FINANCIAL AID FOR ROMANIAN AGRICULTURISTS BETWEEN 2014 AND 2020

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Abstract: *This paper aims at underlying the size and contribution of EU funds to support Romanian agriculturists. It presents an analysis of agricultural development during 2014-2020 from the perspective of the goals of the Common Agrarian policy for the same period. The priorities of the NPRD 2014-2020 for the development of the rural area in Romania covers a set of measures applicable with the support of the Agency for Rural Investment Financing. A SWOT analysis points out the necessity to support agricultural performance of small farms given the bipolar character of Romanian agricultural exploitations, the support for non-agricultural activities, the necessity of investments for the renewal of the material basis and the specialisation of young farmers..*

Keywords: *agriculture, Common Agrarian Policy, funds.*

INTRODUCTION

The agricultural policy of the EU in the last years has been characterised by an opening allowing agriculturists to design farm strategy and management depending on the market needs, depending on demand and offer.

The paper presents an analysis of agricultural development during 2014-2020 from the perspective of the goals of the Common Agrarian policy for the same period.

MATERIALS AND METHOD

The methodology used in this research is mainly normative and it consists in theoretical principles (the theoretical approach of the topic), methods and techniques of data collection (the information support necessary for a scientific paper), methods and techniques of data processing size of quantitative processing), and logical procedures of analysis and systematisation (building up and systematising theory) of data processing.

RESEARCH RESULTS

1. Evolution Due to Agricultural Policy Measures

The most recent measures aim at:

- Practicing ecological agriculture;
- Specialising agriculturists through information sharing measures;
- Supporting agriculturists through equitable systems;
- Allowing agriculturists' access to the food chain;
- Meeting consumer's needs through proper labelling quality thus allowing them to identify the produce geographic origin and the ingredients used (both traditional and organic): all these measures contribute to the increase of competitiveness of agricultural produce on both European and world markets;
- Promoting and encouraging innovation in both agricultural practice and food processing based on European research projects to increase productivity and reduce negative environmental impact: this could be done using agricultural by-products and wastes in energy production;
- Helping developing countries through facilitating the export of agricultural produce to the EU.

- **Future challenges and policies**

Population growth will bring about an increase of the amounts of agricultural produce by 2050, which should double as a consequence of climate change, of biodiversity loss, of soil decay and of water quality.

To help agriculturists face the new challenges, EU policies aim at counselling them in matters of investment and innovation.

- **Financing European agriculture**

Financing the Common Agricultural Policy (CAP) expenses is shared by all EU Member States. The political and financial support is managed by the EU as an entity, not by each country apart.

For instance, the year 2015 was marked by a diminution of expenses for agricultures (from 84% in 2014 to 82% in 2015).

One of the principles of CAP, financial solidarity, consists in sharing building up resources and expenses. This led to the establishment, in 1992, of the European Agricultural Guidance and Guarantee Fund (E.A.G.G.F.).

According to the figures published in the financial report of the EU commission in 2015, Romania was allocated 6.54 billion EUR, of which 3.39 billion EUR for regional policies, i.e. 52% of the total expenses, of which 2.99 billion EUR for agricultural expenses, i.e. 46% of the total allocations.

Table 1.

Total allocations for Romania

Specification	Sums allocated to Romania/billions of EUR	Total EU expenses/ Billions of EUR
Agriculture	2,987.7	56,486
Regional policy (structural and cohesion funds)	3,392.5	50,872.9
Research and development	77.4	13,032.7
Citizenship, freedom, security and justice	23.6	1,935
Actions and programmes outside the EU	29.3	138
Administration	19.1	7,451.8
Total	6,538	130,108.6

