

AGRICULTURAL INPUT MARKET IN ROMANIA WITHIN THE CONTEXT OF THE WORLDWIDE CRISIS

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Within the double context of the worldwide crisis and the crisis of the Romanian economy, of the factors that contribute to the achievement of performance within the economic system an important role, as far as ensuring an increased level of productivity is concerned, is played by the agricultural inputs. The analysis carried out upon the market of agricultural inputs in Romania underline a decrease of performance of the domestic input producers in front of an increased external competitiveness, which also has a strong impact upon the food industry.

Key words: agricultural inputs, performance, competitiveness, market

INTRODUCTION

Within the double context of the worldwide crisis and the crisis of the Romanian economy, of the factors that contribute to the achievement of performance within the economic system an important role, as far as ensuring an increased level of productivity is concerned, is played by the agricultural inputs. Agricultural inputs are machines, products and materials used in the agricultural production process. In the Romanian Chart of Accounts these inputs appear under the form of intermediate consumption and consist of: seeds and propagating material, agricultural machines, products of the chemical industry, fuels (diesel fuel), electric power, thermal energy, water, feedstuffs, construction materials.

As far as the worldwide economic crisis is concerned, it affects the market of agricultural inputs in two ways. The first aspect refers to the slowdown in the acquisition of agricultural inputs, both as quantity and quality are concerned, and the second aspect is linked to the fact that the financial problems of the agricultural producers lead to delays in the payments towards the agricultural input suppliers.

MATERIALS AND METHODS

The analyses are based on EUROSTAT statistics regarding the intermediate consumptions and their evolution in Romania during the period between 2006-2010. The evaluations of the indexes of the uniform values in the trade with agricultural

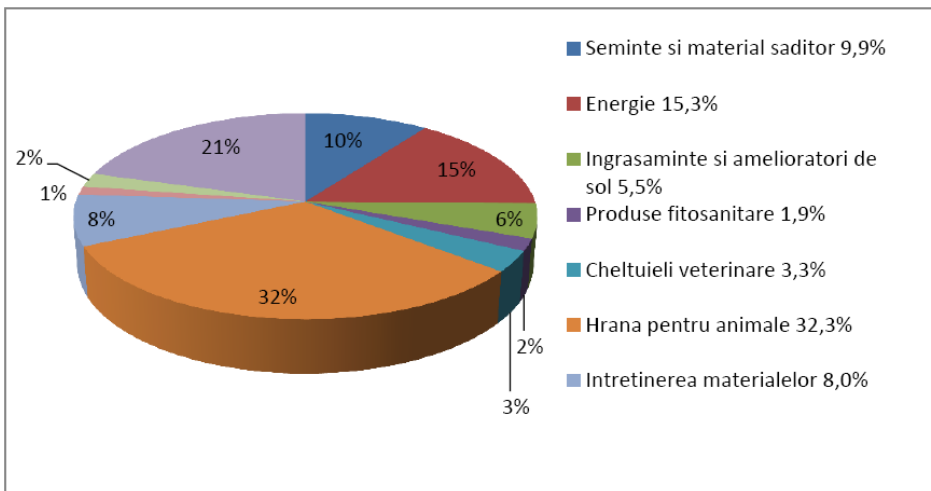
inputs have comprised products, aggregates divided according to the chapters of the Combined Nomenclature (C.N.).

As far as the method is concerned, the evolution of intermediate consumptions during the period between 2006-2010 is used, applying values at constant base prices.

RESULTS AND DISCUSSIONS

During the transition period the structure of agricultural production got out of balance, meaning that within the total agricultural production there was an increase of the plant production to the detriment of the animal production. As a consequence, today we are witnessing in our country within the context of the worldwide crisis a pregnant manifestation of the extension phenomenon of the agricultural production, because it is well known that the share of animal production within the agricultural production constitutes a clue with regards to the degree of intensification in the agriculture of any country.

