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THE SUBSISTENCE AND SEMI-SUBSISTENCE FARMS IN ROMANIAN AGRICULTURE

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Abstract

For the integration process, agriculture is considered a sensible sector due to its importance for candidate countries and due to its agrarian potential that these countries bring along the already existing one in the European Union.

The performance in agriculture has descreased and has become more and more instable. This is the result of a dual and "old" structure of the agrarian exploitations, the lack of markets that could support the restructuring and modernization of the agrarian sector and of the alimentary industry that has not yet closed the cycle of restructuring and modernization.

Key words: agrarian exploitation, subsistence and semi-subsistence farms, agriculture, performance

The integration in the European Union was a significant economic and political objective of Romania at the end of the XX-th century. Romania started the European integration process by signing an association agreement. In February 1993, Romania signed the European Union Association Agreement that entered into force in February 1995, and in June 1995 it signed the adhesion request. Until the ratification by all member states of the association agreement in 1995, the trading aspects of the Association Agreement were immediately implemented based on an interim agreement, and in 2007 Romania adhered to EU.

For the integration process, agriculture is considered a sensible sector (both by EU and by candidate countries) due to its importance for candidate countries and due to its agrarian potential that these countries bring along the already existing one in the European Union.

For Romania, agriculture is obviously a very sensible sector for the EU integration due to the share and role that the agriculture has for the national economy. The contribution of the agriculture to GDP creation is situated at approximately 20% in the

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last seven years. Approximately 3,6 millions of inhabitants that work in the agriculture represent over 36% from the active population. Romanian agriculture is not very productive, and thus 36% from the population brings 21% from the GDP, while in EU 5,6% from the population brings 2,5% from the GDP. Agriculture dominates the rural economy, and the economic diversification within the Romanian rural environment is almost inexistent.

Romania has a big development potential (total area of 238 thousand square meters and a population of over 21 million inhabitants) that is not used. Romania occupies 6% from the total EU area and 4% from the EU population. The investments and competitivity in Romania still need to be improved in order to accelerate the economic increase and to ensure the convergence of incomes with those from EU.

The rural areas have a great development potential and they also have a vital social role. According to the definition from the national legislation, the rural areas in Romania cover 87,1% from the area of the country, that is 45,1% from the population (according to the indexes given by the National Institute of Statistics at the 1st of July 2005) which is 9,7 million inhabitants. The average population density in rural areas has remained constant during the years (approximately 45,1 inhabitants/ sq. km). The OECD definition for the rurality notion leads to slightly different numbers, but it enables the comparisons on international plan. Although similar from the point of view of distribution within the territory, the Romanian population has a more distinctive level of rurality. The share of the rural population in Romania reflects its big incidence compared to other EU countries, where rural settlements are less populated and at a more reduced scale compared to the urban settlements. Many of these rural communities contribute, in a small amount, to the economic increase, but they keep their social structure and their traditional way of life.

Restructuring the agriculture and reviving the rural economy may be important intitiators for development. The contribution of agriculture to GDP was always high. The gross value added (GVA) of agriculture represented 12,1% from the GDP and 13,6% from the total GVA *(INS, 2009).* Nevertheless, it remains low taking into consideration the not used resources. The population involved in agriculture and forestry, for example, has a big share (32%), reflecting the unemployment and reduced productivity of work. Restructuring agriculture will have a special impact on the rural economy, in general, considering that agriculture continues to be the most important activity in the rural area and an important source of income for households.

Restructuring activities at the level of farms and increasing capital for trading farms will inevitably lead to the use of small level of workforce in order to increase performance and competitivity. The experience of other agrarian systems, from member states or other countries, is an important proof to this.

The active population represents 46,3% from the total inhabitants from the rural area and may contribute to the support of the economic increase in the rural areas, if there will be taken adequate means of stimuation.

Agriculture has an important role for ensuring income, by means of self employment, while the diverisifcation of rural activities remains an issue that must be solved.

The number of work places in the rural non-agrarian sector has diminished between the period of 2000-2009. This decline is explained by the decrease or restructuring of rural non-agrarian sectors, the increase of migration outside the rural area for the active population and small middle incomes in rural area that generate few and few diversification opportunities. The diverisification of activities in the rural area remains a problem to be solved; only 457.000 rural inhabitants (10% from the total of the workplaces in the rural area) used to work in the hand-made sector.

With an agrarian area of 14.741,2 thousand hectares (or 61,8% from the total area of the country), in 2009 Romania had important agrarian resources within the Central and East Europe. Although significant areas from the used agrarian area are classified as under-privileged areas, the pedological conditions are very favourable for agrarian production activities in the south and west regions of the country. Most of agrarian area is arable (63,9%) and big shares also occupy the grazing lands and meadows (22,8%, respectively 10,2%). The vineyards and orchards, including nurseries, represent the rest of 1,5% and 1,4% from the arable area of the country.

The lands being in the public property of the state presently have a share of only 0,5% from the total arable area (367,2 thousand hectares), 0,7% from the total area of grazing lands (231,2 thousand hectares) and 0,2% from the total area of meadows (32,4 thousand hectares) (*INS, 2010*).

The distribution of agrarian exploitations has a distinctive dual character. In 2009, from the total of 4.256.152 exploitations, 4.121.247 used an agrarian area of 13.906,7 thousand hectares. The average agrarian area of an agrarian exploitation in Romania is of 3,37 ha and it is divided in approximately 3,73 parcels, which puts it way under the average size of an European farm. This low average hides the disparity between the agrarian exploitations regarding their size, and it is noticed a bipolar or dual distribution.

