

## **PECULIARITIES OF THE ROMANIAN AGRICULTURAL SECTOR IN THE CURRENT PERIOD**

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**ABSTRACT:** *In recent years, the Romanian economy is part of the economies in Europe with notable economic growth. It is the economy where the industry plays a major role but also has great potential in the agricultural sector due to favorable natural conditions. Agriculture plays an important role in Romania, relative to the size of the rural population and to the primary natural resources they own. However, there are major differences between rural and urban areas, the former being marked by a significantly higher level of poverty and a correspondingly lower living standard. The development of agriculture and the provision of public goods in rural areas is therefore essential for Romania's economy and for achieving the objectives of social cohesion. Compared to other EU countries, the Romanian agricultural sector has a relatively high share in gross added value but has lagged behind in terms of labor productivity.*

**KEY WORDS:** *primary sector, agriculture, agricultural policy, competitiveness.*

**JEL CLASSIFICATIONS:** *Q10, Q17.*

### **1. INTRODUCTION**

The role of the primary and general sector and of agriculture in particular is an indisputable one. The agricultural sector is in close connection with other sectors of the economy, especially with the industrial sector and contributes to economic development. Over time, the agricultural sector has evolved and can be characterized by three stages: the first stage addresses the preconditions for agricultural development - which relate to the improvement of the land structure, access to the consumer goods market, information on available techniques; the second step is to increase the efficiency of agricultural production processes by spreading innovation "labor

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intensive" and "saving capital"; the third and final phase of the evolution of agriculture is characterized by "intensive capital" and "labor saving" technology. This phase is that of the industrialization of agriculture.

A process of structural transformation is taking place globally as a result of the emergence of new global challenges with a long-term effect, which require a strategic vision in the field and concrete actions by the competent authorities. The growing global population, increased pressure on natural resources and global warming are creating a new framework at national and international level. In Europe, the aging process is also an additional challenge. All these aspects will have profound implications for agriculture and rural areas.

World food demand is on the rise, increased urbanization, rising input prices, pressure on water resources and growing crop and animal vulnerability to climate change will limit food production. It is forecast that global demand for food will increase by 70% by 2050 as a result of the growing population and increased revenue. Developing countries will contribute most to this trend, with their demand for food to double in the coming years. For the agri-food sector, these issues are both an opportunity and a challenge. Growth prospects for the agri-food market constitute a significant advantage for farmers around the world. However, imperfect market infrastructures and socio-economic vulnerabilities in the most densely populated areas of the world are expected to increase food insecurity. In addition, world agricultural systems will increasingly face the negative effects of climate change (changing rainfall patterns, extreme weather phenomena, water shortages) as well as price volatility. On the other hand, increasing agricultural productivity can be achieved through investment, research and innovation, good agricultural practices and adequate public policies.

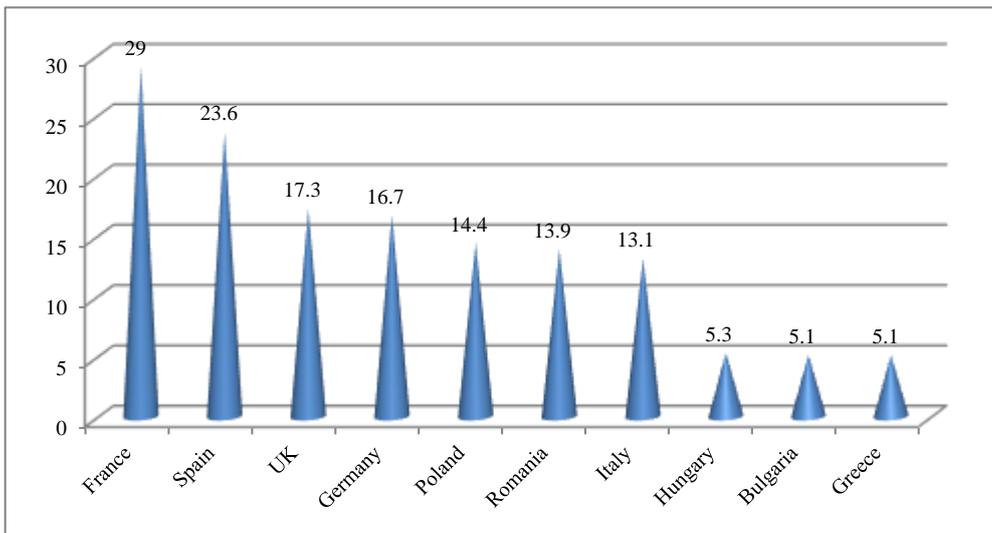
Although agriculture has always focused on food security and has been a positive engine for economic growth, the growing concern of the environmental society in recent decades has affected global agricultural policies. Consumers have become more and more concerned with the environmental sustainability of agriculture. The desire to know where the food comes from, how it was produced, and whether farming practices respect the environment are just some of the demands of today's consumers.

