

THE CRISIS OF EFFICIENCY IN RESOURCE ALLOCATION IN ROMANIA'S AGRICULTURE

Davidovici Sava Alexandru¹

Abstract

The present paper highlights the peripheral position of Romanian farmers' position in the European context. It reveals the causes of efficiency crisis that derives from the ownership structures, competition environment situation, the deficiencies of the institutional environment and the inconsistencies of the agricultural policies.

Key words: agrarian crisis, causes, solutions

1. General background

By the potential provided by the natural resources, mainly by land, Romania can be considered as being among the great agricultural powers of the European continent [7, 10, 15, 16, 17]. Yet the past and present realities of our country's agriculture are far from confirming this hypothesis [5, 6, 11]. In the last quarter of the century agricultural production followed a sinuous trajectory under the background of modest average yields [2, 13, 15]. In these conditions, with regard to the obtained yields and productivity of resource utilization, the Romanian farmers' performance has been on a peripheral position in the European context. With a gross agricultural output of 1328.1 euro/ha in Romania compared to 2131.9 euro/ha the EU-27 average, the gap disadvantaging the Romanian farmers is 1:1.6. However, if we consider the gross agricultural output per agricultural worker, i.e. 6762.1 euro in Romania, versus 32180.7 euro the EU-27 average, the ratio disadvantaging the Romanian farmers is even higher, i.e. 1:4.8. A similar situation appears if we consider the performance indicators calculated on the basis of gross value added (GVA). In this case, the gap between Romania and the EU-27 average is 1:1.4 for the indicator GVA/ha and 1:4.1 for GVA/agricultural worker². The low efficiency in the utilization of our country's agricultural potential has a deep negative impact that is manifested at different levels, among which the situation of the agri-food trade balance and supplying the population and processing industries with agri-food products, Romania's farmers competitiveness on the domestic and world

1 Davidovici Sava Alexandru, PhD. Student, Bucharest Academy of Economic Studies,

2 Calculations based on Eurostat 2009 data, Table 2.0.1.2 (Ciffres clés de l'agriculture).

markets, the Romanian farmers' incomes, etc. [8, 9, 12].

Continuing an undesired tradition, unfortunately with no interruptions, that began in the 1990s, in the last period (except for 2009, when the effects of the world economic-financial crisis were strongly manifested) we experienced an increase of Romania's agri-food trade deficit. In the year 2009, this deficit reached 1508 mil. Euro, accounting for more than 98% versus the agri-food exports. It is a significant fact that the coverage of imports by exports is not larger than 50% in the conditions when the trade balance deficit practically exceeded the level of exports (except for the year 2009)³.

The social consequence of the Romania farmers' modest technical and economic performance is represented by the generalized poverty situation of this category of population. By the low level of monthly average incomes per person, the farmers are in a more difficult situation than the pensioners, who are a well-known less favoured social category in Romania⁴.

2. Constraints and blockages to performance

The modest performance of the Romanian farmers has its origin in a whole set of causes. Some of these originate in the remote historical past, while others, with the same negative impact, from the modality in which the systemic and structural reforms were conceived and promoted after 1989.

After 1989, in Romania's agriculture, a dual structure of ownership and land operation modality was established and consolidated: on one hand a large number of small peasant household farms and on the other hand a relatively low number of large-sized farms, organized on the private firm principle [14].

The defining characteristic of the sector of individual agricultural holdings is represented by the excessive fragmentation of the landed property. The high land fragmentation in Romania represents a main competitiveness handicap, which is materialized into the level of average yields, production costs, transaction costs as well as into the low saving possibilities and development possibilities implicitly, based upon the own resources of the individual agricultural holdings in our country. The high land fragmentation, and as a result the low average yields of individual agricultural holdings leads to a chronic under utilization of resources and to a limitation of the saving possibilities, of the development potential and of the viability of this category of agricultural holdings. After almost 20 years from the beginning of the process of promoting the systemic and structural reforms in the agri-food sector, an underdeveloped competition environment is maintained, strongly unbalanced to the detriment of farmers. As a result, we consider that in the agri-food and rural economy sector in Romania, the specific markets can represent a real support to farmers' competitiveness. The efficient operation of the lever function of farmers' competitiveness is hampered by a set of factors and/or conditions that characterize the present markets. Among these, the following stand out by the negative impact they generate: persistence of obturated communication channels

3 See Romania's Statistical Yearbook 2010, NIS, Bucharest, Table 18.4.

4 Idem, Table 7, Table 8 and Table 17.

between supply and demand; strong disequilibrium between the demand and supply carriers with regard to the competition potential; deficiencies in the market function to remove the non-competitive and non-viable farmers from agriculture in an open economy; the credit market is practically blocked; the agricultural sector has poor links with the foreign markets in the field of exports [3].

