

EFFICIENT MEASURES FOR AGRICULTURAL LAND MERGER IN ROMANIA

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Abstract

Given that our country has become since 2007 a full member of the European Union is necessary for the agrofood producers from our country to work towards compatibility, both with EU regulations and global challenges of the moment. The main problem of the agri-food sector in our country, in the process of European integration, is to ensure the competitiveness of Romanian agricultural products, able to face the strong competition that exists on the single European market and beyond. Among measures that need to be taken in order to ensure the competitiveness of Romanian agro-food products on the European Union market, the most important are: the organization of agricultural production, which involves the creation and strengthening of agricultural organizations of optimum size (sustainable), in order to achieve homogeneous products in terms of quality, and competitive in terms of quality and quantity as well as modernization, namely the distribution of agro-food products by improving and implementing a foundation for effective distribution. Creation and strengthening of agricultural organizations of optimum size (viable) can be achieved through a series of measures aimed at ensuring the competitiveness of Romanian agricultural products on European market and beyond, including effective measures on land like land merger that is considered one of the most important.

Keywords: agricultural associations, agricultural land merger, agricultural products competitiveness, economic size, viable farm, economic performance, food safety.

INTRODUCTION

The competitiveness of agricultural products of EU countries is deeply affected by

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economic disparities that currently exist in this world organization. Although countries in South-East have been subject to economic reforms (which were focused on the agro-food sector), there is still a significant gap compared to EU economic indicators. The promotion of sustainable development across united Europe under the Lisbon objectives should be based on increasing economic and technical performance based on innovation and technology transfer in the agro-food sector. Technology transfer is the movement of technological know-how of technological-organizational between different partners (individuals, enterprises, institutions) in order to enhance / enrich the knowledge of at least one partner and to strengthen the market position of each partner.

However it should be noted that in terms of our country is very hard to talk about technological transfer in agriculture as long as there is a huge number of so-called farms which sizes have below 50 hectares (from the technical point of view it is impossible to practice modern technology in this agricultural exploitations). However, it should be noted that Romania has the particularity of self-consumption due to the very large rural family from household production that does not address to the market (measured at about 30% of agricultural production). Although there are views according to which this high level of self-consumption, caused largely by agricultural land fragmentation has a positive side (considered as a measure of social protection for rural residents), however, we must work towards reducing it because it has negative effects in the economy (poor quality products that causes lack competitiveness, unpaid taxes , impossibility of sanitary and veterinary control of agricultural products, large share of employment in agriculture, etc.).

1. The evolution of farm size in Romania

The mai problem of the Romanian agriculture is the creation and consolidation of modern farms, economically viable. Land restitution made under Law 18/1991, as redress act as forced collectivization, is an act of justice and moral rehabilitation of those affected by injustices bygone era. But this act has brought to the attention for the agricultural sector a complex problem that of land fragmentation. Despite the efforts made by our country for the land fragmentation, since 1991 until now, the average size reached 3.5 ha (compared to 13 ha as the average of farms in the EU), being very hard to realise efficient activities on this farms. Comparing the average size of farms in our country with the most important EU countries, we find that we have the lowest average farm in the united Europe, namely: Austria-20 ha-21 ha Bulgaria, Czech Republic, 90 ha, France - 52 ha, ha-46 Germany, Hungary, 7 ha, Italy - 9 ha, ha-24 Netherlands, Poland, 6.5 ha and Spain 23.8 ha-, etc United Kingdom-53.8 ha.

It would not be a problem only the small size of farms from our country if not accompanied by a number of other indicators that we are backward in the EU, such as yields per hectare and per animal, total agricultural production (on cultivated areas), poor quality of agro-food products, higher product costs, etc. From this point of view it is absolutely necessary to act urgently for the creation of modern and functional

national agrarian structures to contribute to a rural area suitable for achieving a modern and efficient agriculture.

