

ECONOMIC CHALLENGES IN REACHING SUSTAINABLE AGRICULTURAL GROWTH

ALINA HAGIU¹

MARINELA BĂRBULESCU²

¹ *University of Pitești, Pitești, Timisoara, Romania*

² *University of Pitești, Pitești, Timisoara, Romania*

Abstract: *Agriculture is in the center of attention from several points of view, the most important being the need of providing food for 9 billion people by 2015. The need to increase productivity especially for small producers, to increase market access, reduce risks in field, increase employment in the area, appears in a context where agriculture is facing a number of challenges, the most important being climate change, increasing the market risk and the need for private sector involvement in the provision of agricultural goods. These objectives can be achieved if is invested more in agriculture and a special attention will be given to the links between actions in the agriculture field and the outcomes for economic growth, livelihoods security, the environment, nutrition, and public health. These are items that paper tries to highlight.*

Key words: *agriculture, challenges, investments, strategy, finance*

INTRODUCTION

Agriculture has many features that make possible considering it as a unique tool for development. It can cooperate with other sectors to obtain a more rapid economic growth, reduce poverty and protect the environment.

Agriculture contributes to development as an economic activity (agriculture can be a source of growth of the national economy, a provider of investment opportunities for the private sector or the link between agriculture and non-agricultural) as a means of existence, as a service for environment protection provider, making this sector a unique instrument for development in general. [15]

Agricultural products are very important in the economy and world trade. Although often is neglected, agriculture is an important element for development, an element that not only meet the need for food but also provides the basis for economic growth and industrial development. [18] Is an important factor of employment in rural areas, a key feature of economic growth and an important source of foreign currency for countries that export agricultural products. In international trade, the role and importance of agricultural products has changed over time. The position and role of agriculture has also changed and global flows of FDI . FDI can contribute to the performance of agriculture in many ways, bringing a range of benefits and positive impact on agriculture.

There are many challenges for agricultural development and the access to finance is just one of the answers these challenges need. However, improving access to finance is an essential element in the sector development as many of the investments in agriculture depend on access to financial services. [1] In terms of production, access to finance can help farmers to introduce irrigation systems or other technologies, to finance inputs and marketing costs, to develop activities, not to be forced to sell harvest quickly at low prices, to handle easier seasonal revenue streams through features on deposits or insurance against price fluctuations or yield. [3]

MATERIALS AND METHODS

The research was accomplished from a triple perspective, in which the conceptual methodological approach is correlated to the empirical study and to a variety of references to practical actions aiming the sustainable growth of the agricultural field, based on the current knowledge in the field.

The results expressed in this paper were the result of a quantitative and qualitative analysis of the characteristics, the evolution and the challenges that agricultural field is facing in a context of continuing climate change and growth of world population. We didn't have omitted some strategies taken on the global level to prevent or respond to these challenges.

RESEARCH RESULTS

A. Agricultural financing through FDI

FDI in agriculture can be achieved in several ways, through different activities. Foreign investors may be directly involved in agricultural production by establishing a subsidiary. In addition, they can be buyers of agricultural products or suppliers of inputs in agriculture. Moreover, they can be distributors of agricultural products. [17] The foreign investors share in a country's agriculture can also be achieved through activities such as food processing, wholesale and retail, as well as providing various inputs (equipment, fertilizers, seeds, etc.) [4]

The importance of FDI as a source of funding for agriculture results from the fact that FDI can bring important benefits to agriculture in the host country, reflected by the fact that FDI can:

- Contribute to the flow of capital in agriculture;
- Increase investment and provide financial funds to farmers;
- Contribute to the development of transport infrastructure, water supply, electricity, etc.;
- Support the transfer of technology through the acquisition of modern equipment, research and development;
- Influence innovation in the agricultural system;
- Enhance commercialization and modernization in agriculture;
- Enhance access to foreign markets and promote exports.

These benefits and the potential positive impact of FDI in agriculture are the reasons why financing agriculture through FDI is very important!

