

ROLE OF AGRICULTURE IN ROMANIA'S RURAL ECONOMY DEVELOPMENT

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Abstract: In Romania, compared to other European countries, agriculture is one of the most important branches of economy. In our analysis, we started from the premise that, in a country's economy, no matter the degree of development, agriculture holds, due natural and human resources, to the contribution to the gross domestic product, to the gross added value, and to the share of domestic and foreign trade with foods, an important position. Agriculture is an economic branch that needs to ensure people's food security.

Key words: role, agriculture, rural economy, GDP.

INTRODUCTION

In Romania, rural economy is currently dominated by agriculture. Land resources, favourable geographical conditions, relief, climate, fertile soils, labour force and rural population's attachment to land and livestock can make Romania's agriculture an attractive, profitable production branch that could support national economy growth [8].

Thus, we believed necessary to analyse the importance of Romanian agriculture and find the best solutions to re-launch this particularly important branch of our rural economy.

Analyses in the field show that each country has a specific economic structure determined by its level of development, by its historical evolution and by the specific social life regulating policy [9].

The process of privatisation in Romania started in 1990, and it proved much more complex and difficult than expected. During the first period after 1990, the process was slow because of the lack of political will, of the population's mentality and indoctrination, of the institutional issues and of the slow establishment of the necessary legal framework.

Romanian agriculture evolved after 1990 under the influence of phenomena generated by the transition to the market economy on the background of the severe lack of financial and material resources as well as of unfavourable international conjuncture; however, small-scale production in agriculture survived despite all changes [4].

The Law of Land Fund (n. 18/1991) divided agricultural areas into small plots and determined their dispersion; to this added the decay of the material equipment, the stagnation of investments, the destruction of assets as well as mismanagement of state properties and of the support for private agriculture, which caused a steady decrease of the profitability of agricultural holdings.

MATERIALS AND METHODS

The information analysed were collected through documenting on literature (books, collections of scientific papers) in the field of research as part of our doctoral thesis. Research methodology relied on statistical analysis of primary data using quantitative analysis of the Microsoft Excel type (tables, graphs). The data analysed cover the period 2007-2014.

RESEARCH RESULTS

Romania is still known as “the most rural country of Europe” [7].

Statistics show that almost half of Romania’s population is rural population, i.e. 9,171,000 people (45%).

Most rural inhabitants are employed in agriculture, forestry and fish farming (41.3%), while only 32.6% and 26.1% are employed in the secondary and tertiary sectors, respectively. Most people employed in agriculture are self-employed, and the number of people employed in agriculture shares only 5.45% of the total number of employees of Romanian economy.

Overall, agriculture is one of the most important branches of Romanian economy since it can contribute to re-launching the country’s economic growth. No other economic activity could replace agriculture because the need for food is essential and permanent for human existence. On the other hand, agriculture supplies raw materials for other industries (food processing, textile, chemical, pharmaceutical, cosmetic, craft, etc.) [3].

The contribution of agriculture to economic development can be determined through an analysis of the multiple functions it has, as well as of its contribution to social stability or to the gross domestic product and to gross added value.

Through agriculture, all states should ensure food security, i.e. make sure that all citizens can permanently rely on enough foods of high quality and for accessible prices to live an active, healthy life.

Share of agriculture and forestry of GDP

At national level, agriculture is one of the main branches of Romanian economy: it shared 4.2% of the GDP in 2015 (Table 1, Figure 1).

Table 1.

Share of agriculture and forestry of GDP (millions of EUR)

Indicator/ Year	2001	2003	2005	2007	2009	2011	2013	2014	2015*
Total GDP	44866	52607	79532	124653	120483	133344	144253	149988	159790
GDP from agriculture and forestry	5999	6080	6700	7181	6555	8580	7785	7106	6698
% of GDP	13,4	11,6	8,4	5,8	5,4	6,4	5,4	4,7	4,2