Rational agricultural structures can be considered those that allow land, the main production factor to be organized and arranged in order „to allow the incorporation of capital, labor and management as high as possible in order to obtain quantitative, qualitative and economic results, as high in national and global competition”⁴. It should be noted that during EU joining (January 2007) until now, there is some progress in terms of both number of farmers who have larger areas of 50 hectares and the development farmland in farms over 50 hectares (see table no. 1 and 2.)

Table 1. Evolution of the number of farmers in our country by type of surface during 2007-2010

Year	Number of farmers with surface less than 1 ha	Number of farmers with surface between 1 – 5 ha	Number of farmers with surface between 5 – 10 ha	Number of farmers with surface between 10 - 50 ha	Number of farms with over 50 ha	Total
2007	4 961	1 000 096	162 039	53 335	16 413	1 236 844
2008	5 367	915 897	141 603	51 075	17 022	1 130 964
2009	1 481	857 101	134 442	49 448	15 475	1 057 947
2010	1 633	879 380	137 316	55 204	19 139	1 092 672

Source: *Payment and Intervention Agency for Agriculture*

Analyzing the data Table 1. shows that the total number of farmers in our country has declined in the period 2007-2010, from 1236844-1092672, which represents a reduction of about 12%. The largest number of farms (879 380) in 2010, represent the holdings of between 1 and 5 ha (representing 80% of all farms). If we add to these farms the ones that have between 5 to 10 ha (137 316 in number), results a total number of farms with areas up to the 10 hectares of 1,016,696, representing a share of 93% from the total number of farms from our country. In these circumstances, farmers who are or may become commercial (with area over 50 hectares), although increased in number from 16,413 (as it was in 2007) to 19,139 (as it was in 2010), with 2726 farms (which represents an increase of 16.6%), they represent only 1.75% of all farms in our country. It is gratifying that fell in the period, less than half the number of farms with areas up to the one hectare in 4961 (as it was in 2007) to 1633 (as was the end of 2010). This reduction may be the effect of implementation of direct payments in Romania

4 Blaga I. “Varietatea și interdependența structurilor economice” -Tratat de economie contemporană, Vol. 2, Ed. Politică, 1987

that are granted only for farms with at least one hectare of agricultural land. It must be analysed if our country could choose for granting direct payments to an area of over 5 hectare (this would help increasing the average area of farm).

Table 2. Evolution agricultural areas of farms in our country by type of surface, in the period 2007-2010

Year	Total surface of farms having less than 1 ha	Total surface of farms having between 1 – 5 ha	Total surface of farms having between 5 – 10 ha	Total surface of farms having between 10 - 50 ha	Total surface of farms having more than 50 ha	Total ha
2007	3 287	2 439 137	1 076 625	999 460	5 089 377	9 607 888
2008	3 623	2 194 983	943 402	979 874	5 209 529	9 331 414
2009	1 048	2 065 916	905 891	951 886	4 838 485	8 763 228
2010	1 097	2 093 356	918 819	1 088 130	5 536 881	9 638 285

Source: *Payment and Intervention Agency for Agriculture*

The situation in the two above tables is the result of monitoring carried out in the PIAA on requests submitted by potential beneficiaries of financial support of direct payments, registered in the IACS database. In 2010, 80% of farmers have requested assistance declared agricultural land with areas between 1 and 5 ha, which represents about 22% of utilised agricultural area. It is however noteworthy that the largest share among all categories of applicants is held by farmers in areas over 50 ha in terms of area they hold about 57.45% even if they have only 1.75% in terms the number of farms (at 2010). This can be a support for a possible strategy to increase economic size of farms in our country. However, it is said that they could have problems in the programming period 2014-2020, when, in one of three scenarios of the European Commission is expected to cap direct payments per hectare to 300 thousand euro amounts exceed this limit (ie 100% reduction). In addition, European legislation will provide measures to discourage sharing of holdings in smaller farms or any other options that lead to the avoidance cap. The proposal is more dramatic than the previous limit of 300,000 € as direct payments, regardless of farm size. Not yet known details of the algorithm to be applied to reflect the number of persons employed by the firm, but I do not think that will lead to a substantial increase in direct payments ceiling. Another sensitive issue is the bureaucracy introduced, paying agencies must perform some additional calculations to determine the exact conditions of application of this algorithm for each firm separately. And economically measure is extremely sensitive, since many of the firm balances its income in years of poor harvests European subsidies. In these circumstances it is expected that an important part of farming without subsidies to deal with problems and even bankruptcy in the years to drought or other unfavorable climatic conditions for agricultural production.

