

INTEGRATION OF IMPACT ON AGRICULTURE

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Abstract: *Agriculture is an activity that is different from other economic activities because, on the one hand farming is conditioned by biological evolution of plants and animals with direct implications on financing systems, on the other hand it provides food security of the population, which requires a specific approach to financing the activities of public funds. Knowledge of national and EU funding programs for agriculture and rural development, advantages and constraints that apply to CAP uniform throughout the Community, the requirements of the new CAP reform in line with market developments, are issues that require constant adjustment of management actions, circumscribed ultimate goal of all activities, namely increasing the value of farms and therefore farm income.*

Key words: *agriculture, integration, holdings, the European Union, the Common Agricultural Policy.*

INTRODUCTION

Agriculture is the main economic activity Romania given rich endowment with specific inputs. This means that, at least in the medium term, agriculture will remain an important branch of the Romanian economy.

MATERIALS AND METHODS

Documentation work was to use data from national statistical publications and, in association researches which led to the analysis and conclusions in the paper.

RESULTS AND DISCUSSION

In 2007, Romania's accession to the European Union, marked a new era in agriculture and rural economy of our country. In this context, Romania should quickly adapt agricultural economy and rural development in order to integrate into the EU internal market and fully adopt the Common Agricultural Policy (CAP).

EU accession is probably the strongest pressure for rapid reform of Romanian agriculture and rural economy, given the need to integrate successfully in European rural economy.

The European model of agriculture based on a competitive sector, market-oriented, performing also other public functions such as protecting the environment, providing more convenient residential settlements for rural population and the integration of agriculture with the environment and forestry. CAP moves its focus from direct subsidies to agriculture (first pylon of the CAP) to the integrated development of the rural economy and to protect the environment (pylon II of the CAP). [5]

Romanian rural economy dominated by agriculture largely remains poorly integrated into the market economy. In today's market economy, how understanding and application of marketing techniques depends on the wellbeing of rural and urban, and welfare of farmers.

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Knowledge of national and EU funding programs for agriculture and rural development, advantages and constraints that apply to CAP uniform throughout the Community, the requirements of the new CAP reform in line with market developments, are issues that require constant adjustment of management actions, circumscribed ultimate goal of all activities, namely increasing the value of farms and therefore farm income.

Information cropped, long absence of any information and clarification from the authorities on the impact of EU accession on rural households have induced a certain state of psychosis, which caused and continues to cause concern among rural residents about their chances of survival in Community agriculture.

Most of the myths constructed and launched by some „benevolent”, such as the inevitable disappearance of subsistence farming, processing millions of unemployed farmers, clearing vines, removing the traditional Romanian products on the market, the closing of slaughterhouses and dairies, a better life for animals than for humans, and many others like it have no connection with the Common Agricultural Policy.

The first evidence is the fact that, following negotiations in Brussels, the Romanian agriculture from the EU's largest financial support to countries that joined the European Community. The only restrictions are those related to health food for market conditions that, in fact, aim to provide nourishment population of the highest quality and free from any contamination.

Common Agricultural Policy (CAP) is designed subsistence farms (producing solely for own consumption), but farms that produce and market that financial support to become viable.

Romanian rural economy is the dominant feature large percentage of subsistence farms that produce mainly for own consumption, selling on the market only products obtained by chance. In addition, subsistence farming difficult access to other sources of income and thus welfare of a significant proportion of the rural population depends greatly on the level of profitability.

For a given financial support enjoyed even subsistence farms operating more than one hectare of arable land, without being imposed what and how to cultivate. [5] Therefore, the wisest thing is that landowners to join or to rent land, because otherwise they can not survive in a country that will fundamentally different from today's. Massive investments allocated to rural development will result in increased general welfare.

To encourage conversion of farms into family farms, commercial, building and strengthening the middle class in rural areas, have been taken to support investment in rural areas, encouraging their participation and skills development banks to lend to agriculture.

