

ANALYSIS OF COMMUNITY IMPLICATIONS ON AGRICULTURE IN THE NORTH-EAST REGION

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Abstract

The aim of the research was the diagnostic analysis of the results obtained by agricultural farms and the impact of European funds in the context of integration into the European Union. It is found that, after Romania's accession to the European Union, the possibilities for the development of agricultural farms have increased, as a result of their advantage of accessing European funds, with a fairly large share of their non-reimbursement. In this context, the research started from the economic-financial analysis of the situation of agriculture in the North-East Development Region, according to which to proceed to adopt measures that will lead, first of all, to the increase of agricultural production and, in secondly, to make it more efficient by attracting European funds. This paper aims to provide viable tools for assessing the implications of Community support mechanisms at regional and farm level by delimiting the set of indicators needed and the methods needed to quantify this influence. The results obtained will be the basis for understanding how the Community financial support influences the development of agricultural holdings and will allow the identification of how the support needs to be oriented so as to lead to the long-term development of Romanian agriculture. In order to meet the purpose mentioned in this paper, we aimed to: evaluate the evolution of agriculture and community allocations in the macro and micro economic context; evaluation of income sources for estimating the influence of subsidy through Pillar I; evaluation at the level of case studies of the activity of agricultural holdings that have accessed funds through Pillar II by highlighting the evolution of their activity and evaluation of the technical and scale efficiency of agricultural holdings taken as a case study in the context of accessed funds.

Key words: community, funds, agriculture, objectives, financial

The national financial aids for agriculture support were reduced and directed towards the prices control for the basic products and for supporting the consumption, or towards subventions granted for inputs purchase. The use of some inadequate mechanisms of agricultural policy, lacking the performance objectives, determined the maintenance of the agriculture's subsistence character and has not allowed the formation of the sector of the middle commercial farms. In such conditions, the dual character of the Romanian agriculture was aggravated, being developed a subsistence agriculture and large agricultural enterprises, which could not compete on the European market, and this led to the increase of self-consumption and to calling the food imports. (CAP funds)

In other respects, the paper aims to highlight a number of such impact assessment tools in the form of a set of indicators able to provide an overview of the direct and indirect measures stemming from the integration process on agriculture, as well as on the influence of CAP mechanisms on agricultural performance at

regional level. Impact assessment at the regional level is all the more important because, on the one hand, the agricultural policy measures implemented in our country are related to the level of the whole agriculture, without taking into account the regional particularities and, on the other hand, to be applied decentralized requires essential information to substantiate them.

MATERIAL AND METHOD

In order to achieve the established objectives, a series of indicators have been established, through the association of which the directions of impact of the integration process on agriculture can be highlighted. The set of indicators was selected based on the identification and inventory of those quantifiable elements that can capture the impact of integration. These quantifiable elements have different peculiarities at the macroeconomic level than at the microeconomic level and require classifications according to different criteria.

The theoretical support of the research focused on the study of important scientific papers in the field of economy and management, with reference

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to the fiscal administration and the current problems in the public finances.

RESULTS AND DISCUSSIONS

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Low productivity of rural sectors, declining employment, high youth unemployment, rising numbers of people suffering from poverty and social exclusion, lack of jobs, low infrastructure and poor quality, etc. these are just some of the problems facing the Romanian rural environment. These problems are real phenomena that characterize the rural environment, and the strategies of the last decades have focused on improving them as a support for ensuring a sustainable rural development and the growth of local economies. (Henke R., 2014).

In this context, the aim of this paper was to identify the approach of sustainable development in regional development strategies, having as a case study the North-East Region and to evaluate the implementation of strategic objectives, at regional and rural level. We thus aimed to identify new strategic proposals to ensure a sustainable development of rural areas, by using a system of specific, quantifiable and representative indicators that allow, through econometric analysis, evaluation of results and projection of the evolution of sustainable development. (Table 1).

Table 1

Evolution of the European budget allocated to the Region of NE thousand euros

NORTHEAST region	2014	2015	2016	2017	2018	2019	(+/-%) 2019/2014
Total region	117,281.1	138,159.7	138,405.3	137,977.7	139,979.4	140,086.4	19.4
Bacau	15,013.3	17,326.9	17,348.4	17,662.7	17,555.1	17,559.2	17.0
Botosani	26,674.7	30,872.8	33,947.7	31,382.0	31,279.4	34,360.0	26.1
Iasi	22,737.5	25,932.7	26,076.4	26,750.0	26,274.2	26,393.2	22.6
Neamt	15,052.6	17,789.3	17,106.1	17,709.0	18,023.6	17,313.8	18.0
Suceava	17,473.8	22,050.8	20,149.1	20,557.4	22,341.2	20,393.8	15.3
Vaslui	20,329.2	24,187.3	23,777.6	23,916.7	24,505.9	24,066.4	14.3