B. The Challenge of Sustainable Agriculture

The world needs to produce at least 50% more food by 2050 to feed a projected 9 billion people and this challenge must be met against a backdrop of food price volatility and over-stretched resources, when there is less water and uncultivated land for farming and livestock, and wild capture fishery stocks are decreasing. [2]

Agriculture has also higher vulnerability to climate change than any other sector and that is why Climate-Smart approaches should be supported because they have potential to increase productivity, enhance resilience, and lower our footprint; to promote agricultural innovation through research and education and to facilitate responsible agricultural investment. [5]

In this regard the World Bank elaborated the Agriculture Action Plan for the Fiscal years 2013-2015 in which is maintaining the strategic focus on five key thematic areas to help improving the sustainable agricultural growth via:

- ❖ raising agricultural productivity and its resilience through support to better land and water management and improved technologies, including through CGIAR (formerly known as the Consultative Group on International Agricultural Research) and greater IFC support for critical inputs, such as fertilizer and farm equipment;
- ❖ linking farmers to markets and strengthening value chains through support to improve infrastructure, post-harvest handling, trade, and access to finance;
- ❖ facilitating rural non-farm income through improving the rural investment climate and skills development;
- ❖ reducing risk and vulnerability through support to risk management mechanisms, and greater transparency in food markets;
- ❖ enhancing environmental services and sustainability, including support to manage livestock systems, forests, oceans, and to enhance carbon capture in soils. [13]

Offcourse the implementation of this Plan needs addressing local, national, regional and global governance issues in agriculture, responding to the evolving global context with more emphasis on climate smart agriculture, private sector responses, agriculture risk management, nutritional outcomes, landscape approaches to agricultural production, and governance issues.

C. Economic challenges in reaching sustainable agricultural growth in Romania

Romania faces enormous challenges in achieving its economic and social potential in the agri - food and forestry as well as in the rural areas. GDP per capita is less than 50% of the EU average and significantly lower in rural areas.

In terms of development, rural areas recorded a significant gap compared to urban areas and is characterized by: persistent structural deficiencies (large number of agricultural population, an aging population, a large number of subsistence farms, etc.); low yields and productivity especially in subsistence agriculture; a non-functional land market; a modest export orientation; insufficient investment in research and development; access to services and infrastructure far behind urban areas; low added value of agricultural and food products; continued growth of regional disparities; a high rate of population at risk of poverty and social exclusion; weak entrepreneurial spirit to develop economic activities, reduced access to credit; inefficient public administration; a number of risks to people and the environment exacerbated by climate change, which poses a threat to rural areas and, in general, the national territory.

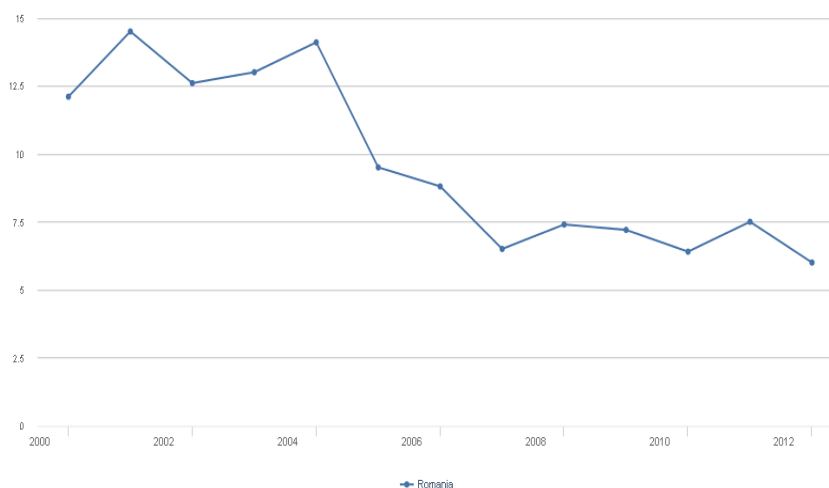


Figure 1. The share of agriculture in GDP in Romania

Source: realized based on Eurostat data

According to Romania's rural development strategy 2014-2020 ([9]), Romania's priorities in agriculture are:

a) fostering knowledge transfer and innovation in agriculture, forestry and in rural areas through:

- ❖ Encouraging innovation, cooperation and the creation of a knowledge base in rural areas;
- ❖ Strengthening the links between agriculture, food production and forestry, on the one hand, and research and innovation, on the other hand, also in order to better manage the environment and an improved environmental performance;
- ❖ Encouraging lifelong learning and vocational training in agriculture and forestry;

b) increasing farm viability and competitiveness of all types of agriculture in all regions and promoting innovative agricultural technologies and sustainable forest management:

- ❖ Improve economic performance of all farms and facilitate the restructuring and modernization of farms, especially in order to increase participation and market orientation as well as agricultural diversification;
- ❖ To facilitate entry into the agricultural sector of farmers suitably qualified and in particular the renewal of generations;

c) Promote a organized food chain, including processing and marketing of agricultural products, animal welfare and risk management in agriculture:

- ❖ Improving the competitiveness of primary producers through better integration in the food chain through quality schemes, increasing the added value of agricultural products, promoting local markets and in short supply circuits, of groups and producer organizations and of interbranch organizations;
- ❖ Support management and risk prevention at farm level;

d) Restoring, preserving and enhancing ecosystems that are related to agriculture and forestry:

- ❖ Restoration, conservation and development of biodiversity, including in Natura 2000 areas, in areas with confronts natural constraints or other specific constraints and in the frame of the agricultural activities of high natural value as well as the state of European landscapes;
- ❖ Improving water management, including the management of fertilizer and pesticides;
- ❖ Prevention of soil erosion and improve soil management;

e) Promote efficient using of resource and support the country transition to a low carbon economy and climate change resilient economy in agriculture, food and forestry:

- ❖ Efficient use of energy from food;
- ❖ Improving agricultural water use;
- ❖ Facilitate the provision and use of renewable energy sources, wastes, residues and other non-food raw materials in order for bioeconomy;
- ❖ Reduction of greenhouse gas and ammonia in agriculture;
- ❖ Promoting conservation and carbon sequestration in agriculture and forestry;

f) Promoting social inclusion, poverty reduction and economic development in rural areas:

- ❖ Facilitate diversification, creation and development of small businesses

- and creating jobs;
- ❖ Encouraging local development in rural areas

CONCLUSIONS

To provide food for adequate nutrition the agricultural system has to produce 50% more food by 2050. This can be achieved only by making more investments in the agricultural sector, and by offering more attention to addressing cross-sectoral linkages between agricultural actions and outcomes for economic growth, livelihoods security, the environment, nutrition, and public health.

This kind of things were addressed in World Development Report since 2008, by consulting a wide range of academics, policymakers, civil society, and international and local organizations from around the world.

More recently, the already urgent need for action in agriculture has been amplified by recurrent spikes in global food prices, increasingly variable climate, shrinking global stocks of key grains in exporting countries and the underperformance of the Millennium Development Goals.

The World Bank tried to respond to these challenges by elaborating the Agriculture Action Plan for the Fiscal years 2013-2015 in which is maintaining the strategic focus on improving the sustainable agricultural growth. These actions had already a certain result because the Bank has already supported longer-term investments, such as in agricultural research and extension, and improved water management with measured progress on irrigated areas (supported about 4.1 million hectares with new or improved irrigation or drainage services in projects approved in 2004-2013), and adoption of new technologies (2.6 million farmers adopted new technologies in 2004-2013). The World Bank Group has increasingly forged partnerships of both sorts to address global issues through: provision of knowledge to help shape debate on global public goods improved coordination of activities and knowledge with global partners; continued consultations across stakeholders; and additional resource mobilization. Some examples include: agricultural production and food security, nutrition, agricultural research, rural finance, marine fisheries, animal diseases, food safety or forestry.

All these are not sufficient. It requires the existence of actions that aim improving economic performance and market access - farms - by modernizing and restructuring them; increase agricultural output quality; stimulating further modernization of processing and marketing units, including diversification, expansion and promotion of agricultural and food production with high added value, and high quality food marks; diversification of agricultural activities that provide opportunities for increasing farm income; development of short supply chains and related infrastructure; supporting cooperation activities including the establishment of short agro-food chains, in order to a more efficient valorification trading of food products on the agri-food markets; improving the environment and promoting sustainable practices in agriculture and in the economy in general; increasing forest area, contributing to the process of adaptation to climate change and reduce GHG emissions (it is estimated that significant areas of land are affected by different soil degradation phenomena being suitable for afforestation); better protection of soil and water resources and integrated management systems (due to the need for sustainability of businesses, jobs, communities and ecosystems); modernization of irrigation systems is another complementary need that will contribute to reducing energy and water waisting and improve the overall efficiency of resources; supporting "fast track" adaptation of farmers, processors and rural communities to climate change by improving sustainable water management and soil protection, which is supported by the transfer of

knowledge, stimulating innovation and adaptation research results to the real needs of the sector; reducing poverty and social exclusion risk, a higher level of education, creating jobs, improving infrastructure and basic services, support for business and expanding local market, preserving and promoting local heritage and encouraging and strengthening local development.

And these are just some of the actions to be taken in order to ensure sustainable growth in the agriculturii.

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