Source: *Anuarul statistic al României 2014*

*Institutul Național de Statistică, *Comunicat de presă, No. 54/8 March 2016*

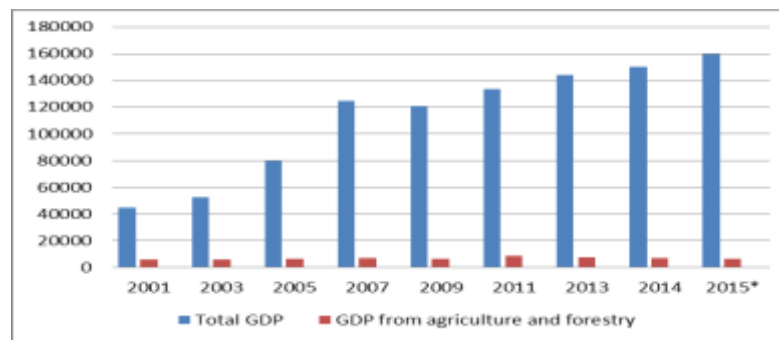


Figure 1. Share of agriculture and forestry of GDP

The analysis of Romania's GDP during 2001-2015 points out that, in 2001, the share of agriculture and forestry was about 13.4% and in 2015 it was about 4.2%. Though the share of agriculture of GDP decrease considerably during the period analysed, it continued to be high compared to EU industrially developed countries, where it is below 2%. In Romania, this explains the low performance of the other economic sectors.

In industrially developed countries, agriculture shares little of the Raw Added Value (RAV) due to the development of other sectors of activity such as services, trade, constructions, financing, banking, or insurance whose share is increasing (Table 2).

Table 2.

Structure of RAV of the main economic branches in the EU (2014)

Country	Agriculture	Industry	Constructions	Trade, Transports, Housing, Food	Others
Austria	1.54	21.74	6.90	21.89	47.94
Belgium	0.79	15.56	5.75	19.79	58.12
Bulgaria	4.95	25.19	5.60	19.50	44.77
Croatia	4.41	21.01	5.28	20.66	48.64
Cyprus	2.67	8.74	4.05	24.32	60.22
Czech Republic	2.39	31.81	5.95	19.19	40.66
Denmark	1.31	16.88	4.60	19.70	57.51
Estonia	3.61	21.46	7.61	23.19	44.12
Finland	2.84	18.73	6.84	17.00	54.59
France	1.80	12.79	6.05	18.18	61.18
Germany	0.78	25.53	4.68	14.48	54.54
Great Britain	0.64	14.33	6.06	18.46	60.51
Greece	3.71	14.64	1.82	22.71	57.12
Hungary	4.80	26.03	4.11	17.57	47.48
Ireland	1.85	26.34	1.68	15.58	54.55
Italy	2.15	18.29	5.61	20.83	53.12
Latvia	4.89	18.69	6.39	29.14	40.89
Lithuania	3.84	24.54	6.54	33.20	31.87
Luxembourg	0.34	5.88	6.25	17.62	69.91
Malta	1.66	12.83	4.10	21.02	60.39
Poland	3.79	24.73	6.54	27.28	37.66
Portugal	2.41	18.90	4.29	25.37	49.04
Romania	6.38	34.26	9.19	12.51	37.66
Slovakia	2.95	26.65	7.56	22.82	40.01
Slovenia	2.90	25.72	5.67	20.61	45.10
Spain	2.58	17.46	7.84	25.90	46.21
Sweden	1.51	18.81	5.38	17.51	56.78
The Netherlands	1.65	19.65	4.72	18.61	55.37
Total EU 28	1.68	19.06	5.67	18.98	54.61

Source: After Eurostat

In Romania, the share of agriculture of RAV in 2014 was 6.38%, while the EU mean is 1.68%. The large share of agriculture compared to the other EU member states can be explained through the slow process of increase of the share in the other economic branches (services and trade).

Romania's Land Fund

Compared to the other European countries, Romania ranks first in land fund resources.

Romania shares 7.6% of the agricultural land of the European Union, after France with 27,800,000 ha (16%), Spain with 23,750,000 ha (13.6%), Great Britain with 16,880,000 ha (9.7%), Germany with 16,700,000 ha (9.6%), and Poland with 14,400,000 ha (8.3%) [6].

The ratio between arable land and number of inhabitants shows that there are 0.41 ha arable land/inhabitant, a value superior to that of many European Union countries, almost the double of the EU mean (0.212 ha/inhabitant) (Figure 2).