Source: INSSE

Infrastructure remains an important factor, especially in less developed regions. EU accession has brought enormous financial opportunities for the ADR sector in Romania. In the 2007-2014 programming cycle, Romania was entitled to receive approximately € 14 billion from the EU budget through the CAP. Unlike most previously acceding Member States, where Pillar 1 payments

accounted for an average of 75-80% of total CAP funds in Romania, as in other new Member States, Pillar 2 funds they had the highest share, respectively 60%. For the period 2014-2020, the level of funds available through the CAP in Romania increased by up to almost 20 billion euros. This aspect is mainly determined by the increase of funds allocated through Pillar 1, which

was the subject of a ten-year phasing-in program, from 2007 to 2016. Compared to the previous programming period, the allocation for Pillar 2

(rural development) was reduced by about 12.5% (1 billion euros). (Table 2).

Table 2

CAP financial allocations in Romania in the period 2014-2020 (million euros)

Year	2014	2015	2016	2017	2018	2019	2020	Total
Pilar 1, FEAGA	1,428.5	1,629.9	1,813.8	1,842.4	1,872.8	1,903.2	1,903.2	12,393.8
Pilar 2, FEADR	1,149.8	1,148.3	1,146.8	1,145.2	1,143.6	1,141.9	1,139.9	8,015.6
Total	2,578.3	2,578.3	2,578.3	2,578.3	2,578.3	2,578.3	2,578.3	20,409.4

Source: R (UE)1305/2013 anexa 1 and R(UE) 1307/2013 Annex III

Source: DG Agri, 2015

However, the biggest challenge for Romania was the efficient use and absorption of these funds, as shown by the absorption rate (EAFRD funds - 71% committed and 44% paid by the end of 2012). However, the situation in the ADR sector is better than in the sectors financed by the Structural and Cohesion Funds, where the absorption rates for the period 2007-2012 were 12% paid and 70% contracted. Despite the initial difficulties, the absorption of these funds has accelerated significantly in recent years, and Romania has successfully provided the necessary public co-financing. (Dona I, and all 2014).

For the areas included in the Common Agricultural Policy there are funding opportunities, the key concern for the future is their effective

implementation, through the optimal selection of policies and well-articulated institutional structures. Romania had to adopt strategic decisions on the use of CAP funds 2014-2020 for the efficient pursuit of its core priorities for the RDA sector. In addition, and in particular with regard to the future NRDP, (i) simplified application processes and procedures to reduce costs during the preparation, submission and processing of funding applications and reimbursement applications, and (ii) ensure selectivity and coherence in the definition/shaping process to increase the effectiveness of support programs in addressing specific sector development issues..

Table 3

Financial allocation for the NE Region - EUR million

An	2014	2015	2016	2017	2018	2019	2020	Total
Pilar 1, FEAGA	178.6	206.2	204.9	228.5	224.1	287.8	287.8	1,617.9
Pilar 2, FEADR	143.7	141.8	126.6	147.1	156.9	136.7	136.4	989.2
Total	322.3	348	331.5	375.6	381	424.5	424.2	2,607.1

Source: INSSE

The main impact of European funding for the period 2014-2020 will be to increase direct payments to 100% of the established amount and will increase from about 183 euro/ha to 203 euro/ha; this will lead to the allocation of additional funds of almost 7 billion euros. (Henke R., 2014).

The Commission proposal aims, in principle, to align direct payments in all Member States to a certain level, compared to the current average of EUR 270 /hectare. Regarding the situation in Romania, the level of direct payments would reach 100% (about 180-190 euro/ha, depending on the area used, which is estimated at about 8.9 million ha) in 2017, after the end of the transition period and could gain 10% compared to the current situation.

Following the accession negotiations, Romania benefited from a compensation of the low level of direct payments (due to the lack of performance in the agri-food sector) by the

corresponding supplementation of the funds for rural development.

This is also the explanation for the fact that Romania has more European funds allocated for rural development than for the first pillar.

Another position that Romania should support refers to the proposal to cap direct payments. Such a proposal has been put forward but has not been adopted each time (Giurcă, 2006). Previous reforms had advanced the proposal to cap direct payments in excess of a certain level, with the gradual reduction of those in excess of certain amounts.

