THE FINANCIAL RESOURCES OF AGRICULTURE

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Agriculture is one of the sectors that could ensure a serious economic growth, but issues, as well as lack of investments and precarious financing, make this thing to remain at the stage of potential. Financial resources play an important role in respect of the undertaking, in addition to those materials and human, with a view to carrying on its activities.
Financing agricultural activity can be provided by accessing banking credits, with European funds or leasing. These sources of financing can be used separately, combined among themselves or with other (own funds, loans suppliers etc). Most of the times it is used as an addition to sums of money at its disposal grower, helping to run the business under normal conditions, but also to grow their business.

Key words: *agriculture, finance, bank loans, direct payment*

INTRODUCTION

Financial relations in agriculture present a series of specific traits, arising from the particularities of the agricultural production, among which may be mentioned:

• Earth, as a means of production, it pays off;

• Seasonal production of field crops generates a cost-of-production seasonality and specific elements of financing, crediting, settlement and repayment;

• Speed of rotation of circulating capital is small due to the length of the production cycle;

• Expenses for a product is carried out, often two calendar years;

• Inventory and reservations are required in excess of material whereas the technologies should be adjusted on the fly, depending on the production of random factors.

A financial resource differs depending on the purchase, and the conditions of their use. According to these ***criteri**a* can be found the following ways to ***financial resources***: [3, 4, 13]

A. Increase of capital through cash contribution. It is a path commonly used by large economic units, which have the financial and market shares for which the public record because of guarantees they offer such an economic unit. This is, in fact, the capital appreciation through petitions

B. Self-financing farm is represented by the depreciation of the reference period, the profit of undistributed amounts derived from the sale of assets, the proceeds by accelerating the rotation increases, stocks of supplies from one financial year to another.

C. Long-term Loans and the environment is a complement to the funding resources of the small and medium-sized economic units. In order to be able to enjoy opening a credit line, the establishment must fulfill a number of conditions, among which may be mentioned:

• *Economic unit may not be in debt over a limit that one can make insolvent;*

• *The loan required to represent not only a portion of the funds necessary to finance investments;*

• *The unit cannot open line of credit for investment objects already primed, etc*.

In the case of investments, the entrepreneur can know the ***three possible situations:***

• in the budget of income and expenditure made for that investment, the total funds available per year and quarters is equal to the funded requirements, so you resort to credits;

• The total financial resources available at the level of the year are equal to the funded requirements, but may occur in different quarters of temporary imbalances, the entrepreneur will appeal to short-term loans;

• In the case of an imbalance in the year between funded and the total demand for resources, they turn to long-term credits.

D. *Short-term Loans* are funding sources used for a period of up to one year and are intended to provide agricultural unit balancing the Treasury deficit. They are awarded for temporary needs of agricultural units, for the Constitution of stocks of fertilizers, seeds, spare parts, fuels, etc.

Short-term loans and the medium and long term, occupy a very large share of the cost of production and investments made by agricultural units. Due to insufficient own resources and high inflation, the share of credits exceeds the interest, in many cases, half of the running costs.

E. *Lease represents* a system of financing investments through economic rents, drive a certain period, typically a period corresponding to the period of depreciation of the equipment, the equipment necessary to conduct the activities from a leasing company (the finance unit specialized in such operations). According to the contract of lease, the leasing company remains owner of the rented equipment. Upon expiration of the contract, the beneficiary may renew the economic agreement, to return the equipment or buy it at a convenient price. During the period of the contract, obligations of maintenance, repair and insurance of the equipment assigned exclusively to the user unit.

F. *Budgetary Subsidies*

BANK CREDIT IN THE ROMANIAN AGRICULTURE

The agricultural sector is becoming increasingly attractive to banks in Romania, and a lowering of interest rates for specific loans is a necessity for farmers. Banks ' interest towards the Romanian agricultural sector could be due to the very high potential and untapped so far only in small part, the signs of an impending food crisis are increasingly more visible, in conjunction with the increase in global demand, especially from the Asian region. Five of the ten largest banks in Romania, BCR, BRD, Transylvanian Bank, CEC Bank and Raiffeisen Bank, places, already common among farmers. Cooperation between the latter and the guarantee fund rural credit is becoming increasingly close.

Currently, in Romania there are a number of 42 credit institutions, these being the main financial intermediaries providing financing needs of agriculture. [15]

Table 1

The evolution of bank credits for agriculture

Specification	U.m.	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total loans, of which:	mil. €	17833,9	31129,6	46522,9	57408,6	54811,0	65279,9	70822,6	69076,1	92140,7
%	100	100	100	100	100	100	100	100	100	%
Agriculture, forestry, fishing	mil. €	412,8	819,1	1047,8	1404,2	1512,9	1918,6	2489,9	2668,5	2646,7
%	2,3	2,6	2,2	2,4	2,7	2,9	3,5	3,9	3,8	3,7

Source: Data processed after monthly bulletins B.N.R.