In the agricultural sector, the institutional environment features a set of characteristics that drastically limit, and in certain cases even block its functionality and implicitly its contribution to the efficient operation of economic activities. Among the characteristics of the present institutional environment, with regard to the negative impact they generate, the following are worth mentioning: the institutional environment volatility; persistence of non-functional mechanisms and organizations for imposing the Law; maintaining an underdeveloped competition environment, strongly distorted to the detriment of farmers; an unreliable and often deviant behaviour of the economic operators; limitation of farmers' ownership rights, as a consequence of the dominating position of the demand carriers on the agricultural markets; high transaction costs [4]. Among the constraints to Romanian farmers' performance, we can also mention the inconsistency of agricultural policies [1]. In this respect, it is worth mentioning that the main directions of the agricultural policies have constantly changed with the electoral cycles. The structural policy, the price and tariff policy, the financial support and even the strategic vision were significantly different from one government to another [1]. The only constant throughout all these years was the productivist focus of agricultural policies rather than focusing on competitiveness. Unfortunately, this orientation was not followed by the expected results.

It is not difficult to notice that the existence and perpetuation of the Romanian farmers' performance deficit are mainly determined both by structural causes deriving from the present configuration of the agrarian structure and from the persistence of an underdeveloped and deformed competition environment that does not favour the farmers, which add to the institutional crisis and conjunctural causes that largely originate from the errors and inconsistencies of the agricultural policies.

3. Possible ways of action

The failure of agricultural policies in promoting the structural adjustment of Romania's agriculture and at the same time in agricultural growth, which add to the potential risks of Romania's accession to the European Union, plead for the need to focus the governmental action management in the next period on the efficiency of resource allocation and on the increase of farmers' competition capacity implicitly.

In the direction of the above-mentioned issues, we shall next suggest a few possible options with regard to the agricultural and rural development policy orientation:

3.1. Intensification of individual farm consolidation and increase of its competition potential

Reaching the general goal represented by the consolidation of individual farms is directly conditioned by reaching several interdependent objectives, among which the

following should be mentioned:

- Acceleration of the land and operation capital concentration increase into viable economic units into an open economy;
- Facilitation of the labour surplus release from agricultural activities on the individual farms;
- Intensification of peasant (subsistence and semi-subsistence) farms integration into the marketing chains.

The intensification of the peasant farms participation to the trade relations – as one of the main coordinates of farm consolidation in our country – is conditioned by the existence of certain factors and conditions meant to provide economic rationality to the efforts and risks implied by this process. In this respect, certain specific measures are needed at present to the benefit of small farmers, namely:

- Gradual diminution and removal of market entry barriers
Possible solutions: supply organization by increasing capital concentration: horizontal concentration (farm size increase); vertical concentration; development of farmers' operative information system with regard to the situation of different commodity markets and possible partners; development of market infrastructure: transport, storage, financial services.
- Diminution of market risks

Possible solutions: creation of a system for farmers' incomes insurance on cooperative bases in the initial stage by the state's participation with financial resources; training the farmers and their representatives in the elaboration and management of contracts; development of mechanisms and consolidation of institutions meant to control the respect of contracts and settling out the disputes; involvement of producers' groups in the creation of firms for agricultural commodity marketing and commercialization; consolidation of farmers' negotiation capacity.

A significant contribution would be brought by: the development of rural marketing cooperation as well as the consolidation producers' organizations as a modality to lower the transaction costs; development of a market information system with regard to the market situation and possible partners (as a modality to diminish the information asymmetry).

- Development of stock markets for the agricultural commodities.

3.2. Increased focus on the competition environment creation and development

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

3.3. Consolidation of institutional environment

The attenuation and gradual removal of the strong deficiencies in the institutional environment need the following priority directions of action: development and consolidation of the competition environment, as a premise of the diminution of

opportunistic behaviour manifestation possibilities in the relations between the economic operators; increasing the role and functionality of economic contracts and at the same time, of the mechanisms guaranteeing the respect of their provisions; consolidation of ownership rights.