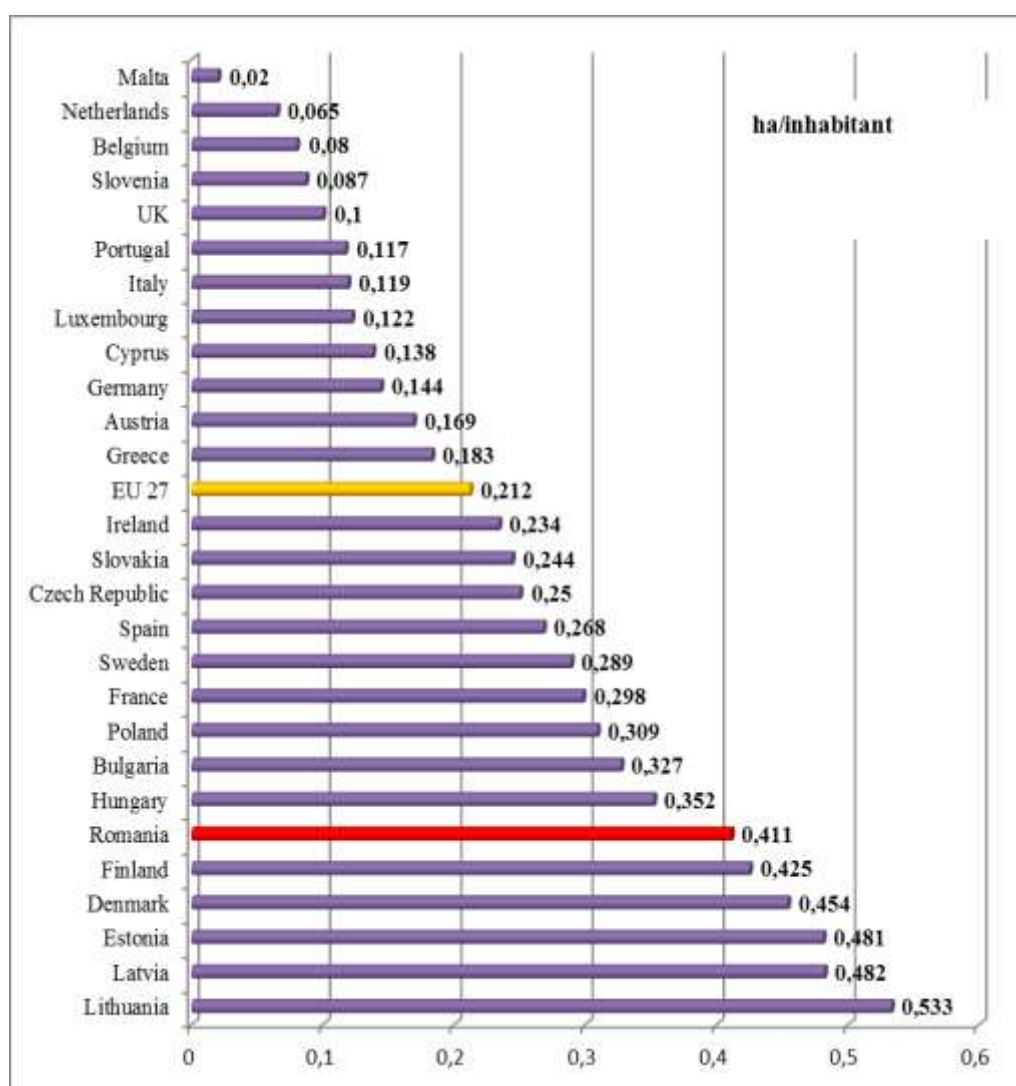


Figure 2. Arable land area per inhabitant

Source: After M.A.D.R

Agricultural area in Romania has not known high fluctuations from 1990 to 2014: it was, in 2014, 14,630,000 ha, slightly ascending in trend. Thus, in 2014, it was 0.95%

higher than in 1990. Haymaking fields also had an ascending trend while orchards covered 59% less in 2014 than at the beginning of the 1990s.

Table 3.

Evolution of agricultural areas in Romania during 1990-2014 (thousands of ha)

Type of land/Years	1990	1995	2000	2005	2010	2014
Agricultural	14,769	14,797.1	14,856.8	14,741.2	14,634.4	14,630
Arable	9,450.3	9337	9,381.1	9,420.2	9,404	9,395.3
Grassland	3,262.5	3,392.3	3,441.6	3364	3,288.7	3,272.1
Haymaking fields	1,465.3	1,497.6	1,507.1	1,514.6	1,529.5	1,556.2
Vineyards	277.3	292.4	272.2	224	213.5	209.4
Orchards	313.3	277.6	254.6	218.2	198.5	196.9