Analyzing the evolution of Bank loan in Romania (table1) over the past year, we note an increase in credit for agriculture from 412, 8 million euros in 2005 to 2646, 7 million euros in 2013, the total credit in Romania increased from 17.833, 9 million euros to 92140, 7 million euros. [15, 16]

According to statistics, the total credit NATIONAL BANK, on agriculture we have around 3-4%. That's because agriculture was always treated as being, quite rightly, a quite unstable, due to the dependence on weather conditions and other external factors.

Increasing the level of credit for agriculture, even if it starts from a very low base, has a positive connotation, beneficial for the capitalization of agricultural holdings, either through increased direct investment in agriculture, either through financing of inputs (intermediate consumption), a prerequisite for increasing yields and farm profitability.

From the point of view of comparative between the major lending sectors of the national economy, to the year 2008, year affected only incipient economic crisis, noted that agriculture, forestry and fisheries, with a contribution to GDP formation of 6.4 percent, is only 2.7% of total bank credit, compared with the services sector whose contribution to the gross domestic product rose to 60.3% but benefiting from 72.3% of the Bank loan. And agriculture remains in 2011 with a low share in the banks ' Affairs, under 4%, even if the contribution of agriculture to GDP was over 6.5%. [12, 13]

Table 2

The contribution of sectors to GDP (%)

	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Agriculture, forestry, fishing	5,6	6,4	6,2	6,5	6,5	5,3	5,6	4,7
Industry and construction	32,8	33,3	33,5	33,4	36,1	37,0	37,9	30,3
Other areas of activity	61,5	60,3	60,3	60,1	57,4	57,7	56,5	65,0

Source: Data processed after press releases 2007-2014 and the Romanian Statistical Yearbook 2008, National Institute of Statistic

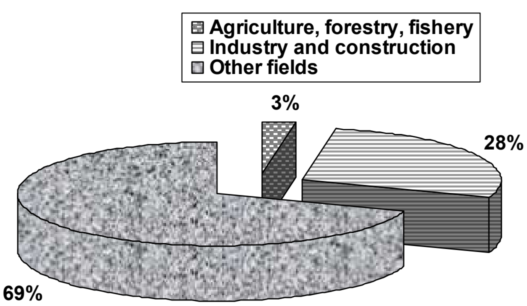

Figure 1 The share of financing through bank loans in 2014

Comparing the level of Romanian agriculture lending level of agriculture from other EU member countries, we notice major differences. Thus, if in Romania in a bank loan of 110 euro/ha Useful Agricultural Area in Germany using 2126.is euro/ha Useful Agricultural Area, France in 1698 euro/ha Useful Agricultural Area, and in Hungary 255 euro/ha Useful Agricultural Area. [5, 13]

The cost of Bank lending. In addition to the disadvantages arising from the low level of lending for agriculture, an equally unfavorable for Romanian farms is determined by the cost of bank credit in the euro, which is much higher in Romania than in the developed countries of the European Union. The interest rate demanded by banks, plus various additional costs (mainly the nature of commissions), induces a real cost of bank credit in the euro treble the cost of funding sources in other developed countries of the EU.

Comparing the average interest on the deposits attracted from the population and interest on loans before the crisis started in Romania with the current situation, we note that, although the cost of attracted by banks fell 2.65 percentage points, interest on loans to farmers remained almost at the same level. The difference between the average interest rates on credits and deposits in lei of population, the balance at the end of 2014, was 6,55 percentage points versus 7,44 percentage points in 2007.

Table 3

Average interest rates on credits and deposits in the period 2007-2014

	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**Difference 2014–2007**
The interest rate on credits (%)	**14,23**	**16,59**	**17,11**	**14,83**	**14,00**	**13,26**	**11,32**	**9,46**	-4,77
The interest rate on deposits (%)	**6,79**	**12,12**	**9,57**	**7,18**	**6,25**	**5,31**	**4,03**	**2,91**	-3,88
Difference	7,44	4,47	7,54	7,65	8,12	7,95	7,29	6,55	-0,89

Source: Data processed by the NBR monthly bulletin, 2007-2015

Interest rate subsidies by banks on deposits attracted by population does not amount even at the level of projected inflation, having a negative impact on depositors, including farm seasonal income that, in the short term, look for solutions of money availabilities fruition.

For **loans in foreign currency**, the principal of the loan in Romania bear a double cost the same type of credit in other Member States of the European Union, paying the cost components overvalued. Romania is among the EU countries with the highest levels of risk. Therefore, the Romanian banks will be able to borrow funds at a higher cost than banks in France, Germany or Austria. The risk of foreign exchange, foreign currency loans for attached farmers not engaged in export operations, is another cause of generating additional costs.

