unfavorable situation he is in. The state intervention in relationships between producers, suppliers and clients in agriculture are weak, made with delay, and could not correct the market imperfection.

The weak economical power of producers in agriculture influences the activity of his clients and suppliers. Because he could not afford to buy machines and agricultural machinery, fertilizers for soil, the factories who produce these reduce productivity, reduce the personal and sometimes they get bankrupt. Many Romanian industrial units producing fertilizers, pesticides and insecticide needed in agricultural production are in difficulty, because the agricultural production could not include, on internal market, their production. Also because of the farmer weak economical power the export of cereals and other agriculture goods reduced and the import increased.

Romania was known as an important exporter of wheat, barley, beetroot sugar, meat, fruits and vegetables. The 1990 year marks the start of Romanian agriculture decline on all plans: vegetable production in general, fruit growing, horticulture, wine growing and animal farms. Devastation of national irrigation system has made the production of agricultural goods to be dependent in majority by natural factors evolution.

The solution for passing the crisis consists in elaborating and applying an active policy, constructive policy for agricultural system and farmers.

The majority of Romanian farmers don't know the conditions they must meet to access European funds. The principal causes are insufficient popularization of these funds. In lack of sufficient information, because don't know procedures and don't have confidence they would be financed, many Romanian land owners are not interested in starting a business or obtaining European funds.

The great majority of village inhabitants practice agriculture only for their needs. For them is almost impossible to access SAPARD funds, because of difficulties implied by making a project and mostly because of impossibility to find funds needed for co-financing. To benefit from not repayable European funds, the farmer must have half of the funds needed in investment, what is an obstacle hard to surpass for many Romanian producers. For soliciting SAPARD funds, the farmer must invest his own funds, half of them could be recovered after a while by the funds benefiter if the use of money is justified by documents.

To extend the access to SAPARD funds is needed to modify, by the European Union Commission, the co-financing rule, so the benefiter to contribute a quarter of project value. In this way the number of farmers willing to invest in zoo technology, fruit growing, agro tourism, enterprises for milk, meat, fruits process.

The lack of financial resources and entrepreneurial spirit prevent development of land owners business. So important land surfaces remain unused because many village inhabitants, who work in agriculture, have insufficient money to exploit the land, to supply with raw materials, in condition of high prices inaccessible to them. The salvation of farms consists in the aids they receive from state.

The low level of organization of agricultural activity is reflected by the low rate of commercialization in Romanian households. In most of cases, the main part of production is used for self consumption and small part of it is for commercialization. Usually commercialized products are sold directly on market, at home to intermediary traders and only in small part to firms.

The majority of Romanian farms don't insure the production, even if frequently confront with draught periods. Their main information source is the television and in a small parts the papers and even less internet.

Now the world economic crisis affects Romania. It is felt in agricultural activity also, the main segments affected are crediting, investments and agricultural production selling. The economical crisis effects will be felt on long and middle term mainly in rural development segment and in zoo technology investments. For this reason the lag registered in present between the agriculture in Romania and the

other European Union countries will increase. The cost raise of credit and lack of financial resources will lead to reducing the investments in rural environment and making more difficult to access European funds. In these circumstances the competitiveness of agriculture will decrease in internal and also on external market.

The agricultural activities are affected by energy crisis, agricultural products price crisis and the ones in financial markets and insurances. Energy crisis restrict the activity in agriculture because of cost rises. The products price crisis lead to impossibility of obtaining profit and not covering the production cost. Financial crisis raise the cost of credits, the absence of money needed by farmers for financing projects.

### Romanian farmer a consumer of goods

The farmer is also a consumer of goods and services. He has a variety of product for food consumption many of them from his own production. The farmer food consumption is determined by the use of products from its own household and products bought from the market. For procuring the needed goods the farmer use funds he obtains from different sources. In the third trimester of 2008 the monthly medium incomes for a rural household are:

Table 1 Monthly medium income of rural households in 3<sup>rd</sup> trimester 2008

<i>Income types</i>	<i>incomes</i>
1. Total income (A+B)	1797.77
A. Monetary income (1+2+3+4+5+6+7)	1303.65
1. Gross income and other rights	546.62
2. Incomes from agriculture	130.31
3. Incomes from independent non agricultural activities	80.13
4. Incomes from social carry	421.39
5. Incomes from property	1.15
6. Incomes from selling actives from household inheritance	64.94
7. Other incomes	59.11
B. Non monetary income (1+2)	494.12
1. The value of non monetary incomes obtained by workers and benefiteres of social labor	
2. The value of agriculture goods from own resources	30.19
	463.93

Source: National Statistics Institute, Press release no. 1/2009, www.inse.ro

In rural environment, the main source of households income has been represented by agriculture production which assured 34,7% from total income in third trimester 2008. The main part of these (25,8% in 3<sup>rd</sup> trim. 2008) was formed by the value of consumed products from own resources. The percent of monetary income from agriculture in total income of rural households was 7,2% in 3<sup>rd</sup> trim. 2008. In the same trimester, to total income of households also contributed with 30,4% monetary income and with 23,4% the income from social labor.