Source: After the EU Report/2015

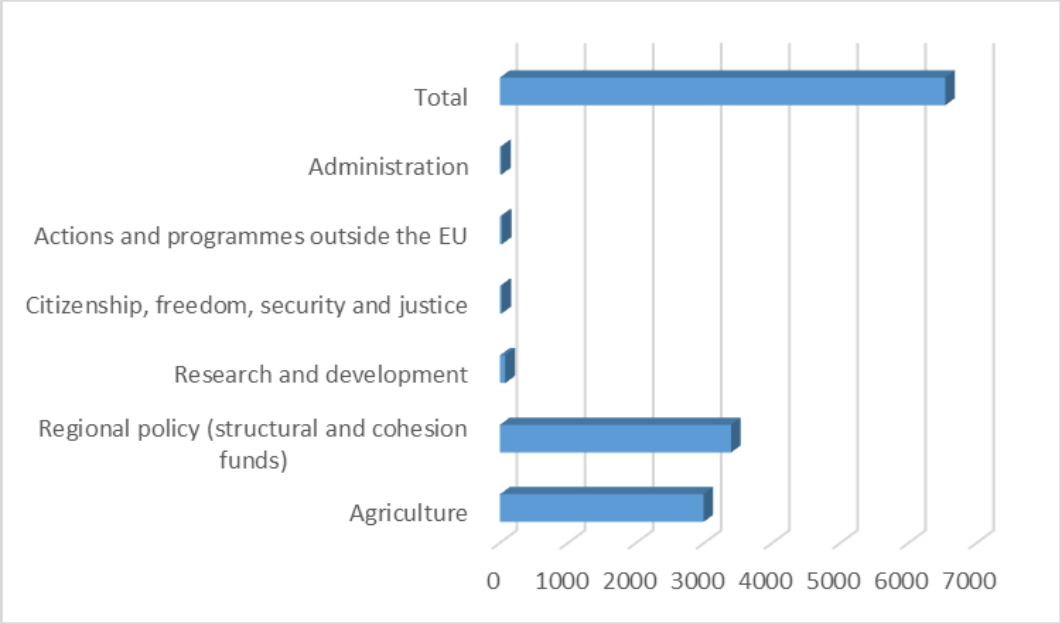

Figure 1. Total allocations for Romania

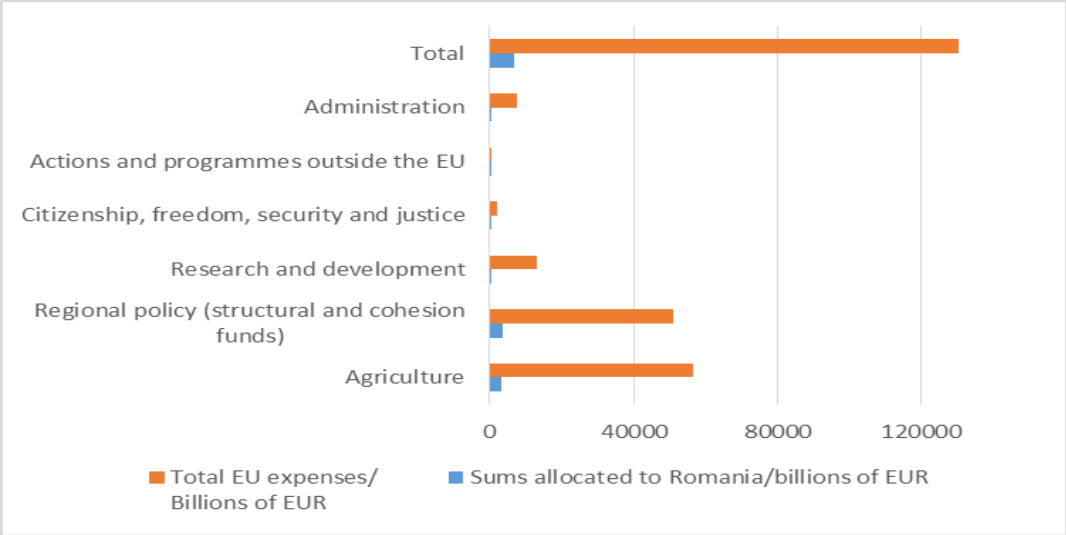

Figure 2. Total allocations for the EU

Sums allocated to Romania for rural development (2014-2020, EUR)

Table 2.

National annual upper limit (millions of EUR) for direct payments

Specification	2014	2015	2016	2017	2018	2019-2020
Romania	1,428.5	1,629.9	1,813.8	1,842.4	1,872.8	1,903.2
Total EU allocations	41,678.5	42,175.4	42,390.3	42,383.4	42,420.3	42,457.10
Share of allocation for Romania	3.43	3.86	4.27	4.35	4.41	4.48

Source: Regulation (EU) no. 1307 annexe III and Regulation (EU) no. 1310 annexe II from December 17, 2013 regarding direct payments

