

## AMBIVALENCE OF SEMI-SUBSISTENCE FARMS IN ROMANIA

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**Abstract:** *Large share of farms producing mainly for own consumption makes Romania's agricultural potential being not fully exploited, resulting in chronic deficit of trade with agri-food products, which means a threat for food security from a supply perspective. On the other hand, at the level of household, the value of consumption from own resources in farmer households is approximately equal to their monetary income, highlighting the positive contribution to food security. Thus, it seems that the social role of semi-subsistence farms is still important in Romania, and the transformation of this sector need a complex intervention.*

**Key words:** *semi-subsistence, own consumption, farmer household*

### INTRODUCTION

The duality of the Romanian agricultural sector is one of the great challenges facing the political decision-makers, which is maintained in spite of certain measures targeting agricultural land consolidation and intersectoral labour reallocation. The agricultural land operation structure in Romania did not significantly change in the last decade, featuring the same land fragmentation and extreme polarity, which represent a main constraint to the sector competitiveness increase. In the period 2003-2007, the average farm size in Romania increased from 3.11 to 3.5 ha, which is an extremely slow growth compared to other New Member States, in which the physical size of average farm doubled. More recent data (supplied by the General Agricultural Census of 2010) reveal that the structural changes in Romania were also very small in the next period as well: utilized agricultural area (UAA) per holding was 3.45 ha.

### MATERIALS AND METHODS

This paper attempts to evaluate the contribution of semi-subsistence farms in Romania to the social and economic development of rural areas, analysing together the data of agricultural production self-consumption, as registered in 2010 Agricultural Census and in previous Farm structure surveys, with data reflected social function of small farms, as collected under Household Budget Survey in the period 2007-2010.

The data used for analysis come from the following sources: farm statistics (Farm Structure Survey 2007, Eurostat), Farm Accountancy Data Network (FADN 2009), Household Budget Survey (National Institute of Statistics -NIS 2007-2011), and from other sources referring to agricultural trade statistics (NIS 2000-2011), beneficiaries of direct payments (Payment and Intervention Agency for Agriculture 2010), recent farm structure (General Agricultural Census 2010, NIS), National Program for Rural Development beneficiaries (Payment Agency for Rural Development 2012).

### RESULTS AND DISCUSSIONS

**Subsistence and semi-subsistence agriculture.** Defined as having an area under 5 ha, small farms accounted for 90% of total Romanian farms in 2010, operating 29.7% of the utilized agricultural area (the subsistence farms sized under 2 ha represented 71% of total holdings and operated 13% of UAA, out of which the holdings under 1 ha operated 4.5% of UAA). In 2007, the small farms had the same share, i.e. 90% (the very small-sized farms, under 2 ha, accounted for 65%), which clearly reveals the size and persistence of the subsistence and semi-subsistence farming phenomenon, which is rooted in the modality in

which the post-communist agrarian reform was implemented, as well as in the demographic structure of rural Romania.

Although the total number of agricultural holdings in Romania was down by almost half a million in the last decade, from 4.48 million registered by the 2002 census to 3.85 million according to the 2010 census, it remains one of the highest in the EU countries and reveals the social, subsistence character of a large part of agricultural holdings (Table 1). A significant part of registered farms are merely subsistence holdings: under difficult conditions of economic crisis, 93% of the registered holdings could be considered as semi-subsistence farms, compared with around 80% in 2007. The large part of these farms are in the category of very small farms (with a output of less than 2000 euros).

**Table 1**

**Magnitude of self consumption by economic size of farm in Romania**

Standard output (in euros)	Total number of holdings		Holdings with more than 50% of production self-consumed by the holder	
	2007	2010	2007	2010
<b>Total</b>	3,931,350	3,859,040	3,172,280	3,589,530
<b>Zero euros</b>	85,830	99,840	72,120	81,530
<b>Less than 2 000 euros</b>	2,556,660	2,716,620	2,209,790	2,593,360
<b>From 2 000 to 3 999 euros</b>	778,820	602,470	599,570	567,880
<b>From 4 000 to 7 999 euros</b>	374,670	313,000	240,320	276,730
<b>From 8 000 to 14 999 euros</b>	91,050	78,460	40,600	55,850
<b>From 15 000 to 24 999 euros</b>	23,380	22,240	6,620	10,030
<b>From 25 000 to 49 999 euros</b>	10,860	13,370	2,390	3,210
<b>From 50 000 to 99 999 euros</b>	5,130	6,450	710	690
<b>From 100 000 to 249 999 euros</b>	3,120	4,120	150	200
<b>From 250 000 to 499 999 euros</b>	1,140	1,450	20	40
<b>500 000 euros or over</b>	700	1,010	10	20

Source: Eurostat

The picture can be completed from the perspective of agricultural holdings capacity to generate income: at the end of the year 2007, 78% of the total number of 3931 thousand farms in Romania were under the threshold of 1 ESU (European Size Unit, equal to 1200 euro), while in EU-27, the share of these subsistence entities reached 46.7%. In fact, their absolute number has been preserved in Romania's agriculture throughout the time, even though their share increased compared to the year 2005, when they accounted for 71% of total holdings.