## **2. CHARACTERISTICS OF THE ROMANIAN AGRICULTURAL SECTOR IN THE EUROPEAN CONTEXT**

Agriculture was the main component of the primary sector in all Member States. According to the national accounts around 10 million people worked in agriculture in the EU-28 in 2015 and accounted for 4.4 % of total employment. Almost three quarters (72.8 %) of the agricultural workforce in the EU-28 was concentrated in seven countries: Romania, Poland, Italy, France, Spain, Bulgaria and Germany. ([https://ec.europa.eu/eurostat/statistics-explained/index.php/Farmers\\_in\\_the\\_EU\\_-\\_statistics](https://ec.europa.eu/eurostat/statistics-explained/index.php/Farmers_in_the_EU_-_statistics)). Agriculture plays an important role in Romania, relative to the size of the rural population and to the level of employment. About 45.7% of the Romanian population lives in rural areas, compared to about 23.6% in the EU member states.

About 30% of the population is engaged in agriculture, compared to about 2% in the old Member States (EU-15) and 3-14% in the new Member States (EU-8). But at our country there are major differences between rural and urban areas, the former being marked by a significantly higher poverty level and a correspondingly lower living standard.

Romania ranks 6th in terms of the agricultural area used in the EU countries, with about 13.9 million hectares in 2013, after France, Spain, Great Britain, Germany and Poland – Fig. no.1



Source: Eurostat

**Figure 1. Top ten EU countries by agricultural area used (million hectares, 2013)**

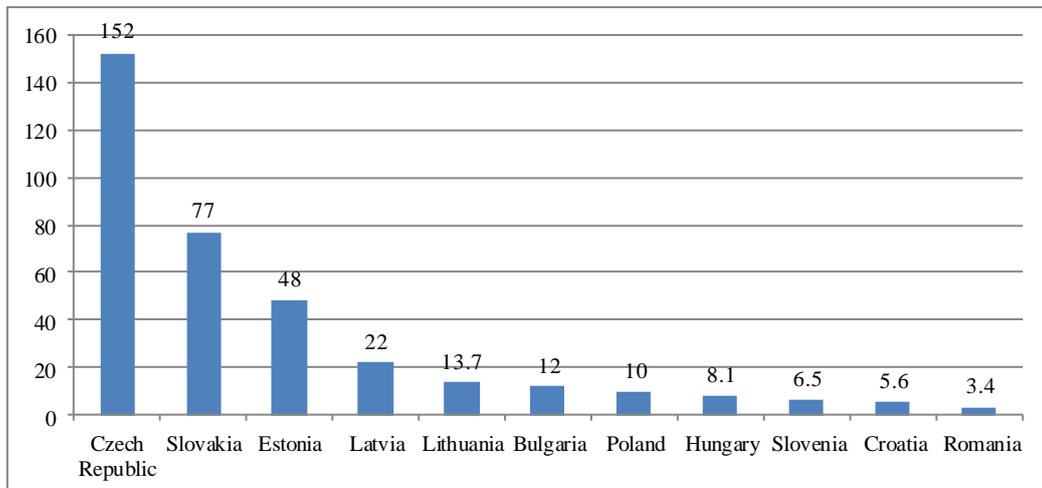
Of the total agricultural land used, more than half represents cultivated arable land, with an important share of cereal crops. Other uses of the agricultural area used include livestock, pasture, hay, etc.