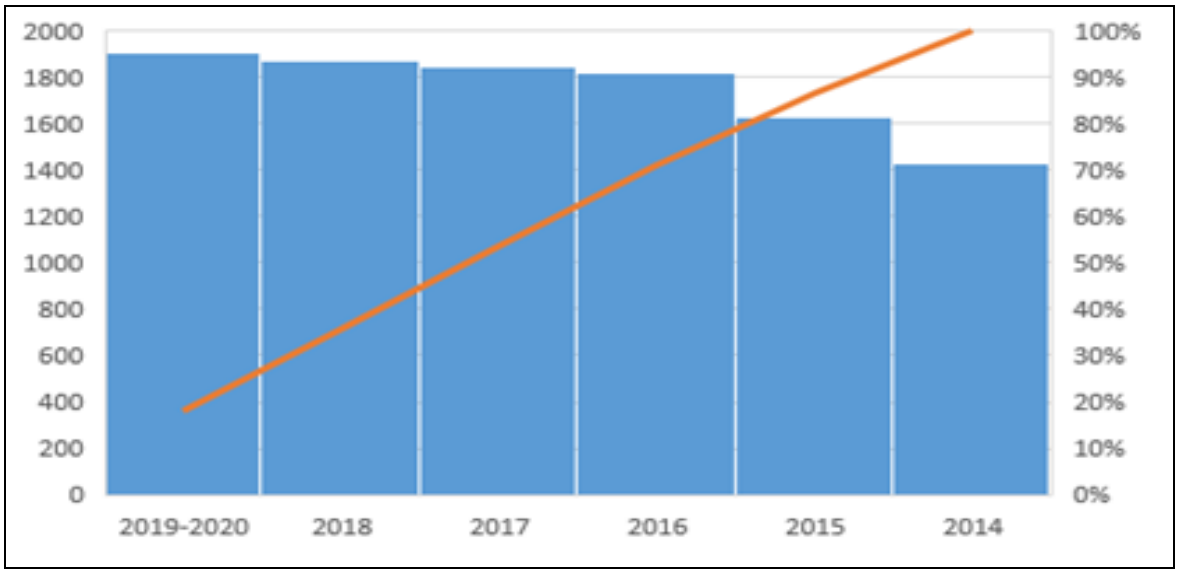

Figure 3. Evolution of direct payments allocated to Romania

According to Regulation (EU) 1307/2013 and to Government's Ordinance no. 3/2015, frame normative acts, for the establishment of the direct payments for the farmers, the support for agricultural holdings as payment schemes covers several types:

- Unique payment per area, also called basic payment, whose level is to be calculated depending on economic or administrative, national or territorial criteria, and that needs to observe am inner convergence criterion;
- National transitory aid;
- Redistributive payment allowing the granting of a supplementary aid for the first ha of an agricultural holding;
- Payment for good agricultural practices beneficial for the environment and climate, granted to compensate agricultural costs that are not remunerated by the market;
- Payment for young farmers;
- Payment scheme for support + production in certain areas or for different types of activity hindering economic or social development;
- Simple payment scheme for small farmers for payments below 1,250 EUR.

Another condition stipulated starting with 2015 by Regulation (EU) 1307/2013 and to Government's Ordinance no. 3/2015 is that financial support is to be granted only to active farmers, physical or legal persons that can prove the operation of agricultural activities within the holding, that raise animals, and that maintain in good conditions grasslands or arable lands.

2. Analysis of the Goals of the Common Agricultural Policy Regarding the Rural Development

The Common Agricultural Policy of the European Commission harmonized with Europe 2020 aims at the following:

- Intelligent economic growth through innovation and knowledge aiming at stimulating and guiding to knowledge and innovation;
- Sustainable economic growth through the two components defining it: ecological agriculture and intensive agriculture;
- Inclusive economic growth aiming at producing benefits for the society.

The targets of the Common Agricultural Policy for the period 2014-2020 are:

1. Taking objective measures for the support goods and services branch to be functional, continuous and sufficient to supply the food resources demanded on the market at proper quantitative and qualitative parameters;
2. Better management of natural resources and better strategy for climate change;
3. Local varied and balanced development meant to compensate dysfunctionalities and unbalances engendered by the seasonal character of certain activities by interconnecting and compensating to overtake the issues of this sector by other sectors with proper infrastructure and with properly stimulated non-agricultural domains of activity.

For the time horizon 2020 and according to the priorities above, the targets pf the Europa 2020 strategy to reach are:

- 75% of employed people aged 20-64;
- Up to 3% of the EU GDP invested in research-development;
- Reaching the targets for 20/20/20 ;
- Reducing below 10% the rate of early drop out and making sure that at least 40% of the young generation get a bachelor diploma;
- Reducing poverty so that there are 20 million poor people less.

The European Commission proposed that each of these goals be turned into national goals, depending on the type of economic pattern as a guarantee of reaching Europa 2020 targets.

Table 2.

Targets of the Europa 2020 strategy

Targets	**Target EU**	**Target Romania**	**Current state in Romania**
Employment rate (%)	75%	70%	63.8%
Share of research-development of the GDP	3%	2%	0.48%
Reducing the CO_2 emissions	-20% than in 1990	-19% than in 1990	51.84%
Renewable energy	20%	25%	22.9%
Energetic efficacy, reducing energy consumption in Mtep	368 Mtep (20% more energy efficacy)	10 Mtep (19% more energy efficacy)	7.3 Mtep (16%)
Early drop out	10%	11.3%	17.4%
Tertiary education	40%	26.7%	21.8%
Reducing poverty rate	20 millions	580,000	240,000

Source: CE, Europe 2020 targets; Partnership Agreement advanced by Romania for the period 2014-2020, 2nd version, March 2014

3. Sustainable agriculture seen as a priority measure

Sustainable agriculture has two main components – ecological agriculture and intensive sustainable agriculture: "within the latter, there has been precision agriculture for two decades."