If the direct payments in Romania will reach in 2016 the sum of 203 € / hectare, that basically will be affected all farms receiving more than 150,000 European grant € / year, the farms that use more than 50 hectares. From calculations the number of affected farms in Romania will be about 2000 from a total of 19 139 (which represent about 10%).

Table 3. The situation in our country of the number of farmers by type of area in 2010

	Less than 5 ha	5-10 ha	10-20 ha	20-50 ha	50 -100 ha	100- 200 ha	More than 200 ha	TOTAL
Numebr of farmers	881 013	137 316	36 475	18 729	7 071	5 022	7 046	1 092 672
Total eligible area requested	2094 453	918 819	487 180	600 950	501 539	708 788	4 326 554	9 638 285

Source: Payment and Intervention Agency for Agriculture

The analysis of data provided by PIAA, shows there is still a strong fragmentation of land, range up to the 10 hectares are strongly represented, amounting in 2010 to about 93% of all farms and about 31% of total agricultural area of our country (as shown by the data from table no. 3.). Under these conditions, and the upward trend from both the average size of farms, as the number of farms with agricultural land exceeding 50 hectares, can be discussion about a scenario on the organization principles of agricultural holdings in Romania which undoubtedly should be aimed at concrete measures and effective merger of land.

2. Efficient measures regarding land merger in Romania

For a long time (even immediately after the land fragmentation because of law no. 18/1991) is still talking about the need of viable farms establishment able to cover domestic consumption needs (our country) and to increase exports of products on EU market and beyond. But each time, the authorized bodies were hit by a series of factors (subjective or objective) that prevented the implementation of a coherent strategy for land merger. Without claiming that the measures proposed by us are the only ones, I believe that current economical and technical conditions in which it is our agriculture the most effective measures for land merger are: cooperation in production, by association, additional taxation of unworked agricultural land, stimulation of the sale of agricultural land, support for young farmers setting up farms in rural areas (with financial support for early retirement of older farmers).

Cooperation in production, by association. This would be the easiest measure applied by landowners that could contribute to the merging of land. However, given the unfavorable experience of the years after the Second World War (forced cooperativisation) and the trend in most EU Member States (which is not associated in production, but in the marketing field) is extremely difficult. Thus, except in isolated cases, such as former CAP Court in Arad, Buzau county, etc. CAP Smeeni cooperation in joint production can not be present (perhaps in the future when we will realize the seriousness of the agro-food crisis that the humanity already feels).

Additional taxation of agricultural land can lead of so called "city farmers" to decide on the use of land owned through rent, association or sale to those interested. Today, in very rare cases, is applied an insignificant fine (200 lei), which seems a bit forced to amend the economic owner of an asset.

Worse is that there are cases (not isolated) that unworked land is framed by experts from APIA, for financial support for agri-environmental measures (see the provision of direct payments per hectare of arable land for the whole of Romania, conditions under which circulated even by officials, an area of about three unworked hectares).

We must recognize that the agricultural year 2010-2011, it appears that began to work the land, over three million unused land no longer a realistic figure, a phenomenon that can be considered positive for the agriculture of our country.