At EU level, the Common Agricultural Policy (CAP) favors mass production and industrial agriculture, a model to which agricultural systems in Eastern Europe should also rally. There are three versions of modern agriculture in the EU:

- German model, with large farms;
- The model centered on support for small producers;
- A model aimed at coexistence of intensive industrial production in regions that allow this and which can add value to products on world markets, alongside small farms operating in more difficult conditions, but can provide high-quality goods in local markets.

The image of contemporary Romanian agriculture does not fully correspond to any of the above models, being structurally different from the rest of Europe. In fact, Bulgaria and Romania are characterized by a "historic" absence of medium-sized family farms due to the communist tradition and legacy. Romania suffers from one of

the most pronounced structural divisions of agricultural land between all EU Member States and, in particular, from the new Member States. Of the new Member States, Slovenia has the largest percentage of its arable land cultivated by many small farms. Romania, Croatia, Poland, Latvia and Lithuania have relatively evenly distributed land between different categories of farms, but Romania stands out due to the lack of a middle class. Hungary, Estonia, Bulgaria and to a certain extent Slovakia have more than half of their agricultural area cultivated by farms over 100 ha, but all hold a relatively large number of small farms. Instead, the Czech Republic is characterized by the most productive agricultural production oriented to large scale farms - Fig.no. 2.

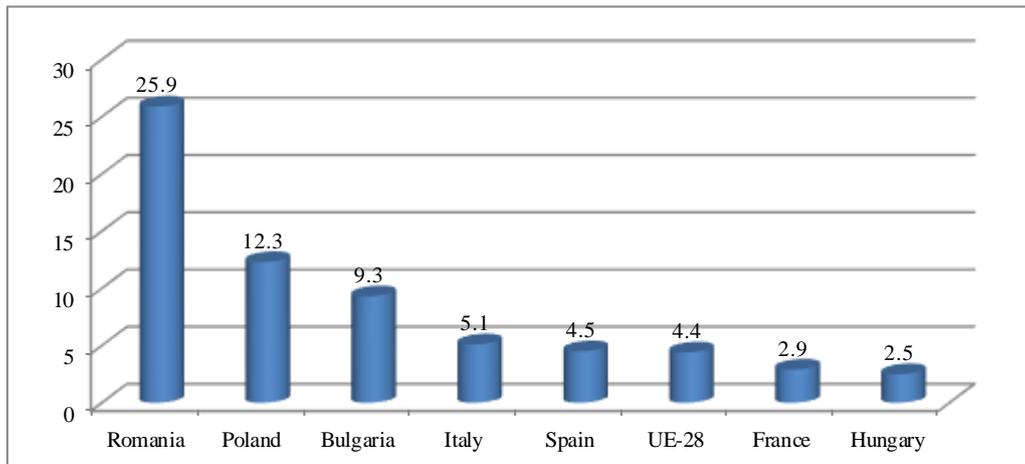


Source: Eurostat

**Figure 2. Agricultural holdings according to the average size of the farm (hectares)**

Romania has certain structural characteristics similar to those of the agricultural sectors of the other EU Member States, but it is unique in terms of the size of the gap between the category of farms and small farms and the prevalence of subsistence / semi-subsistence farming. As far as the share of the employed population in agriculture is at the level of the European Union, it is around the average of 4.4%, with higher percentages in the countries of Central and Eastern Europe, while in the Western European countries the share of the population in agriculture is below the European average.