3.4. Increasing the capacity of Romanian farmers' adaptation to the evolutions of the environment in which they operate

In the present situation of Romania's agriculture and of the new world development trends, the creation and consolidation of the necessary premises for the gradual shift of Romania's agriculture to a new type of economic growth based upon the principles and requirements of the information society and of the knowledge and innovation-based economy is imposed as one of the agricultural policy priorities. We consider that the first steps that could be adopted on the short term would be the following:

- Creation of the legal and institutional framework, as well as providing the necessary financial support for the creation of competitiveness poles;
- Ensuring the necessary conditions (laws, organizations, resources) for the creation of strategic information management system (of "intelligence économique" type in France or business intelligence in Great Britain, USA) in the rural economy sector.

REFERENCES

1. **CIOLOȘ, D., LUCA, L., GIURCA, Daniela (2010)** - 20 de ani în căutarea unei coerențe în politicile agricole din România, vezi volumul: Radu Murea, Vasile Boari, Natalia Vlas România după douăzeci de ani (vol. I), Editura Institutului European, Iași.
2. **DAVIDOVICI, I., GAVRILESCU, D.** (coordonatori), **(2002)** - Economia creșterii agroalimentare, Editura Expert, București.
3. **DAVIDOVICI, I., DAVIDOVICI, S.A., KRUZSLICIKA, Mihaela, (2010)** – Market Crisis in the Contemporary Romanian Rural Area, *Lucrări științifice, seria I, Vol.XII (1)*, Management Agricol, Editura Agroprint, Timișoara.
4. **DAVIDOVICI, I., DAVIDOVICI, S.A., KRUZSLICIKA, Mihaela, (2011)** – Institutional Premises for Agricultural Sector Evolution in Romania (Premise instituționale ale evoluției sectorului agricol în România), *Lucrări științifice Seria I, Vol.XIII*, Management Agricol, Editura Agroprint, Timișoara.
5. **DOBRE, Gh. și colab., (1996)** - Economia României în context european - 1938, Editura Fundației Științifice, Memoria Oeconomica, cap.V – Agricultura, București.
6. **GRIGORESCU, C. și colab., (1993)** – Nivelul dezvoltării economico-sociale a României în context european – 1989, Editura Expert, București.
7. **HERA, C., (2009)** - Solul – temelia dezvoltării durabile a agriculturii și economiei

naționale, expunere prezentată la Academia Română, vezi www.encyclopedia-economica.ro/upload/....

8. **MANOLE, V., STOIAN, Mirela, (2008)** – Evoluția comerțului pe grupe de produse, *Tribuna economică*, v.19, nr.31, București, p.65-66, 70.

9. **MANOLE, V., STOIAN, Mirela, (2008)** – Impactul aderării României la UE asupra agriculturii, *Tribuna economică*, v.19, nr.22, București, p.82-83.

10. **OTIMAN, P.I., (2008)** - Strategia de dezvoltare durabilă pe termen mediu și lung a agriculturii și spațiului rural din România – România rurală XXI, *Revista Economie agrară și dezvoltare rurală*, anul V, nr.1, Editura Academiei Române, București.

11. **OTIMAN, P.I. și colaboratorii, (2010)** - Agricultura și dezvoltarea rurală în România – principalele căi de atenuare a efectelor crizei și de reluare a creșterii economice, *Revista Economie agrară și dezvoltare rurală*, serie nouă, anul VII, nr.2, Editura Academiei Române, București.

12. **TODEROIU, F., (2006)** - Agricultura României – 15 ani de evoluții asimetrice, *Revista Economie agrară și dezvoltare rurală*, anul 3, nr.9-10, Editura Academiei Române, București.

13. **ZAHIU, Letiția și colaboratorii, (2010)** - Agricultura în economia României – între așteptări și realități, Editura Ceres, București.

14. xxx – (2008), *Farm Structure Survey 2007*, NIS

15. xxx – (2010), *Romania's Statistical Yearbook*, NIS.

16. xxx – (2010), *Commission européenne*, Eurostat.

17. xxx – (2009), *FAO Statistical Yearbook*.