Source: After INS, Tempo online database

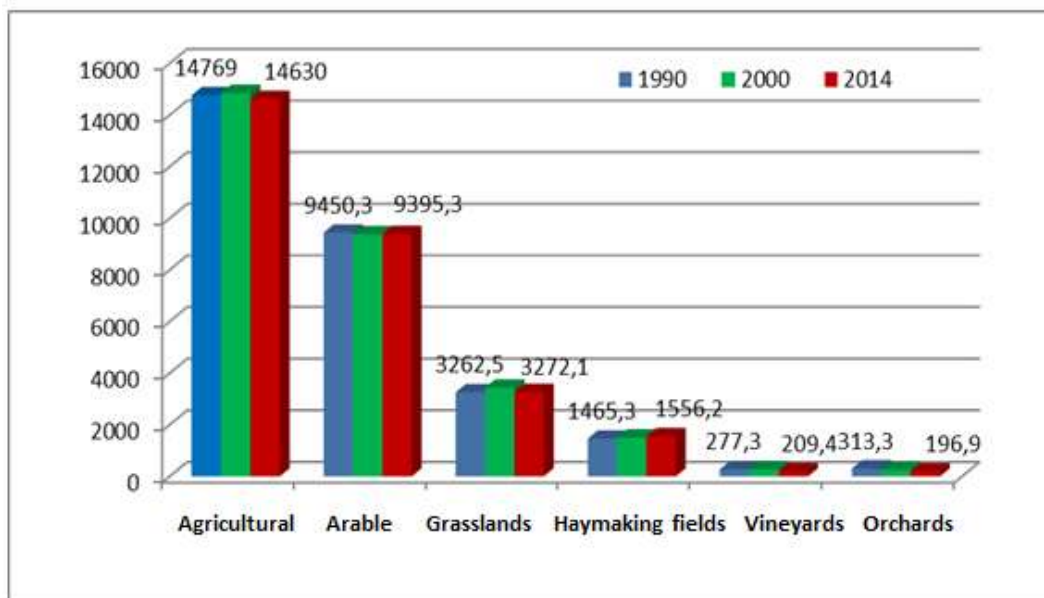


Figure 3. Evolution of agricultural areas in Romania during 1990-2014

Table 4.

Evolution of agricultural areas in Romania during 1990-2014 depending on use category

Use category	Agricultural area (thousands of ha)		Structure %		Agricultural area (thousands of ha)		Structure %	
	2000		2014		2000		2014	
	Total	Private	Total	Private	Total	Private	Total	Private
Arable	9,381.1	9,050.7	63.14	63.66	9,395.3	8940.2	64.22	65.26
Grasslands	3,441.6	3,197.7	23.17	22.49	3,272.1	2,852.2	22.36	20.82
Haymaking fields	1,507.1	1,469	10.14	10.33	1,556.2	1,517.2	10.64	11.07
Vineyards	272.2	261.5	1.83	1.84	209.4	202.1	1.43	1.48
Orchards	254.6	239.2	1.71	1.68	196.9	187.8	1.35	1.37

Source: After www.madr.ro

Private ownership shared the most of the total agricultural area, a positive fact after 1990, when private branches got increasingly important.

As for the total agricultural area used, agricultural land shared 64%, grasslands and haymaking field shared 33.0%, permanent cultures (perennial plantations such as orchards and vineyards) shared 2.78% and vegetable gardens shared 0.22%.

Comparatively, in the EU, arable lands share, on the average, about 60%, grasslands and haymaking fields 34%, permanent plantations 6.1% and vegetable gardens 0.2%.

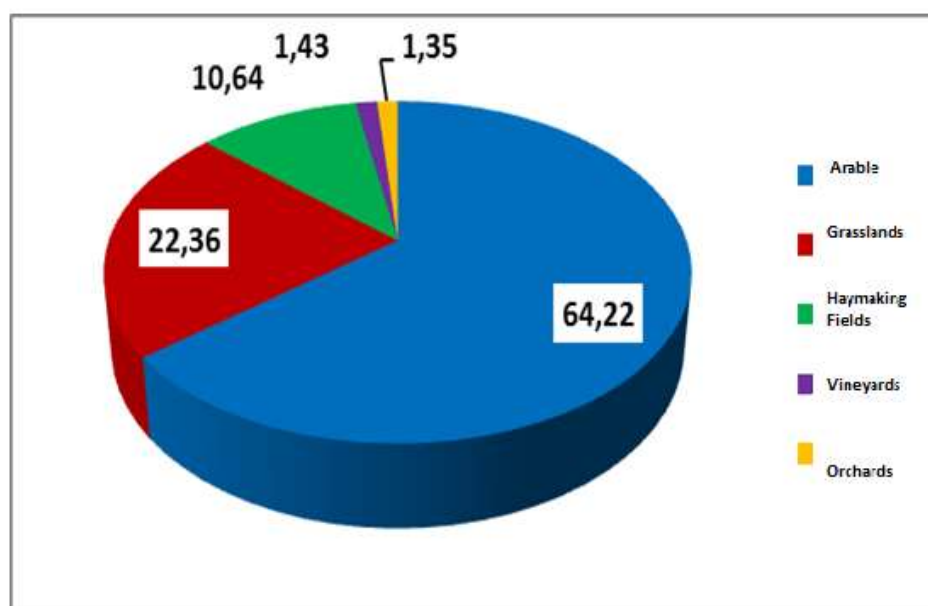


Figure 4. Structure of land fund in 2014

The quality of agricultural and arable lands of Romania is, overall, good and medium. About 65% of the arable land rank as 1st and 2nd fertility areas, which is an important advantage compared to many European countries. This is affected, however, by the ongoing soil degradation process and by the lack of management works [2].