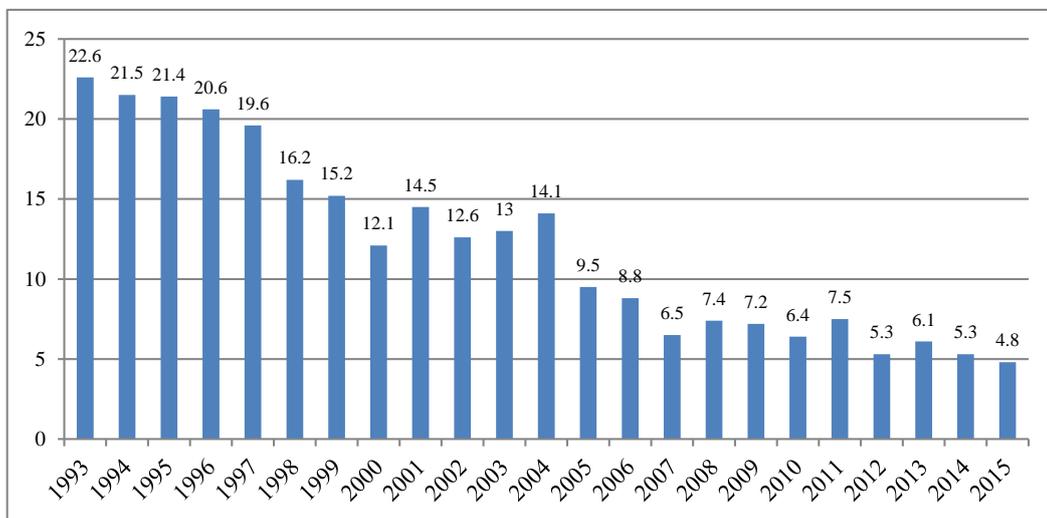
The countries with the largest number of employees in agriculture are the ones with the highest gross added value generated at the worker level. In Romania, however, the vast majority of agricultural workers fall into the category of non-salaried staff (patrons, self-employed workers, unpaid family workers and members of co-operative associations). All this leads to the fundamental problem facing the Romanian agriculture, namely the low productivity of labor and implicitly the relatively low yield of agricultural production.



Source: Eurostat

**Figure 3. Share of the employed population in agriculture (% of the total employed population)**

In the aftermath of the fall of the communist regime, Romanian agriculture has undergone several changes that can be highlighted by the analysis of the gross added value (VAB) share of the agricultural sector in gross domestic product (GDP).



Source: National Institute of Statistic

**Figure 4. Evolution of VAB share of agriculture in GDP (%)**

Despite the natural agricultural potential of our country, as can be seen from the above figure, the share of the agricultural sector in GDP has suffered considerable reductions over the last two decades. In 1993, the VAB share of the agricultural sector was 22.6% of GDP, and at the end of the analysis period it fell to 4.8%. This development is largely explicable by increasing the importance of industry and the service sector in the national economy as a whole, as well as poor technologies and low labor productivity in the agricultural sector.

Even under current productivity conditions, Romania is one of the main exporters of corn and wheat worldwide, due to the size of the available agricultural area. Thus, our country ranks thirteenth in the top of the world's largest maize producers, finding a net grain exporter. Romania holds the second most favorable position among the world's largest maize producers among EU economies, France being traditionally the largest corn producer in the EU. Romania is at the same time the third player on the Black Sea corn market after Russia and Ukraine.

### **3. LIMITS AND PERSPECTIVES OF THE ROMANIAN AGRICULTURAL SECTOR**

Considering the generous agricultural area available to our country, the high land use rate but a reduced share of VAB in GDP, we can deduce that there are a number of limiting factors. First of all, we can consider the fragmentation of agricultural holdings - Romania suffers from the most serious fragmentation problem in agriculture among all countries of the European Union and has an average holding size similar to Malta or Cyprus, two countries with a very small overall size. Almost 75% of the farms in Romania are under 2 hectares and farms with a size of more than 100 hectares represent only 0.5% of the total, but they exploit 49% of the agricultural area. Here we can take as an example country with high yields on agricultural production that have concentrated their agricultural potential on farms over 50 hectares - which offers them advantages such as economies of scale, the ability to attract trained farmers, easy access to finance and, implicitly, fast.