In the years 2007-2009 was used for energy crops payment scheme in accordance with CAP strategy.

In the living-coming focus is on program support through menus Community funds (EAGF) with an annual financial allocation of EUR 42.1 million in 2009-2013 for the following measures: *Restructuring and conversion of vineyards; Ensuring harvest vineyard; Use of concentrated must to raise the alcoholic strength of wine; Promotion of wines on third country markets.*

On 1 January 2008, entered into force new rules on the common organization of the market in fruit and vegetables sector. Beneficiaries are forms of community support groups and producer organizations. Producer organizations receive up to 4.1% of the value of marketed production based on approved operational program. Producer groups receive

more than 100 thousand euros depending on the value of marketed production and 75% of the investment in technical means to improve the conditions of collection, storage, packaging and marketing. In accordance with Community legislation Romania currently has 12 Producer groups and producer organizations recognized.

Have been made for subsidies to farmers in the livestock and fisheries and benefits for conservation programs and use of animal genetic resources in critical, endangered and vulnerable. Thus, we have awarded grants to improve the quality genetic material used for the first calving heifers, gilts, produced calves, sheep, ewes and rams, depending silkworm production in traded goods subject to fulfillment of breeding and performance criteria productive breeding.

Achieving equilibrium between the plant and animal is a goal of Romanian agriculture. It aims to increase and improve livestock breeds for meat and milk. It aims to increase areas under fodder crops and animal protein designed to improve yields, in turn, encourage the development of agro-processing units. [5]

Romanian agriculture support during the transition and accession to the European Union underwent significant changes in terms of economic and financial instruments used, is strongly influenced by the agricultural policies of the governments in power, as in all stages pretty complicated and unstable. In fact, the support system has been rewritten every year, with additional changes introduced sometimes in the same year.

Failure of the agriculture support in the early stages of transition was determined by the slow process of making economic reform and training proper functioning of agricultural structures.

Inconsistency, lack of a strategy agreed by all political forces of the country, changing priorities in the allocation of financial resources with the change of governments which succeeded to power led to an enormous waste of scarce financial resources in the budget anyway.

Along with dedicated funding sources, particularly important in agriculture is the source of funding grants, awarded by public funds (national budget and/or the Community budget). [1, 5]

The EU regulatory framework has EAGF is created by the Treaty establishing the European Community, Title II "Agriculture" Council Regulation (EC) no. 1290/2005 of 21 June 2005 on the financing of the Common Agricultural Policy.

According to Council Regulation (EC) no. 1290/2005, the CAP objectives set by the Treaty and appropriate measures to finance this policy are created: the European Agricultural Guarantee Fund (EAGF) and the European Agricultural and Rural Development (EAFRD).

From 1 January 2007, replacing Fund EAGF and EAFRD European Agricultural Guidance and Guarantee Fund (EAGGF), Guarantee Section and follow the guidelines.

In Romania EAGF is managed by the Agency for Payments and Intervention in Agriculture (APIA) operates under the Ministry of Agriculture and Rural Development in the Law 1/2004 with subsequent amendments. The institution has the structure: a central, 42 district centers and 210 local centers.

From 1 January 2007, APIA carried European funds to implement support measures financed by the European Agricultural Guarantee Fund (EAGF).

Through a Memorandum signed on May 9, 2005, the Romanian Government decided on the application of the single area payments since January 2007. Romania, as a member of the SAPS applied for a period of three years, with the possibility to request two extensions of one year each (total of 5 years SAPS). Envelope for direct payments in 2007 was 440 million Euros. In the following years gradually increasing amounts. Amount received per hectare of Romanian farmers is calculated as the ratio between the total

amounts of direct payments in that year and utilized agricultural area (ie eligible area under the action of recording). [7]

Eastern countries that joined the EU in 2004 and 2007 entered a payment scheme differs from the old members of the Union. Successive reforms of the CAP have made European farmers receive annual fixed amounts take into account the historical criteria (as received in the past). Eastern Europe joined after the scheme had already been reformed, each entrant had previously subsidizing their own agricultural policies so that historical criteria could not be applied. The solution was found in subsidy payments area: Eastern European farmers receive money depending on the area owned (not necessarily grown, but maintained in good agricultural condition). In addition, the scheme was designed so that subsidies from the East to gradually adjust to the West, from a level of 25% on payments from the old Member States.