The amounts remaining available as a result of the introduction of ceilings on direct payments would remain in the budget of the Member State concerned, but were transferred to Pillar II for use in the application of innovation (for example) or other destinations proposed by the European Commission and established jointly with Member States. The amounts included in the direct

payments attracted in the region payments amounting to over 140,086 million Euros for the entire analysis period. Single area payment scheme (SAPS) - 98.73 euro/ha. Payment on greening, - 57.37 euro/ha Redistributive payment - first interval: 1 - 5 ha including in the amount of 5 euro/ha; the second interval over 5 ha and up to 30 ha including in the amount of 48.85 euro/ha. Payment for young farmers - 22.87 euro/ha ANT 1 (Transitional national aid scheme for arable land, decoupled production) - 17.72 euro/ha. At the same time, our country should advocate for the maintenance of coupled direct payments in some

sensitive sectors: it is a measure meant to encourage agricultural activity in Romanian sectors such as sheep and goat meat. The support of small farmers by providing a minimum level of support should not be omitted either: for Romania it would be essential and very important, but it remains to be seen in what form and how it will differ from the current system. Last but not least, Romania should advocate the simplification of rules, such as those on cross-compliance. This would be able to facilitate the activity of Romanian producers and authorities, especially in terms of bureaucracy related to control. (Table 4).

Table 4

Evolution of the European budget allocated to the NE Region in thousands of euros and%

NORD-EST Region /County	2014	2015	2016	2017	2018	2019	(+/-%) 2019/2014
Total region	1,172,810.6	138,159.7	138,405.3	137,977.7	139,979.4	140,086.4	19.4
% of total	100.0	100,0	100.0	100.0	100.0	100.0	
Bacau	15,013.3	17,326.9	17,348.4	17,662.7	17,555.1	17,559.2	17.0
% of total	12,800	12,5	12.5	12.8	12.5	12.5	
Botosani	26,674.7	30,872.8	33,947.7	31,382,0	31,279.4	34,360.0	26.1
% of total	22.7	22,3	24.5	22.7	22.3	24.5	
Iasi	22,737.5	25,932.7	26,076.4	26,750,0	26,274.2	26,393.2	22.6
% of total	19.4	18,8	18.8	19.4	18.8	18.8	
Neamt	15,052.6	17,789.3	17,106.1	17,709,0	18,023.6	17,313.8	18.0
% of total	12.8	12,9	12.4	12.8	12.9	12.4	
Suceava	17,473.8	22,050.8	20,149.1	20,557.4	22,341.2	20,393.8	15.3
% of total	14.9	16,0	14.6	14.9	16.0	14.6	
Vaslui	20,329.2	24,187.3	23,777.6	23,916.7	24,505.9	24,066.4	14.3
% of total	17.33	17.51	17.18	2.67	2.59	2.69	

Sources: DAJ Bacau, Botosani, Iasi, Neamt, Suceava, Vaslui

In 2014, the income rate varied between 54.1% and 90.7%, while without subsidies the income rate reached only 25.6-65.7%. Major increases in economic performance compared to 2007 were recorded mainly on farms with a standard value ranging from 8,000 to 100,000 euro/exploitation.

In 2014, the most important subsidies were direct payments, followed by other grants and complementary national payments. The performance of farms in the field crops, permanent crops of herbivorous animals and mixed farms was increasing in the period 2014-2019, but the net added value per hectare in the vegetable sector was the highest in the horticultural. On the other hand, labour productivity reached very high values in the granivorous animal sector (approx. 118 thousand euro/AWU), by 243.5% more than in 2014, and in the field crops sector (approx. 16 thousand

euro/AWU). Annual Work Unit AWU where the increase was 515.8%. The analysis of economic performance shows that in 2014, without receiving subsidies, farms in the field crops and granivorous animals would have lost losses, while the wine sector had a negative income rate due to unfavourable climatic conditions. In 2019, the income rate varied between 26.5% in horticulture and 85.5% in the dairy cow sector, while without subsidies the income rate reaches values of only 22.1-62.6%. Major increases in economic performance compared to 2014 were recorded especially in the granivorous animal sector and in the wine sector (Table 5).

Table 5

Subsidies structure, per standard value categories, 2007 and 2014

	Plant production subsidies	Animal production subsidies	Rural development	Intermediate consumption subsidies	Decoupled payments	Other subsidies
2014						
(1) 2 000 - < 8 000 EUR	1.5	51.7	0.0	6.1	25.4	15.4
(2) 8 000 - < 25 000 EUR	1.4	74.0	0.0	6.3	12.6	5.8
(3) 25 000 - < 50 000 EUR	0.3	76.6	0.0	4.8	9.9	8.4
(4) 50 000 - < 100 000 EUR	1.5	46.3	0.0	12.4	18.0	21.8
(5) 100 000 - < 500 000 EUR	5.0	23.6	0.0	19.8	20.7	30.8
(6) >= 500 000 EUR	3.0	26.6	0.0	21.9	17.9	30.6
2020						
(1) 2 000 - < 8 000 EUR	0.3	2.1	16.4	0.1	64.0	17.1
(2) 8 000 - < 25 000 EUR	2.7	13.3	12.0	0.8	53.4	18.0
(3) 25 000 - < 50 000 EUR	0.5	11.0	5.2	1.6	62.6	19.0
(4) 50 000 - < 100 000 EUR	0.0	4.6	4.3	2.6	67.7	20.7
(5) 100 000 - < 500 000 EUR	0.4	1.6	5.3	4.3	67.1	21.2
(6) >= 500 000 EUR	0.6	7.4	7.8	4.0	51.5	28.7

