

Economics of agriculture

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## THE ROLE OF ECO-ECONOMY IN RECOVERING FROM CRISIS

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### Abstract

*During the current crisis, the ecological aspects of the economy become more important, being one of the major issues because they are promising a healthy way of economic recovery. In order to become more efficient, in this branch, most of the reproaches coming from the farmers and are focused on the low subvention, or slow and too long terms financing flows involved in farming industry. In Romania, the state subventions also go for eco-rural-production, and financing this sector helps the recovery from the crisis, fact confirmed by the raising trend evolution of the bio-production and retail in our country. The trend is for the “green” factors of recovery to be diversified and implemented in all branches of activity.*

**Keywords:** *crisis, subvention, “green” factors of recovery.*

### Introduction

The overall sustainable development of the economy includes and integrates the economic growth and development of all activities, branches and sectors of the global hyper economic system. In close connection with the current world growth crisis, the ecological aspect of the economy becomes more important, being one of the major issues and promising a healthy way of economic recovery.

In the general context of global unsolved problems of all mankind, European Commission underlined long ago the major role of protecting the environment, in order to preserve life on our planet in best conditions, and the important role of green food production and the clean water, air and habitat, for the human health - in its long term signification.

For agricultural and rural recovery and development, the vision of the eco-economy involves a series of “green” production principles, “green” distribution and exchange, and definitely “green” consumption.

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In the eco-economics sciences, the rural development, its social and economic contribution in the macroeconomic system is one of the concerning problems.

To be concrete and more precise, eco-economy, the object of study for eco-economics, refers of how to reach the profit goals of microeconomics, the consumption goals of macroeconomics, the classic and even pre-classic welfare goal for all the economy, by not using soil fertilizers and ameliorative, pesticides, fodders, food additives, toxic ingredients for preparing food, non-safe substances in animal nutrition, adjutant substances for preparing fodders, non-safe products for cleaning and disinfecting the animal stables, in brief, to raise the standard up to a safer, “green” agriculture, the primary and most important sector of economy.

Because the agricultural secure development plays a crucial role for mankind, even an apparently small thing, such as using ecological seeds, of seed plants, or their methods of production cannot be left away from the authorities’ strategic measures and current actions.

When we analyze the ecological long lasting development of agriculture and its factors, we also have in mind the related phenomena, such as the poverty, the level of the technical endowment, the land ownership, and other polluting activities which are mainly generated by the lack of financial-investment process, unable to feed enough profitable incomes for the rural – agricultural enterprises.

In our country, most of the reproaches coming from the farmers in order to raise the efficiency of the ecological production are focused on the low subvention, or slow and too long terms financing flows involved in farming industry. It is now, not later, important that the traditional systems in agriculture and food production to convert into ecological production systems, and the enlarging of the “green” products markets in Romania and Europe, supports this trend and necessity on steady economic basis.

## Methods

The methods of economic sciences, applied to the agricultural studies, are based on the critical observations of the market forces.

Under the current recession situation, the market mechanism alone is not able to assure the Romanian recovery from the crisis, and the evolution of society requires the state intervention. The observations are grounded on the statistical results of the business. The global competition is stronger than ever and it originates a process of polarization of the economic activities, taking place worldwide. Society and authorities must take action implementing appropriate strategies designed to help the small farming and the small business to survive.

The evaluation in rural and agricultural field is based on index, as quantitative tools able to back-ground the strategic plans of long lasting development. For our country, the reference to compare the local realities with is still the average of the European Union.

## Results and Discussion

Our debate comes from an empirical observation upon the cost structure of the agricultural product, no matter its origin: we generally pay the total expenses, starting with vegetable production, as a sum for seeds, chemical fertilizers, organic fertilizers, (compost from manure), pesticides, salaries, mechanical/technological factor. In Romania this is the case: many rural producers are small and they choose the cheapest cost solution for their result.

If each and all these cost elements are cheaper in the ecological version than the chemical (synthetic) substitute, than, a logic option of the rural manager of one farm would be to choose an eco-production, since it is well known that the current prices for bio-products on all markets are higher, and the net profit will arise. The ecological farmers use less chemical fertilizers, or ever they replace an expansive chemical fertilizer with a cheaper organic one, gaining quality and saving costs. It is true, poverty and scarcity of credits push them to do so, but the result is a rising of ecological production in our country.

This is even more evident knowing that in Romania and other Balkan countries, the state subventions also go for eco-rural-production.

Nevertheless, the price/quantity question still persists for the macroeconomic decedents, who are in the position to release financial support or aid-schemes, because we do not have a fix extent of the aggregation in the production-distribution-consumption chain, or a limit for clustering in industrial, rural, or service-providers processes; for example, it is possible that, taking the European (Union) case, the agglomeration of production which brings a theoretically arithmetical proved raising efficiency, could limit the rural clustering to a certain area, or to a certain structure, which can only be increased by chemical or synthetic means.

This is where the eco-economic tools of the agricultural policy must interfere, in order to bring the aggregate profitability and competitiveness up, to the same level as it could appear in a singular medium farming example of ecological production.

This example reveals the constrains of the current legislation, which does not give special subventions to agricultural clusters, but creates the need of associative forms of organization in this branch of economy.

A special problem of eco-development in agriculture remains the funding of the process, because we here have to deal with the long term income which can be in opposition with the short term income. In other words, the rural permanent profit (income) of the business is a sinuous function, going up and down, on medium and short terms (years or months), in discrepancy with the statistic situation of bio-products sales, and it is most likely that a banking system to interfere with the permanent need of financing is required. If so, the bank system deals with the permanent income/loss issue, on the background of existing monetary and fiscal legislation, while the market measures the relative income/loss result, obviously, in close connection with the consumers.