Image1: The intermediate consumption during 2010-2006



Source: adaptations of the author by using the EUROSTAT data base, values at constant base prices

On the seeds and propagating material market there are over 270 suppliers (part of these suppliers are also producers). The undisputed leader on this market is Semrom, but its share declined from over 29% in 2007 to 20% in 2010. At the same time there are certain important foreign companies who sell their products through different dealers, as for e.g. Pioneer, Monsanto, Saaten Union.

The use of fertilizers and other chemical substances has a remarkable impact upon the yield per hectare. The chemical fertilizers are expensive because of the high level of energy consumption and because of the energy prices. Given

these circumstances, each new allocation of chemical fertilizers has to be done after the economic efficiency of each culture has been exactly assessed. Beginning with 1990 - with small fluctuations - there is a pronounced tendency towards reducing the consumption of industrial fertilizers. Until 1990 between 1200 - 1300 thousand tons of chemical fertilizers (active agents) were used, but starting with 1991 the quantities used have dropped dramatically, varying between 331 and 538 thousand tons of active agents in 2010.

Many international companies that produce pesticides sell their products on the Romanian market. The biggest market shares in 2010 were held by Oltchim (19%), Dupont Zeneca, which sells through Aectra Agrochemicals (8.3%) and Novartis, which sells through Agroatinternational (6.6%). Other international suppliers of pesticides are Rhone-Poulenc (6.3%), , Monsanto (5.7%), BASF(5.6%), Ecochem (3.1%) and Makhteshim Agan (3%).

As far as the technical endowment is concerned, i.e. tractors, agricultural equipments and machines, Romania is ranked on the last places in the hierarchy of European countries. Thus, at the end of 1989 the Romanian agriculture had 129.230 tractors at its disposal, i.e. a number of 17 tractors for 1000 hectares of arable land. This level was 2 times smaller than in Czechoslovakia and Spain. In 2010 there was one tractor for every 54 hectares of arable land in Romania, whereas the average value in the European Union was of one tractor for every 17 hectares of arable land, i.e. three times less than in Romania. According to the “National strategy for the durable development of the agriculture and the food industry” and according to the importers and local producers of agricultural machines, Romania needs over 300.000 tractors worth about 10 billion Euros.

The Romanian market of agricultural inputs is mainly characterized by the offer of agricultural and non-agricultural inputs of foreign companies. There are two main modalities by means of which farmers can procure the agricultural inputs, namely:

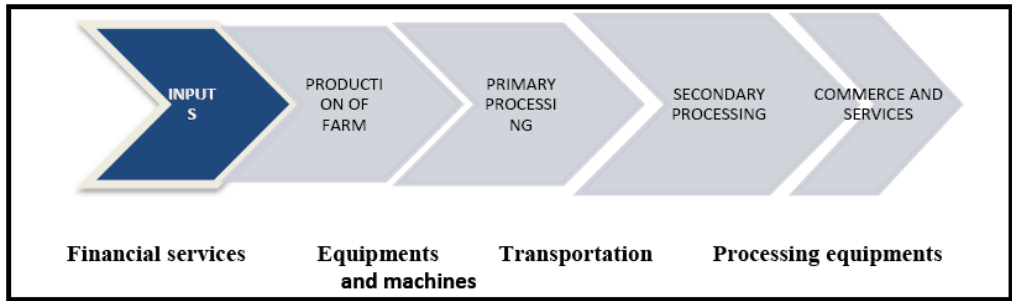
- directly from the producer
- from dealers.

The emergence of input dealers was determined by the quite fragmented agrarian structure in Romania. These dealer-operators are trying to have an integrated supply, the same operator providing both pesticides, seeds, growth stimulators, veterinary drugs and fertilizers. The number of dealers may exceed several hundreds and is generally increasing. However, especially on the seed and pesticide market the sold products come from quite a small number of producers and hence these markets still maintain strong elements of oligopoly.