Table 1

The gradual alignment of subsidies to EU-15

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Romania -% subsidy from the EU-15	25	30	35	40	50	60	70	80	90	100

Source: APIA data;

Modulation is a means of budgetary transfer of money from Pylon I (direct farm subsidies) to the second pylon (rural development).

Modulation is mandatory since 2005 in all the old Member States, applying for farms receiving payments over 5000 euro/year. In 2005 the rate of modulation was 3% in 2006 to 4% and 5% during 2007-2009. Under the new provisions of the EU Council budget since 2010 has been an increase of modulation in four steps.

Regarding the application of modulation in the new Member States, they will apply modulation in 2012 (EU-10), and Romania and Bulgaria are exempt from modulation until 2013 inclusive, following the post-2013 financial perspective to be negotiated in the future.

Source of funding support is provided from the state budget within approved budgetary provisions by the Ministry of Agriculture and Rural Development.

In 2007, only half of the total numbers of farmers have submitted documentation to farm records to obtain direct subsidies from the EU. [6, 7]

Table 2

Farm structure by size class, eligible SAPS in 2011

Surface (ha)	Number of holdings (thousands)	(%)	Eligible area (thousand ha)	(%)
	1-2	367,5	32,8	534,1
2-5	529,4	47,3	1645,9	16,8
5-10	148,7	13,2	992	10,1
10-20	37,5	3,3	498,7	5,1
20-50	17,7	1,6	561,5	5,7
50-100	6,4	0,6	454	4,6
Over 100	12	1,1	5101,8	52,1
Total	1119,2	100	9788	100

Source: processing by press release of 6 March 2012, INS

Pooled data from the Agency for Payments and Intervention in Agriculture - APIA, who in 2007 paid for subsidies per hectare farms shows that there were 1,132,912 farms registered in the Register of farms, from an estimated number of **2,130,104 holdings**.

In light entered the surface, the situation is even worse: registered holdings totaling 6.44 million hectares, 44% of the total farm area of **14,349,568 hectares**.

Romania received in 2007 of 440 million euros, direct subsidies per hectare of agricultural area and the amount was divided by the number of hectares of farms registered with. Enrolled less meant a greater amount per hectare so that in 2007, the amount per hectare ranged between 30 and 70 Euro, after many farmers have signed up. In the first three years responsibilities money per hectare, regardless of culture and production recorded after three years amounts allocated from EU funds are allocated on the farm, depending on output. Amounts allocated to increase gradually, so that in 2013 to reach the average of the European Union, where the subsidy reaches, on average, 200 euros / ha (table 3). [6]

Single area payment scheme is to provide a uniform amount per hectare payable once a year, the total production disengaged.

Source of funding for payments under the single area payment scheme shall be provided from the European Agricultural Guarantee Fund (EAGF).

The analysis of agricultural holdings by size classes eligible SAPS following **results:**

- Holdings between 1 and 10 ha represent 93.4% of the total number of holdings and occupy 32.4% of the eligible area;

- Farms between 10 and 100 ha is 5.5% of the total number of holdings and occupy 15.5% of the eligible area;

- Farms over 100 hectares is 1.1% of the total number of holdings and occupy 52.1% of the eligible area. [7]

The existence of a large number of small farms into large farms reveals parallel structural imbalance that affects agriculture in our country and its competitiveness.