Over 50% of the agricultural area and almost 65% of the arable lands rank as 1st and 2nd fertility class. However, 3rd, 4th and 5th fertility class lands also have advantages, particularly as a background for bio products on some of these lands.

Based on speciality studies regarding agricultural and arable land valuation, Romania's agricultural and arable area is distributed over five suitability areas (Table 5) [2].

Table 5.

Agricultural and arable land areas of Romania per suitability class

Type of agricultural area	Agricultural area (ha)	%	Agricultural area (ha)	%
Total, of which per suitability areas:	14,788,730	100.0	9,338,950	100.0
1. 1 st area (over 81 pts)	3,964,856	26.8	3,454,551	37.0
2. 2 nd area (61- 80 pts)	3,687,857	24.9	2,535,877	27.2
3. 3 rd area (41 - 60 pts)	2,703,759	18.3	1,629,962	18.1
4. 4 th area (21- 40 pts)	2,298,923	15.6	940,047	10.0
5. 5 th area (0-20 pts)	2,133,308	14.4	715,513	7.7

Source: After A.S.A.S.

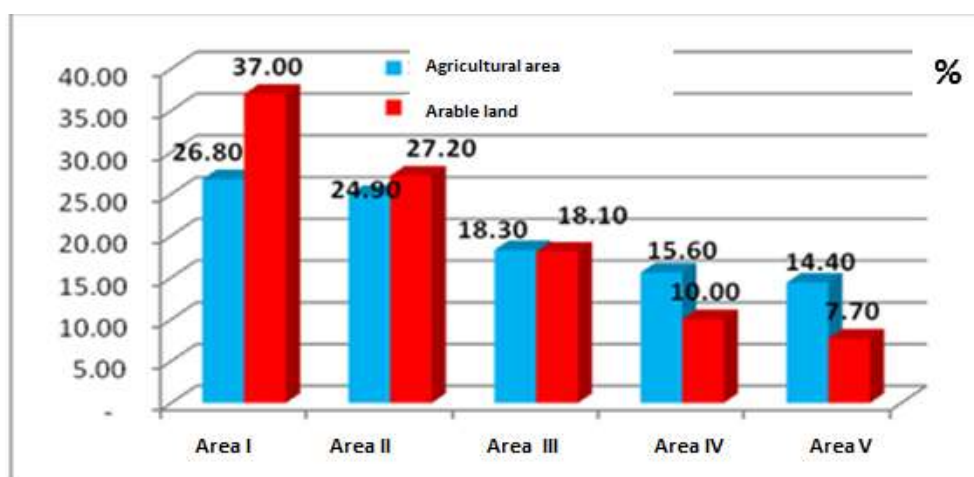


Figure 5. Agricultural and arable land areas of Romania per suitability class

In general, agricultural lands of Romania are among the most fertile in Europe due to the physical and chemical soil elements that influence plant growth: soil texture, humus content, soil reaction, base saturation, salinity, hydro-physic character, etc.

These soil features allow agricultural yields capable of ensuring food security for the population and re-launch of Romanian trade with food products.

CONCLUSIONS

- The analysis of Romania's GDP during 2001-2015 points out that, in 2001, the share of agriculture and forestry was about 13.4% and in 2015 it was about 4.2%. Though the share of agriculture of GDP decrease considerably during the period analysed, it continued to be high compared to EU industrially developed countries, where it is below 2%. In Romania, this explains the low performance of the other economic sectors.
- Romania has important land resources with its 14,630,000 ha of agricultural land of which over 50% are 1st and 2nd fertility areas, i.e. a huge potential for agricultural development.
- The quality of agricultural and arable lands of Romania is, overall, good and medium.
- **Agriculture still remains a basic activity of national economy because it ensures both food security for the population and social balance and stability for the inhabitants of the rural area.**
- The way we use agricultural land resources **challenge the economic development of the agricultural sector** and, implicitly, its ability of playing its social role: **ensuring food security for the population.**

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