**The deficit of Romanian agri-food trade.** The agri-food commodities (Chapters 1-24 in the harmonized system of the tariff nomenclature) accounted for 9% of the value of Romania's exports and 8.1% of that of imports in 2011. The trade deficit in these products continuously increased in the period 2000-2007, and in the second year after the accession it began to decrease. Since its accession to EU, Romania has gradually diminished its deficit in relation to the other member states. However, the trade structure has not suffered significant changes: the exports of unprocessed or primarily processed production still represents about 70% (live animals, cereals, oilseeds, tobacco, fats and vegetable oils), i.e. products that exceed the Romanian consumers' needs and for which Romania has not developed yet a processing industry. As a result, the imports consist of meat, milk and cheese, different preparations, vegetable protein (soybean) and animal feeds, alcoholic beverages, coffee, cocoa, sugar, fruit and vegetables. It is estimated that more than 30% are

products that could be obtained in Romania: meat and meat preparations (accounting for over 10% in total value of imports), wheat, flour and bakery products and pastry (with 7%), fresh fruit and vegetables (3-4%), vegetable protein used as animal feed: soybeans, soybean oil cakes and combined feeds (6%).

**Household consumption in farmers' households.** The main function of (subsistence and semi-subsistence) small farms is to ensure a certain social protection for the rural people whose pensions are not sufficient for a decent living. The semi-subsistence farms have a role of social buffer, which enabled Romania to go through the difficult period of the 1990s without social disturbances, when the deindustrialization resulted in premature unemployment that found attenuation in the subsistence farming practice. In addition, these farms contribute to Romania's food security, if we take into consideration the high share of self-consumption on the rural holdings. Thus, according to the Household Budget Survey 2009, on the rural households, about 66% of total food consumption expenses are represented by the value of self-consumption. That is why it is considered that small farms have an important social role in Romania, although they represent a constraint to the development of high productivity agriculture.

Regarding the income sources in farmers' households, between 2007 and 2010 half of the incomes are represented by equivalent value of own resources, compared with less than 20% for all households. In the case of farmers, around 45% of own resources consumption mean food products (Table 2).

Table 2

**The structure of farmer's households income in Romania**

	2007		2010	
	Total households	Farmer's households	Total households	Farmer's households
<b>I. Total income, out of which</b>	1686	1281	2304	1672
<b>I.1. Monetary income, out of which</b>	1368	661	1932	941
<b>Income from agriculture</b>	48	263	64	413
<b>I.2. Income in kind, out of which</b>	317	620	371	731
<b>Equivalent value of own resources</b>	266	601	327	711
<b>Equivalent value of food products</b>	158	271	199	330

Source: National Institut of Statistics

High percentage (over 50%) of food expenditure in total consumption expenditure of households of farmers show a low level of their economic welfare, compared to the national average of the share of food expenditure situated around 40% (Table 3).

Table 3

**Contribution of self consumption to food expenditure of farmers' households**

	2007		2010	
	Total households	Farmer's households	Total households	Farmer's households
<b>Share of food expenditures in total consumption expenditure</b>	41.7	56.5	41.0	53.8
<b>Share of equivalent of food products from own resources in food expenditures</b>	31.9	56.1	30.4	52.5

Source: National Institut of Statistics

**Farm structure adjustment after 2013.** Under the new CAP reform, the current decade may herald a farm structure adjustment in Romania, partly funded by the new rural development program that is to be defined by 2014. The specificity of the upcoming program is that some of the instruments that were typical for restructuring are no longer part of the CAP-funded options: such is the case of early retirement, which disappears

from among the farm transfer alternatives. However, there is an alternative mechanism for those who wish to exit agriculture, under the Small farmers scheme. It is an ambivalent mechanism - because on the one hand, it enables small farmers to remain in the direct aid system by reducing their administrative obligations -, on the other hand, it allows them to leave agriculture and exit the payment system permanently, in exchange for a compensation of 120 percent of the direct aids received under the Scheme, all through the multi-annual funding - that is, starting with 2015 at the earliest and ending with 2020.

## CONCLUSIONS

Economic and social developments in recent years, under the influence of economic and financial crisis has called into question the standard model of agricultural development oriented to increasing the size of holdings and production yields, recognizing more and more the role of small farms in combating food insecurity, especially in rural areas.

Although during European integration process, Romanian agriculture has brought significant changes, especially by investments, financially supported by European funds, semi-subsistence agriculture continued to have an important contribution to household consumption and especially for farmers' households.

In this context, the proposal to reform the CAP, which includes a special scheme for small farmers, is a pragmatic approach that recognizes the social role of semi-subsistence farms, enabling them to remain active in agriculture, but that does not prevent adjustment agricultural structures if farm owners are considering the option of exit from farming.

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