Commercial credit. The low level of direct banking lending to agriculture made possible the proliferation of commercial credit (vendor credit) as an alternative of financing approved "need" so beneficiary’s farmers and suppliers of inputs.

Commercial credit, unlike the Bank has at least two features more convenient for farmers: it is more operative, which makes it attractive to beneficiaries (farmers); Although much more expensive compared to a bank loan because credit risks are taken by the supplier, which calls for cost recovery from farmers, supported by farmers due to the facilities at the production or sale of the crop harvesting. Keep in mind that, at root, a commercial loan is indirectly covered all of a bank loan, but taken over by the supplier of inputs, which recovers the additional cost of this credit, as a rule, the sale price of the products offered to farmers.

Direct payments from the EU budget allocated. Direct payments from the EU budget allocated for agriculture of Member States has created and creates further discrepancies affecting major agriculture States seriously entered into the EU in the last decade, contributing directly to disrupting the agricultural products market. [5, 13]

Calculating the average direct payments from the EU budget on a hectare or the whole programming period 2007-2013, Romania, we note that the level of payment for 57 euro/ha/an, is found on the latest jobs in the EU-27, having spent only 11.2% of the granted Greece (507 euro area performance), 12.1% of the granted the Netherlands (469 euro area performance) and 12.9% of the level given to Belgium (443 euro area performance) etc. In the case of calculating the allocation of European funds on eligible hectare, in the case of Romania, 9, 74 million the amount allocated to the ha is about 90 euro/ha/an.

In terms of the financial resources of the EU budget, intended for direct agricultural holdings in Romania by the EAFRD is to note the low level of such resources, only 1174,3 million over the entire period 2007-2013, which represents only 14.7% of the amount of 8022,5 million euro, the EU' s financial contribution for the financing of measures in the PNDR.

SITUATION OF RURAL CREDIT FINANCING AND GUARANTEE SYSTEM IN AGRICULTURE

The agriculture sector of Romania and the rural economy have, in general, a much reduced accessibility to financial services offered by financial and banking system than the rest of the economy.

Although the Romanian banking system has experienced an accelerated growth in recent years, and the banks have expressed greater openness to finance SME and agro-food sector and, last but not least, thanks to the opportunities offered by the European Union integration, access to credit remains a major problem for most farmers and SME in rural areas. [9,10,11] The financial crisis and the liquidity was manifested at the global level and that affected the Romanian economy accentuates even more the inaccessibility of credit seekers to funding sources in the market with aggravating consequences upon the absorption of funds from the EAFRD. Moreover, the use of land and other farm assets as collateral the Bank is deeply affected by price volatility generated by the current economic crisis. The difficulties encountered by beneficiaries of the PNDR in getting credits necessary for investment up to the repayment of the funds has been one of the major problems identified in the implementation of the PNDR 2007-2013.

In 2013, the agricultural loans stood at about 3.5% of total loans to non-government sector in the economy. [5, 13, 16]

In the context of the financial mechanisms established by PNDR 2017-2013 (guarantee schemes developed through RLGF-IFN SA) and partnership RLGF-completed IFN SA 28 commercial banks in the Romanian banking system for credit risk sharing, some beneficiaries of EU funds which have concluded contracts with the EAFRD financing APDRP, failed to gain access to credit for starting the investment projects.

The difficulties related to obtaining of credit by the beneficiaries were related in particular that:

• *The surface exploited is not economically viable;*

•*The value of the projects submitted to the services that they offer and APDRP declared eligible (while not required letters of comfort) was at the upper limit of the measure and exceeded their possibilities of indebtedness, as they are determined by the rules of lending;*

• *Own sources required by commercial banks in addition to the banking credit requested does not exist nor have assets to cover the difference in security is not covered by RLGF-IFN S.A. (20% of the loan and interest);*

• *Start-ups don't have possibility to pay bank interest rates for credits during the implementation of projects of investment.*

Implementation measures stage 2007-2013 the PNDR on 21 June 2013 (according to the data of monitoring of the PNDR) show that the guarantee schemes for the agricultural sector and on SME s have been awarded a total of 961 pledges worth 278.274.301, broken down as follows: [13]

"The guarantee scheme for the agriculture"

Measure 121: 413 guarantees worth 132.869.884 euros;

Measure 123: 177 guarantees worth 102.472.549 euros.

"The guarantee scheme for SME s"

Measure 123: 52 guarantees worth 18.406.021 euros;

Measure 312: 280 guarantees worth 20.825.582 euros;

Measure 313: 39 guarantees worth 3.700.265 euros.

The banking system remains plagued by high levels of non-performing loans, which records the highest level in the EU.

Associate in agriculture remains limited, producers still faced with problems of informing, mentality, but also taxation and management. However, the upward trend in the number of agricultural associations, their share is reduced, with a regional variability.