The concept "sustainable development" was first mentioned at the UNO Conference for Environment and Development in 1992, at Rio de Janeiro.

In 1993, they established the World Commission on Environment and Development upon the initiative of the United Nations aiming at analysing environmental damage and its impact on human society. At the time, the Commission was presided by Gro Harlem Brundtland, Prime Minister of Norway. This Commission developed the project "Our Common Future" (also known as the Brundtland Report): it defines sustainable development as *the development that aims at meeting the demands of the present without compromising the chance of future generations of meeting their own needs.*

Sustainable agriculture should aim at food security and environmental protection without economic effects on the enterpriser thus challenged, i.e. increased productivity and economic profitability.

The appearance of ecological agriculture is the consequence of consumers' mistrust for food safety measures made (foods are often loaded with noxious elements such as carcinogenic substances, allergens, antibiotic resistant bacteria, etc.).

In the European Community, there are strict rules stipulated by the EC Regulation no. 834/2007, with norms stipulated by the EC Regulation no. 889/2008.

The largest areas cultivated ecologically in the world are in Australia, Argentina and the United States. Romania, though relying on huge opportunities for ecological agriculture, needs more time to embrace it because of the longer time necessary to eliminate fertiliser and pesticide residues during the conversion into sustainable, ecological agriculture. Romania cultivates ecologically about 3.4% of its total agricultural area, and the amount of ecological produce makes it export only small amounts of certified ecological produce, which ranks Romania 20 worldwide.

4. RDNP 2014-2020

- Structural changes in the competitiveness of the agro-alimentary sector;
- Management and efficient use of natural resources;
- Local rural development and the promotion of competitiveness among economic operators as stipulated by the Partnership Agreement;
- Modernisation of agricultural farm viability through innovation and technology;
- Stimulating and encouraging youth to settle in the rural area;
- Developing rural infrastructure essential for its development and to attract investments, measures meant to reduce poverty and to create new jobs;
- Encouraging economic diversification in the rural area through non-agricultural activities;
- Promoting fruit growing through special, specific programmes;
- Encouraging local development through the LEADER programme. The transversal competencies of this programme reach stringent topics regarding poverty reduction in rural areas and social exclusion, life quality thus contributing to the diversification of rural economy.

Priority measures of the RDNP 2014-2020 will be implemented through technical and financial measures by the Agency for Rural Investment Financing (ARIF). During 2014 -2020, RDNP will be allocated about 8 billion of EUR.

Priority measures are as follows:

- Measure 4 – Investments in physical activities;
- Measure 6 – Development of holdings and enterprises;
- Measure 7 – Basic services and renewal of villages;
- Measure 8 – Investments in forest areas and forest viability improvement;
- Measure 9 – Establishment of producer groups in agriculture.

CONCLUSIONS

To support our agriculture, CAP 2014-2020 provides about 8 billion EUR through technical and financial measures by ARIF.

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- Measure 4 – Investments in physical activities;
- Measure 6 – Development of holdings and enterprises;
- Measure 7 – Basic services and renewal of villages;

- Measure 8 – Investments in forest areas and forest viability improvement;
- Measure 9 – Establishment of producer groups in agriculture.

All these measures are of particular importance in the development of agricultural holdings.

The SWOT analysis shows the need for support to improve agricultural performance of small farms taking into account the bipolar character of Romanian holdings. On one side, a small number of farms with large agricultural areas, on the other side, many farms with small agricultural areas. They will be supported as subsistence and semi-subsistence holdings in exchange for an annual payment to help condensing lands and consolidating commercial farms.

We need to support non-agricultural activities, agri-tourism, medical and veterinary services to increase rural attractiveness and use the labour force surplus.

Investments in material basis of the holdings, in the training of the youth, in the making up of producer groups are but a few desiderata that can help agricultural holdings develop. Association and cooperation between producers lead to an increase of the negotiation power, to easier access to modern technology, to credit access, to purchase of technological implements, to the introduction of innovations and to more effective management. The goal of such an organization is to help reduce the effort for valorising production, which contributes to better access, better insertion on the market and to a shorter supply chain.

The need for such association support is engendered by the dual situation of agricultural holdings in Romania: the existence of the two poles – a large number of small farms sharing 92.9% of agricultural lands as up to 5 ha plots (29.7 of the UAA) and a small number of large farms sharing 70.3% of the UAA.

Breaking down areas affects negatively competitiveness, viability and profit.

The development, in the rural area, of non-agricultural services and/or of integrated agro-alimentary production, of small related industries, leads to a growth of local economy and provides the premises for the youth to go back to rural areas and reconsider the rural area and its opportunities based on developed infrastructure, thus overcoming the mental barrier of village dwellers.

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