Source: FADN processing (RICA)

Performance of agricultural holdings by sector

The performance of farms in the field crops, grazing livestock crops and mixed farms was increasing during the period 2014-2020, but the net added value per hectare in the vegetal sector was highest in the horticultural sector (Table 6). On the

other hand, labour productivity reached very high values in the livestock sector (about 118 thousand euro/AWU), 243.5% more than in 2007, and in field crops (about 16 thousand euro/AWU) where the increase was 515.8%.

Table 6

Evolution of the net added value per hectare and labour productivity, per sectors, for the period 2007-2014

	2014		2020		2014/2020 (%)	
	VAN/ha	VAN/AWU	VAN/ha	VAN/AWU	VAN/ha	VAN/AWU
Field crops	312.1	3,193.4	467.7	16,473.0	149.9	515.8
Horticulture	5,262.8	3,359.2	2,426.9	2,804.8	46.1	83.5
Wine	1,678.2	3,018.7	1,381.4	6,041.9	82.3	200.1
Other permanent crops	1,290.0	3,853.8	1,434.3	5,446.6	111.2	141.3
Milk	1,023.9	2,411.5	923.6	3,944.1	90.2	163.6
Other grazing livestock	565.6	1,917.6	855.5	4,669.4	151.3	243.5
Other granivorous animals	7,774.5	5,289.1	4,498.7	11,777.8	57.9	222.7
Mixed	499.8	1,156.5	833.9	2,911.7	166.9	251.8

Source: FADN processing (RICA)

The analysis of the subsidy structure in 2014 highlights that the most important subsidies were direct payments for the plant and livestock sector, followed by support for rural development and other subsidies, while in the livestock sector other subsidies were important, complementary national payments and support for rural development.

CONCLUSIONS

The Community Agricultural Policy proved to be one of the most successful communitarian

policies, having also a high degree of complexity. Exactly this success shall determine the difficulty of the reform, considering the changes in the initial conditions that represented the fundament of its elaboration. The need to increase the competitiveness on the European Agricultural Market, the creation of an integrated rural development program to accompany the reform process, the simplification of the legislative framework at the European level and the substantial decentralization in implementing the

measures shall lead to a reform in phases, whose effects shall mark the entire European construct. (Dona I, and all 2014).

The analysis per types of production of the separation per sources of incomes, revealed us that the support through Pillar I – subventions for the vegetal and animal production – was more equally distributed among farms. The contribution of the income sources to forming the total income emphasized that the value of the agricultural production leads to around 67.1% of inequity, the remaining being under the influence of subventions. Among these, the most important contribution was determined by the free payments (21.3%), these being followed by subventions for intermediary consumption and other subventions. The assessment of the effect of the modification of the income sources on the total income:

Incomes from the agricultural production and other subventions lead to the increase of inequity among farms that obtain different products (grains, wine, horticultural products, etc.); increase with 1% of the incomes from the agricultural production leads to the inequity increase with 5.76%;

The subventions lead, generally, to the decrease of inequity between them, especially subventions for the animal production (decrease of 3.33%) and direct payments (with 2.17%);

The analysis per types of specialized farms concerning the discomposure on income sources showed us that the value of the agricultural production leads to 68.8% of inequity, the remaining ones being under the influence of subventions. Among these, the most important contribution was of the free payments (20.8%) and the subventions for the intermediary consumes. The assessment of the effect generated by the modification of the income sources on the total income:

- incomes from the agricultural production, other subventions and subventions for breeding, lead to the increase of the inequity between the specialized farms; the increase with 1% of the incomes from the agricultural production leads to the increase of inequity with 6.85%;

- the subventions generally lead to the decrease of the inequity between them, especially

in regard to the subventions for breeding (decrease of 4.1%) and direct payments (with 3.04%).

In conclusion, the subventions granted based on Pillar I present the highest level of importance in obtaining the incomes and therefore influence more and directly the inequity between farms. The obtained results show us that a modification with 1% of the subventions granted through Pillar I: they have a negative effect leading to the increase of inequalities between different size farms; they have a positive effect leading to the reduction of disparities between the farms from different sectors or specialized on certain products.

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