Small farms are mainly represented by individual exploitations. Out of the 4.121.247, the individual exploitations work 65,45% (or 9.102.018,22 ha) from SAU, while 18.263 exploitations with legal entity exploit the difference of 34,55% (4.804.683,06 ha). Individual exploitations have about 2,15 ha, divided in 3,7 parcels, while the exploitations with legal entity exploit about 269 ha, divided in 9 parcels. The majority of exploitations with legal entity are big farms: 43% of them exploit more than 50 ha, while only 30% exploit under 5 ha (*INS – The Statistical Annual of Romania, 2010).* Most of the agrarian area of the exploitations with legal entity belongs to the public administration, mostly to municipalities and villages (44,2%). The rest is divided between trading companies with private owned capital (35,81%), private agrarian units (15,44%), trading companies with state-owned capital (1,25%), co-operatives (0,08%) and other types (3,2%) (*INS – The Statistical Annual of Romania, 2009).*

Family owned businesses and authorized individuals represent a particular type of exploitations, without legal entity. Nevertheless, they are included in the Trade Registry. There are registered 3.863 family owned businesses and 9.935 authorized individuals. The majority of those in the second category cultivate cereals (1.449), other cultivate or improve the biogenetics of vegetables, other make horticulture and obtain greenhouse products (743), fruits (235), raise animals for milk (498), raise ovines, caprines and horses (368), pigs (68) and poultry (109), while the rest are providers of agrarian services *(The National Trade Register – 2009).*

The process of the privatization of agrarian lands has generated the appearance of two main structural disadvantages for the Romanian agriculture: (1) big land area and many small exploitations, (2) big land area in the property of too many agriculturalists that are close to or have exceeded the retirement age, especially within smaller exploitations.

Almost half of the total area and from the total number of animals are in subsistence exploitations. For the objectives of the programming period, the susbsistence exploitations are defined as being smaller than 2 UDE (economic size unit). This category is larger than the definition given by Eurostat (that includes only units smaller than 1 UDE). The subsistence exploitations cover 45% from SAU of Romania, representing 91% from the total number of farms. Most of these units do not have legal entity although there are few exceptions. Regarding area, most of them are classified within the farms of 0-5 ha, having on average 1,63 ha.

Most of these susbsistence exploitations are not even considered farms. The preliminary condition in order to be registered in the Farms Register and to benefit from the payments in the 1st Pile is to work at least 1 ha of land, made of parcels that are not smaller than 0,3 ha. However, from the total of the agrarian exploitations, only 1.237.358 (29%) were registered at the 1st of June 2009 and they were using an area of 9.705.502 ha (70%) from the total SAU for agriculture. The other approximately 3 million exploitations are classified within subsistence category.

Subsistence exploitations generally diminish the performance of the agrarian sector. Both lands and workforce are used under their economic potential. The rate between the workforce and unit of area is of 63,43 annual work units/ 100 ha, which highlights the lack of competitivity, determined by excessive agrarian workforce. Moreover, the subsistence exploitations lack capital and professional knowledge, which results in very small incomes following the performed activity. As a consequence, the agriculturalists from the subsistence exploitations do not have the motivation or the capacity to observe the European standards, including those referring to the quality of the environment, welfare of animals and alimentary safety. The last aspect is especially important for the zootechnical sector, considering the fact that the animals get sick during these small exploitations and the impact can be seen at the level of the competitivity of the whole sector.

The category of semi-subsistence farms suggests the need for well-directed interventions. As it exists a great number of small farms in Romania (subsistence and semi-subsistence farms) for which there are no real possibilities for restructuring, the number of farms taken as support in order to transform them in trading farms will only include semi-subsistence farms between 2 and 8 UDE (approximately 350 thousand exploitations).

CONCLUSION

In order to become viable and competitive trading units, the semi-subsistence units must face several provocations or unfavourable conditions on the market. Public interventions have a main role in order to facilitate this transformation and the restructuring process within Romanian agriculture. Firstly, transactions on financial market should improve so that the semi-subsistence exploitations could be consolidated and take over lands from the category of semi-subsistence farms, either by rent, purchase or other forms, such as the association of farmers. Secondly, the technical and consultancy services will have an important role for the improvement of the capacity of intermediate farms in order for them to become competitive and to administer the transformation process. Thirdly, the semi-subsistence exploitations must better integrate into the market by means of channels of commercialization. Another major role will be played by the association activities.

The issue regarding performance will be analyzed from the point of view of the exploitation structures and the agrarian production, but also from high and low sectors of agriculture, the system of providing inputs, the financing system, the capitalization system, the informing and consultancy services. The recent history of member states proves the slow rhythm of the evolution of agrarian exploitation structures even in countries where the financial market is active and the credit is very developed. Actually, the actions on agrarian structures were and they still are one of PAC foundations. The process of improving the agrarian structures in Romania is still blocked by the lack of credit and insurance institutions and also by the inexistence of a policy regarding agrarian structures.

The disadvantages, from the point of view of non-performant structures, are obvious not only in relation with EU member states. It may happen that the advantage existing for certain agrarian products in Romania, resulted from the small cost of factors (land and workforce), could be completely cancelled by the costs of the production fragmented structures and by the big costs owed to the structures from high and low sectors of agriculture. Agriculture has become a very sophisticated industry in the last two decades in the west of Europe. The European farmer is very well financed, qualified, informed and organized in groups of producers that confer him a strong position from which he can negotiate in the market. This position enables him to be the price taker while his peer in Romania is rudimentarily equipped, decapitalized, poorly informed and not so much experienced in order to operate in a virtual competitive market with very high quality standards.

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