Global current structure of the macro-economy owes a relatively degree of connection among its national entities or corporations, as major players on the markets, but on the other hand, discrepancies continue to evaluate and higher competency pushes the non-profitable

activities out of the market; this knowledge about economic motion determine the economic agents to expect fluctuations of their incomes and to save, and as a consequence, the state interferes, to set up the strategy of recovery. The state intervention is more efficient based on a consumption model, because the consumption function could not be as affected as production during the activity fluctuations.

This assumption is in Romania confirmed by the evolution of the bio-production and retail, having a raising trend even under the negative growth evolutions of economy in 2009 and 2010.

The economic crisis enlivens in agriculture the main tool instrumented by the authorities in order to re-balance the macroeconomic slowing-down; this is the financial injections from the public sources: local, national, and European lines are likely to be directed to the edge-points of the economy, which multiply and accelerate the favorable effect of supplementary resources.

Foreigner financial support is most important for the Romanian crisis case, being recommend the best connection to the European and IMF founds, able to support and warrant that the public sector will carry out its functions and more than that, will draw up the entire economy, and agriculture in the first place.

It is undoubtedly that agriculture and rural sector of our country, but not only them, would not have good production and results by cutting the subventions.

The development of the agricultural eco-economy is subdue to a particularity of rural sector in general, which is the different periodicity of activities; for instance in zoo-economy there are longer time-frames of economic returns, while in IT services for agriculture the economic cycle time-frame is short.

Originating in the lack of trust in stability and steady returns, the general believe in short-time revenues is widely spread across business, and this consolidates the practice of a “safety plan” for the individual (or macroeconomic) interventions in the direction of shortening, or dividing into short parts the rural and agricultural activities, in the same manner as all business does.

Upon the pressure of uncertainty and connected to the global markets potential impact, defining the permanent income as an income anticipated and expected to be received along many years in the future, more than a lifetime, is an idealistic approach; in Romania, rural population holds a large share: 40 % of the whole, and their incomes are low.

We believe that it is not realistic to rely on the savings of rural population to finance the costly and long term agricultural eco-economic process of production and retail.

We can conclude that only on basis of the hypothesis that the revenues are a share of the total result of the rural eco-economic sector, and the contribution of the rural sector in Romanian economy is decreasing in 2009 and 2010.

Maintaining the previously proposed strategies, based on the European model of long lasting development designed by Lisbon Strategy (2000 and up-dated), all political measures should ensure an effective, coordinated participation at the common effort of development.

## Conclusion

The UN evaluation of Millennium Ecosystems (MEA) and The Red List of International Union for Conservation (IUCN) draw our attention to the threatened species, to the loss of wet areas and virgin forests, and excessive fishery, as definitely originating factors of economic crisis; an international legislation and regulation could stop the wasting of the natural potential on the entire planet. This is why, all the national authorities are to take part of the overall actions of recovery by “green” measures.

The role of the Eco-Economy in recovering from crisis is important in our country too: if today the eco-agriculture holds only 2% (by the end of 2009) of the total area of 9 million ha cultivated in our country, the estimation is to raise up to 20% in 2015, but only under the restriction of a permanent subvention directed to bio-agricultural production.

More than 90% of Romanian bio products go now to export, and this situation re-balances the foreign trade, but frustrates the local consumers; this is why, another goal of the eco-economy is to priority serve the national market, as long as many consumers are forced to choose from the foreign offer of the local market, in the absence of the Romanian merchandise.

For the time being, the eco-products go out mostly as raw materials (grains of wheat, oat, soy bean, barley, pea, mushrooms, forest fruits, honey, sun-flower oil, and others), and the local industrial processing would add value and increase the national results.

More than 1800 traditional and ecological products are attested and there are thousands of firms working in the national eco-economy, although the certification is very strict, in order to eliminate the pollution factors from the final products.

The National Program of Rural Development is the main instrument of eco-economy policy and it gives to ecological agricultural production a yearly subvention, including the certification fee. Also, to speed the processing, we benefit of a regulation regarding the parallel processing of conventional and ecological production, which was set up.

A raw estimation shows on the Romanian market a 20% higher price for ecological products compared to the conventional ones, and an important goal would be to diminish that gap. It is this higher price that keeps a small bio-market in our country: 1-2%, compared to 8% which is the European average for food and non-food bio-products.

The objectives of The Development Strategy of Ecological Agriculture in Romania confirm the necessity of expanding the cultivated areas in ecological conditions, which for us might be cheaper, and more competitive.

The bio-fuel production also brings a new trend for the national recovery, as the large-scale cheap solutions are implemented in production. In the eco-economy project, our country delivers bio-fuels, such as bio-ethanol, produced from field-cereals; this bio-component is included in the conventional fuel, to reduce the carbon-dioxide emissions, and brings added value to macroeconomic results.

These already opened ways meant to turn the ecological production and distribution into a benefic factor of recovery are expected to be diversified and implemented in all branches of activity, such as “the green technology” (a less perturbing technology), or a stronger responsibility regarding the short and long term effects of economic activities.

Even if the consumption sector of green economy brings quicker and higher profits, the ecological production owes a basic role inside the sustainable eco-growth process, and this is why the strategy which encourages only one sector will turn into a certain risk.

### **Literature**

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