Secondly, we must take into account the age and level of training of farmers. The labor force in the Romanian agricultural sector is of an advanced age and an inadequate level of training compared to that of other European countries. This may result in a reluctance to change, to the adoption of new technologies, to innovation. According to the European Commission data, an overwhelming majority of 96.4% of Romanian farmers said they learned their agricultural skills strictly on the basis of practical experience. Another problem characteristic of the Romanian agricultural sector in terms of human resources is the fact that there is no clearly defined professional status of the farmer. This has strong implications for tax and social security and health care.

Another weak point of the Romanian agricultural sector is the low level of capitalization. This modest capitalization can be attributed to a low degree of technology of agricultural holdings in Romania. Less than 2% of holdings in Romania have a tractor - one of the basic technological facilities in the agricultural field, as opposed to 84% of the holdings in the Czech Republic. At the same time, many

agricultural holdings are working with already depreciated or bought second-hand machines. The lack of a modern machinery and equipment park is a major obstacle and will not be able to achieve the European average yield without massive investment in state-of-the-art agricultural technology. There is no need to neglect the storage of agricultural products, which in many cases are inappropriate for efficient use.

Another problem facing the Romanian agriculture is tax evasion. The field of agriculture in which this type of tax evasion manifests most strongly is the sale of primary agricultural products, especially cereals and fruit-vegetables, as the producer sells production directly from the field and it reaches the final consumers through intermediaries to a several times higher, and the amounts are not declared.

Agriculture is also strongly affected by the phenomenon of non-legal work, but this is harder to quantify, as subsistence agriculture and unpaid family labor are widely practiced. Many agricultural activities are occasional and they can not be hired by workers with an individual contract of permanent work. These activities need unskilled labor only occasionally at different times of the year and should be done by employing day-laborers. Day workers who work in agriculture are part of the most vulnerable social category and are at the same time beneficiaries of social benefits paid by the state. In many cases, although hiring daytime workers is legally regulated, they refuse to work day by day because they lose the social benefits they receive from the state, so they work without legal forms.

Transforming agriculture and rural areas in a way that makes effective use of available resources requires public action and involvement, along with strategic coordination.

Among the measures to improve the efficiency of the agricultural sector, we mention:

- ✓ *Encourage land merging and stimulate farmers' association.* Although consolidation of farms is a slow process, the integration of small and medium-sized farms into agricultural producer / cooperative groups or organizations may be the safest way to allow access to markets and at the same time to obtain credits for production or investment in facilities common. The difficulty of small farmers, either to reach the market or to obtain market confidence to maximize their income, can be overcome if they understand the benefits and agree to get associative. Consideration should also be given to optimizing the way grants are awarded to small farms;
- ✓ *Decrease of the average age of the population in the agricultural sector and increase of the professional training of farmers,* because a still high agricultural area is used by older farmers (over 65 years old) without professional training. This phenomenon, coupled with a low level of education and training, had a negative impact on the performance of the sector. In the future, it is important to continue encouraging the transfer of agricultural assets between generations through incentives for young farmers together with efforts to increase knowledge, skills, skills and skill levels. In this case, an important role is played by the education system, which should place greater emphasis on modernizing and diversifying agricultural specializations and harmonizing them with the realities of the agricultural sector in a European context. Young