The reasons are social, both with reference to the former agricultural cooperatives and distrust among rural households, and financial, in the context of the very limited resources for investment for farmers and of extra costs related to the registration and operation of a cooperative (bookkeeping, VAT, etc.). Membership in agricultural cooperatives is very low, associations and cooperatives covering about 14% of total arable land. [1, 2, 7, 8]

Monitoring data of the measure 142 "Setting up producer groups" within the RDP reflect the reluctance of farmers from Romania to the establishment of associative.

For the 2007-2013 programming period the financial allocation 142 "Setting up producer groups" was 24,601,255 Euro. After nine stages of evaluation for continuous session for submitting projects - Measure 142 "Setting up producer groups" have contracted a total of 70 projects worth 12.7 million. [3, 5, 14]

However, the biggest problem that discourages association and establishment of producer groups is the existence of unequal treatment in terms of tax obligations by the double taxation of members of producer groups.

Thus, the need arises for advice and consultancy acute on the functioning of associative forms plus access to capital and taxation.

Encourage manufacturers association is an important measure to strengthen their role in relation to processors for efficient use of production and can help increase production quality and a better supply of inputs.

THE COMMON AGRICULTURAL POLICY 2014-2020

The amount devoted to agriculture and rural development for all Member States in the period 2014-2020 is 435, 6 billion, which represents 39% of the total EU budget. Of this amount, Romania will return 12,817 billion euros for direct support (pillar 1) and 7,124 for rural development (Pillar 2). [3, 5, 6]

In the next 7 years, the CAP will invest nearly 20 billion euros in the agricultural sector and in rural areas of Romania. The essential political priorities as defined at EU level include: jobs, sustainability, modernizations, innovation and quality. At the same time, Romania has flexibility in terms of adapting to both direct payments and rural development programs to its specific needs.

The common agricultural policy is Europe's answer to the need to have decent standards of living for 12 million farmers and a stable, offer varied and safe food for the 500 million citizens of its members. It reinforces competitiveness and sustainability of agriculture in the EU, by giving farmers direct payments and market measures, and funding programs for the development of rural areas in the Union. [5]

Direct payments (from Pillar 1) are perceived as the most important subsidy to farmers (farmers 'income support, to compensate for the offset income from other economic activities) and represent the most important stake negotiations. Although the principle of "equity" and "balancing" the value of direct payments have been systematically invoked, at least on the token, it is unrealistic to hope that the amounts for the direct payments will be equal for all European farmers over the next seven years and all the effort to concentrate just to obtain this objective, just, but with minimum chances of achievement. Based on the principles of "equity" and "balancing" the value of direct payments, the European Commission has been forced to make a feasible and balanced budget proposal and taking into account the political elements that go beyond the troop and the agricultural policy net beneficiaries. European Community, being closer to keeping a balance between the Member States mostly.

Regarding national contribution to the financing of direct payments, preserved the provision of the Treaty of accession, Bulgaria and Romania that can use direct national payments to supplement the amounts granted in the framework of the payment system, so that, if there will be funds in the State budget, farmers may receive direct payments, at least at the level of EU-27 average.

The new direct payments will be distributed in a more equitable manner between the Member States, regions and farmers. As a result, totaling nearly 12 billion euros, the budget available for direct payments in Romania will increase, even if on the whole, at European level, it has been reduced by 3.2%. They will continue to be distributed in the form of "single payments area" until 2020. [13, 16]

Only currently active farmers will benefit from income support schemes, and the young farmers will be encouraged to start businesses by introducing a supplementary payment of 25% in the first 5 years, in addition to existing measures.

CONCLUSIONS

From the data presented shows that during the analysis period, the level of loans to agriculture were less than 4% of the total volume of loans to the non-governmental sector in the economy.

Funding institutions interest in lending to agriculture had grown only in so far as the State was involved in setting up financial policies attractive namely:

• Provision of refinancing of the NATIONAL BANK lines for the purpose of granting loans to farmers with subsidized interest for the purposes of agricultural production;

• Dispersion of risk in Bank lending for agriculture by switching from single bank system (agricultural Bank) to a diversified system through all commercial banks which have the strategy of lending to farmers;

• Establishment of the 2007 budget the MASR, at different times until the year 2010, of funds intended for the financing of agricultural works. These funds were intermediate of commercial banks by providing credits to farmers, assuming the risk of their non-paying us Government guarantees;

• The establishment of guarantee funds as financial institutions-institutions that take the risk of crediting of agriculture;

• It was subsidized interest on credits to farmers;

• The farmers have received State aid to ensure the advance requested by commercial banks for granting banking credits for purchase of agricultural machinery of domestic production.

Romania has allocated PNDR through 2014-2020, a total of 9,363 billion euros, of which represents 8,015 billion euros in European funds allocated to Romania, and 1,347 billion euros represents the national contribution.

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