Table 2 Structure of expenses in rural households in 3<sup>rd</sup> trimester 2008

<i>Expenses</i>	<i>Percent %</i>
2. Total expenses (A+B)	100
A. Monetary expenses (1+2+3+4)	72.7
1. Consume expenses (a+b+c)	73.6
a) Expenses for consumer goods	37.1
- Buying alimentary goods	94.1
- Expenses in public supplying units	5.9
b) Expenses for non alimentary goods	43.1
c) Expenses for paying services	19.8
2. Expenses for unconsumed goods	2.9
3. Incomes taxes, share taxes	11.4
4. Other monetary expenses	12.1
B. The value of alimentary goods consumed from own resources	27.3

Source: National Statistics Institute, Press release no. 1/2009, www.inse.ro

The total expenses on a household from rural environment, have represents in 3<sup>rd</sup> trimester 2008, 94,5% from total incomes. The principal destinations of expenses effectuated by households in third trimester 2008 are: consume expenses 73,6%, from which 94,1% represents expenses for buying alimentary goods; the expenses with tax incomes, share taxes and other expenses represents 23,5%.

In rural environment, third trimester 2008, 27,3% from total expenses are represented by the value of consumer goods from own resources.

The rural households have a reduced consume of bread and bakery products, in compare with households from urban areas, the deficit being surpassed by an increased consume of maize. Also, rural households have the smallest consume of meat, fats (including sun flower oil and soya oil), fruits, melons, sugar and other sugar products. They have above medium consumed on products as: milk and dairy products, eggs, vegetables, potatoes and beans.

The rural farmers have an alimentary consume decreased than necessary and with deficits in its structural aspect. It's based mainly on own agricultural production. The low financial resources, foremost oriented to alimentary consume and strict necessity products place the rural households, beside unemployed and retired households in most disadvantaged category.

### **Conclusion**

Integration of Romania in EU makes Romanian farmer to act in state of land owner, businessman and consumer of goods in conditions of commune agricultural politics. EU integration necessitates adopting some regulations regarding producing, selling, quality and limits between agricultural goods must be produced. Development of Romanian agriculture in accordance with EU regulations implies for Romanian farmers respecting strict phyto sanitary and veterinary standards, production limits etc.

For small Romanian farmers, which own 2-3 hectares of land, worked with rudimentary tools, the agriculture is inefficient and only for subsistence.

Currently, subsistence farms have 45.24% of the total utilized agricultural area (14.3 million hectares of agricultural land), semi-subsistence farms using 13.76% and commercial farms - 41%, shows data of the Ministry of Agriculture. Of the total 4,256,152 farms, a percentage of 90.96% is the subsistence farms, 7.55% semi-subsistence farms and only 1.49% is represented by commercial farms. The figures show the facts in Romanian agriculture: poor productivity and low economic and financial power of Romanian farmers [9].

As a member of EU, Romania must respect principles and rules of commune agrarian politics. These politics would not suffer substantial modifications until 2013, the agrarian budget being stable to that date. After 2013 is expected a drop of agricultural budget in conditions in which the European agrarian products market will be free, the pesticides will be reduced.

The measures aim to obtain products in sufficient quantities, at reasonable prices, maintaining a clean environment, suitable for tourism. Achieving those requires necessitates farmers sustain.

Currently, discussions regarding the commune agrarian politics have various aspects:

1. Direct payments. Several EU member states like: Hungary, Bulgaria, Czech Republic, Latvia, Lithuania, Poland, Slovakia, Romania sustain standardize direct payments. Because financial allocations were established for 2007-2013 period, Romania proposes supplementation of direct payments from the state



budget. Romania has proposed also to European commission to extend the possibility of using rural development funds to pay direct payments after year 2009.

2. Market intervention. In condition of high prices to agricultural products, many states, members of EU would agree to suspend intervention mechanisms. Romania, as an important cereals producer, militates for maintaining intervention on cereals market.
3. Direct support schemes for farmers. For better sustaining of priority sectors is intended to redistribute funds from different sectors, in conditions the funds provided for use are small.
4. Modulation. EU commission aims to reduce the percents of modularization.
5. Cross compliance. Romania, Bulgaria as member states, but also other states, older members of EU, propose debates regarding the list of demands that need to be accomplished by farmers and GAEC list that would be implemented, electively by EU members.
6. Resources management. To this purpose Romania propose creation of a commune fund. This proposal is not accepted by EU Commission and doesn't have sustained from member states, so the chances to be applied are reduced.

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