Stimulation of the sale of agricultural land. To implement this measure should take into account two major issues, namely:

- First, we must recognize that there is a reluctance on the part of landowners living in rural areas, the sale of land. Those who were determined to sell (the poor ones) have already sold, and others who engaged in farming keep it running as a system of life. Moreover, older owners (who can not work the land) ask followers not to sell land unless they are in need.
- Second, foreign investors have been and are still most interested in buying land. There from these investors, now a consistent demand for the purchase of land for land of a thousand hacters. Size is not random because the European Commission discussed the new Common Agricultural Policy that provides direct payments to be capped for large areas. In these circumstances we can already guess which is the maximum size eligible for direct payments - a thousand acres. The application launched on the market has a price, offering approximately 2600 Euro / hectare, while the fields are merged into lots of at least 100-200 hectares. Undoubtedly the extent of agricultural land consolidation through land purchase is one worthy of attention. It should however be very careful about who are these lands. It would be interesting analysis of the structure of land ownership by citizens who have them. There is no official data, but it seems that much of the Romanian agricultural land are owned by foreigners (the Austrians, Italians, Spaniards, Dutch and others are large landowners of Romania). I think we should look very carefully this issue and to draw or

after neighbors of Hungary who requested European Commission to extend the restriction of selling land to foreigners or to obey the law providing for tenure Romanian purchase of land neighbors farmland concerned.

However, the positive evolution of the average farm size and increasing farmers' agricultural land in use is due to this measure, with the establishment of companies dealing with the merging fields of activity (at least 100 ha) and then selling them.

The fourth measure aimed at merging the land refers to two components: **support for young farmers and early retirement**. Both measures are part of the forms of financial support provided from European Funds for rural development. I consider that including in the National Rural Development Program for 2007-2013 only the measure of support for young farmers was very good, because they laid the groundwork for the establishment of farms managed by young farmers to take land for the elderly or from other owners who want to sell their land.

After the first two sessions of projects submission at the end of March 2011 were submitted 6572 projects worth 136.7 million euros, of which 4463 have been contracted (contracts already paid 4012, which is about two young per village). Maximum amount for the project by the EU through the EAFRD is EUR 25,000, the amount to increase to 40,000 euros from the next session for submission of projects.⁵

It must be said that the amount allocated for each project is not very high, but support for the establishment of young farmers is, they can access and other measures from NDRP. However, it is important that these young farmers (if they have physically installed in rural areas and it is not only streaming in acts of ownership from father to son) can benefit from wider forms of support from national budget (supporting the difference in interest between the European and the average interest rate in our country, the granting of additional payments, etc.).

The early retirement is a measure that was delayed for NRDP 2014-2020, it is very expensive and this is why that was not chosen in the current program. There were similar types of land disposal by stimulating the elderly, such as a life annuity that was just as Romanian, inappropriate European requirements (where early retirement concerns the use and disposal of usufruct and not possession). Another problem that raises is the extent of early retirement difficulties that may arise in developing procedures for implementation, which should answer some questions such as: what is the period for which pension is granted and the amount (for all ten years or less)?, what area to provide financial support (pay the same pension to give possession of a ten hectare or hectares)?, which scales for each culture?, what happens to the land after the period for which the owner receives a pension? etc.

5 Istudor Nicolae, Petrescu Irina Elena, Dobronauteanu Ionut, Lucov Bogdan, Opportunities for increasing the acces degree of structural funds for regional development in Romania, 2010, Quality Magazine, vol. II, no. 118

Conclusions

It is well known that all governments since 1990 have said that agriculture is a national priority, which is why we should not rely solely on European funds but to ensure the competitiveness of the sector in the EU market, must pay the appropriate funds through the national budget. This more so because, for future period (2014-2020) the EU budget is forecast to be at most equal to the previous period, unless it is reduced because of the global financial crisis. In these circumstances, we believe that all professionals in agriculture (not only those in state institutions) have to worry about the technical and economic performance improvement of agro-food sector, especially since the beginning feels a world food crisis (which in my view is a crisis of production costs and selling prices of products).

In this context, it has to take utmost care of the problem of land merger as part of development strategy on the immediate, medium and long the agri-food sector, to include rural development, and to be accepted by all political parties . This is because this sector has a significant market niche that must be well negotiated and future program funding from European funds (this time as a full EU member), which correlated with a complementary program, funded from national budget (so that, if potential beneficiaries that do not meet certain conditions can be ensured that the European national funding).

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