- people are more receptive to the association, application of new technologies and environmental issues;
- ✓ *Developing entrepreneurship in rural areas* with the aim of decoupling the activity of these regions from subsistence agriculture. Entrepreneurship is a major factor for economic growth, innovation, competitiveness, employment and social integration. In rural areas there are opportunities for economic diversification through non-agricultural activities, such as rural tourism, which have gained ground in recent years in Romania. The entrepreneurial initiative can support rural actors in identifying and promoting viable strategies and actions that respond to the important economic changes in rural areas as well as to the social needs in rural areas;
  - ✓ *Sustainable rural development through the adoption of good practices in EU countries and the formation of rural clusters* that would promote innovation through collaboration between universities, public and private entities. Rural cluster formation can increase the yield of the agricultural sector in the area, but it is mainly a measure of the local economy - because these clusters will not only contain agricultural activities. Promoting modern farm management models would add value to agriculture through rotational or diversification methods, but also through IT or robotics. In fact, the European Commission encourages cluster formation. Thus, in 2016 it developed a typology based on statistical and cluster analysis, according to which Member States are grouped into five categories (clusters), the interpretation of which depends on the importance given to the objectives of the CAP: the sustainability of food production, the sustainable management of natural resources and balanced territorial development. Romania is part of the first group of countries, alongside Austria, Germany, Latvia, Malta and Poland, characterized by internal convergence, flexible implementation of green payments, support for small farmers and sustainable development of rural areas;
  - ✓ *Use of environment-friendly agricultural practices and the development of organic farming*. Organic products have a spectacular year-on-year increase across Europe and the world, despite the fact that at this time there is no dominance in the food market. This type of farming could be a niche market for some farmers. In the European Union, countries like Germany, France, Great Britain and Italy represent the most important organic-consuming countries. This phenomenon has expanded also in Romania, which manages to attract more consumers from year to year;
  - ✓ *Facilitating access to European and national funds* would contribute to the import of know-how, the renewal of the farm machinery and agricultural machinery, and the modernization of agri-food processing units. These are imperative requirements because the increase in agricultural productivity depends to a large extent on the mechanization of the sector;
  - ✓ *Encouraging the cultivation of technical plants* (in, hemp). At present there is an increase in demand for fiber, which can provide an income for growers in areas that are suitable for such crops, but can also represent an alternative to crop rotation and the recovery of the processing sector;

- ✓ *Increase of greenhouse and solarium surfaces.* In this way, the necessary extra-season vegetables can be provided and vegetables can be protected from climate change as a result of global warming;
- ✓ *More efficient promotion of domestic agro-food products on foreign markets.*

By applying the above measures, it is intended to increase the yield in agriculture and increase the volume of exports, which will have a significant impact on GDP and the state budget.

At the same time, we must consider that in order to achieve food security, the European Union claims for implementing food safety management systems, systems that on the one hand help manufacturers achieve safe products, and on the other hand, give traders and consumers the confidence that the products they buy do not endanger their health. (Criveanu, 2012)

That is why, in the future, I believe that every effort must be made to cope with competition on European and agri-food markets, especially through the development of agriculture at European standards.

#### **4. CONCLUSION**

In spite of the considerable agricultural potential of our country, the yields in Romanian agriculture are modest, indicating a utilization of the factors of production far below the optimal values. Properly exploited, the existing potential allows for extra value and employment in a more productive way, thus contributing to real progress towards reducing rural poverty and eliminating income gaps in urban areas.

Romania has to make the most of the favorable global and European trends and its own competitive advantages in the agricultural sector. Romania also needs to maximize the opportunities and benefits it can achieve through the implementation of the CAP and through its participation in the EU and third countries market. At the same time, Romania must manage the main internal constraints and identify the best ways to address some factors such as climate change.

Agriculture and rural development in Romania in the 2030 horizon aims at achieving a level of coherence between agriculture, environment and rural development through the smart and sustainable valorisation of agricultural land, labor and capital.

The Romanian farmer in the 21st century must be competitive, connected to current information, open to innovation and new technologies, reaching the same level of well-being and similar living conditions as the inhabitants of urban areas. In this way, Romania will ensure its food security and become an important player in European and international agri-food trade. At the same time, the competitiveness of agri-food products must be related to the sustainability (sustainability) of their production.

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