Table 3

Farmers receive subsidies during 2007-2016

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Sum (Euro)	50,55	60,75	71,12	81	101,25	121,5	141,75	162	182,25	202,5

Source: Agency for Payments and Intervention for Agriculture;

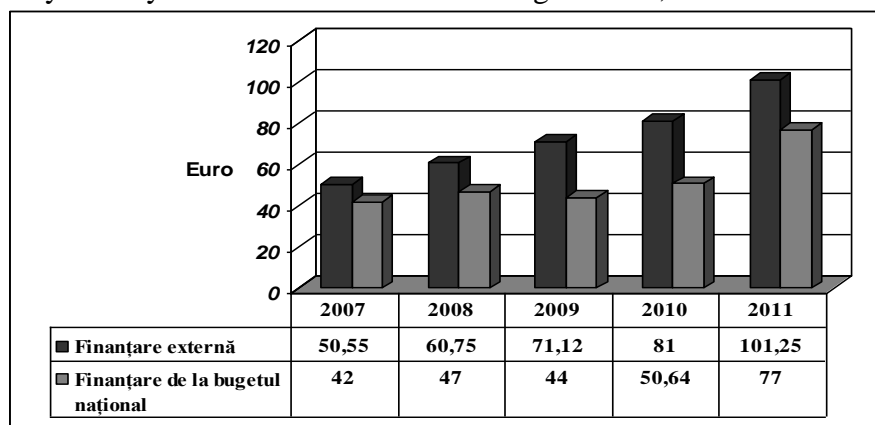


Figure 1. The amount of payment per hectare

Source: Agency for Payments and Intervention for Agriculture;

In the distribution area subsidies Romania in the size of holdings, there is a strong concentration of payments very large farm category. Thus, in 2008, 0.2% of farms (those over 500 ha) took 30% of CAP subsidies allocated to Romania. If we include farms of 100-500 ha, that 0.9% of farms received 51% of the subsidies. Figures for 2007 show a similar situation, and in 2009 centralizing requests made by PIAA gives a similar distribution. Obviously, the percentage statistic is influenced by extreme fragmentation of land from

category 1 to 5 ha, but we must not forget that while this statistic does not include the 2.6 million households with more than 1 ha. [7]

If the countries that joined the EU in 2004, the first five years of implementation of the Common Agricultural Policy was generally considered a major success for Romania this is not at all obvious. Three years after accession agro-food sector situation has not improved substantially in any respect, although certain signs (weak) of a rapprochement to the European model of agriculture are visible. However, the main characteristics of Romanian agriculture remained the same in the pre-accession:

a) *high share of employment in agriculture, due to the subsistence nature of activity in most of the households;*

b) *low representation of commercial family farms, agricultural land is used mainly by large numbers of small individual farms and a small number of very large farms;*

c) *the agricultural sector received large sums from the EU budget and the national budget had little impact on the technical and economic performance of farms.*

Against this background of underdevelopment of the Romanian agricultural sector, CAP can not compensate for the lack of a national vision on the role of agriculture in economic modernization of Romania. Moreover, the main concerns of the Romanian administration during the last three years were to implement European regulations (quite sophisticated) to the absorption of EU funds for agriculture, rather than to develop some programs to transform the agro-food sector and rural areas. It takes our vision of agriculture that go from the reality of the two sectors-subsistence/agro-industry-and to join the PAC. Romania also needs to be an active participant in the debate on CAP reform proposals and seek allies for serving the best structure of Romanian agriculture.

CONCLUSIONS

Information cropped, long absence of any information and clarification from the authorities on the impact of EU accession on rural households have induced a certain state of psychosis, which caused and continues to cause concern among rural residents about their chances of survival in Community agriculture.

In terms of ownership of farms, agriculture proves business with the highest degree of privatization, which is a strong point in the process of accession to the EU agricultural structures

In terms of size of agricultural areas incumbent on a private farm, agriculture is characterized by excessive fragmentation of land ownership, subsistence households are dominant, which is a limiting factor of the competitiveness of this sector, compared with members EU.

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