A development strategy, which is meant to generate performance within the agriculture and food industry should encourage the domestic competition, based on the specialization of the operators, increase of productivity and the efficiency of production.

A development strategy has to take into account the opportunities and synergies on the value chain, the final beneficiary of which is the consumer.

Image2. The chain of agricultural operators



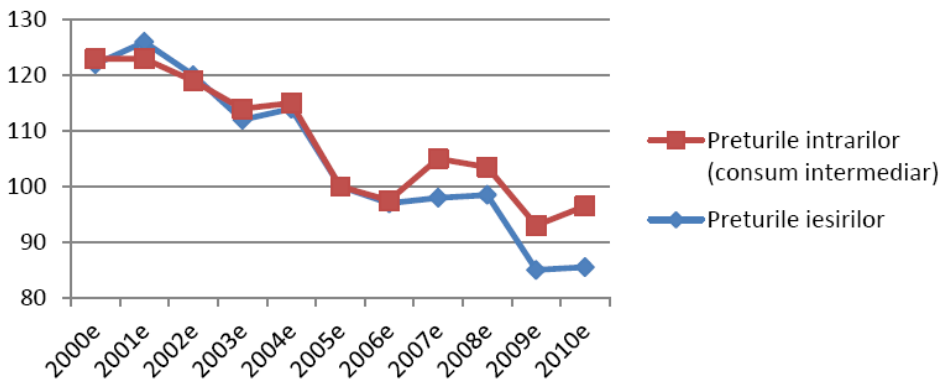
Source: Personal formulation following an Agricover presentation, March 3rd, 2011

The less favorable evolution of the business conditions between agriculture and industry during the “post-liberalization” period is the result of certain distortions of the market that act as a constraint upon the agrarian sector and they are amplified in case of Romania through the following:

- extremely fragmented agrarian structure;
- absence of the channels for the collection and merchandising of the agricultural products;
- lack of professional organizations oriented towards merchandising of agricultural products and towards the supply of inputs;
- absence of a coherent, long-term agricultural financing policy. Practically this policy changes from one electoral cycle to the other, and sometimes even more frequently.

The result was a much faster increase of input prices compared to the prices of agricultural products.

Image3: Price evolution of the inflows and outflows in agriculture



Source: statistic data EUROSTAT

CONCLUSIONS

The results point out the main characteristics of the agricultural input market of Romania, as follows:

- 1) The structure of the input market is the result of the process through which the modern technology was adopted and has penetrated the Romanian agriculture;
- 2) The development of the input market and of the private sector cannot take place without an appropriate institutional framework;
- 3) The success of the input market development is influenced by the applied agrarian policies;
- 4) Usually it is the small farmers with a reduced buying capacity who are mostly affected by the reforms implemented on the input market. The main problem they are confronted with is the costs for the acquisition of agricultural inputs.
- 5) The consumption of agricultural inputs has decreased during the period of the worldwide crises, mainly because of the lack of financing in the agricultural sector, the absence of characteristic forms of association for the procurement and supply of inputs, the lack of marketing for the inputs produced on the domestic market, the high prices of agricultural inputs and the worsening of the transacting and merchandising conditions for these inputs.
- 6) Presently, in our country the production of tractors, combines, agricultural machines, installations and equipments is reduced because of the increased prices of the raw materials that are necessary for their production (mainly from imports), because of the reduced level of productivity and of the reduced demand for final goods, given that the agricultural producers have a low buying power. The agricultural producers turn to imported non-agricultural inputs because of their more attractive prices and of their efficiency. It is very important to analyze the influence of external shocks upon the market of means of production for the agriculture.
- 7) The competitiveness makes it necessary to increase the efficiency in agriculture, which can be done only by using quality inputs.
- 8) Foreign companies often ask for high prices for their inputs on the Romanian market. This happens not only because of the transportation and handling costs, but also because of the fact that the input suppliers operate in a very unsafe economic environment in Romania with a legislation that is modified permanently.

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