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Diagnosis of the agricultural sector in the context of sustainable development, the case of Romania

How to define a small farm in Romania

- ▶ The **Law no. 37/2015** on classification of farms and agricultural holdings was published in Monitorul Oficial al României (Official Gazette of Romania), Part. 1, no. 172 of 12th March 2015.

- ▶ Depending on the economic dimension, the farms and agricultural holdings are classified and defined as follows:
 - ▶ a) below 1,999 euro - **subsistence farms** that produce entirely for own consumption;
 - ▶ b) 2,000-7,999 euro - **semi-subsistence farms** that ensure their own consumption and a small part of the agricultural production that they commercialize;
 - ▶ c) 8,000-49,999 euro - **small commercial farms** that commercialize more than 50% of the agricultural production that they realize;
 - ▶ d) 50,000-999,999 euro - commercial farms/medium agricultural holdings which commercialize the entire agricultural production that they realize;
 - ▶ e) over 1,000.000 euro - commercial farms/large agricultural holdings that commercialize the entire agricultural production that they realize.

Small farms vs. Large farms

Small farms

House Holding

- ▶ It is based on the available resources: lands, crafts in the area, spontaneous flora products or berries
- ▶ Structuring and sizing of the household according to the available labor force
- ▶ Uses all available resources: vegetable debris as feed for animals, the resulting garbage is used as a fertilizer for the production of vegetal mass

Return

- ▶ The preponderant development of cost-effective activities; activities necessary for daily living or those with potential for the future.
- ▶ The surplus goods resulting from household activities is generally sold in fairs or markets
- ▶ Using subsidies, European funds, or Development programs
- ▶ Bank loans are not used to a large extent
- ▶ Low Profitability

Making profit

- ▶ Profit is generally reinvested
- ▶ In order to obtain profit - the association is the legal form used for profit or commercial purposes (ex- producer groups)

Small farms vs. Large farms

Large farms

Production

- ▶ Uses available resources but not only
- ▶ The production activity is mechanized, automated, using technology
- ▶ In the production activity is used the external human resource, employed on the labor contract or daily
- ▶ Uses attracted financial resources

Return

- ▶ Production is used in its own stores or in other partner stores
- ▶ Profitability for greater access to bank financing
- ▶ They can be part of associations that ensure better product traceability
- ▶ It uses software type - Agricultural Farming Management - which assures the collection, reporting, reporting and

forecasting of farm and farm management data. Management is an accomplished one

Agricultural land management

- ▶ using graphical and realistic land plots
- ▶ interfacing the system with agricultural machinery
- ▶ crop management (crop planning, rotation, main crops, precursors and intermediate plants)
- ▶ Fertilization planning based on existing nutrients

Management of agricultural activities

- ▶ Managed production; human resource planning (working hours / man)
- ▶ Planning, tracking and performing agricultural activities; Farm equipment management and fuel consumption

Profit

- ▶ Ensures the development of the farm

What is the approach of society to small farms

- ▶ Romania has a long tradition in family farming.
- ▶ The farm represents **the pillar on which the Romanian society developed.**
- ▶ Family farm activities are not limited to agriculture. They also comprise important social **activities for the community and family, preserve traditions and crafts, attract rural tourism and agrotourism, and help to protect the environment through extensive agricultural practices.**
- ▶ After the First World War, **Romania became one of the largest producing countries of agricultural commodities in Europe, exporting mostly maize, wheat and other grains.** The reforms made by the Government at the time helped families secure a living, by giving them land and know-how in the field (Romanian Government, fao.org, 2019).

1. Romanian Government approach toward small farms

- ▶ “In order to ensure the viability of Romania’s farms and since their majority is small, we had to target our support tools in their direction. We found that by supporting family farms, not only did we solve social issues related to unemployment, but we are also able to connect the people working in production to market tools. Not to mention that they were able to standardize their production so they could sell it on the European (international) market as well.
- ▶ Great importance was given to the diversification of production, in order to ensure their revenues all year round.”
(Romanian Government, fao.org, 2019)

2. *United Nations approach toward small farms*

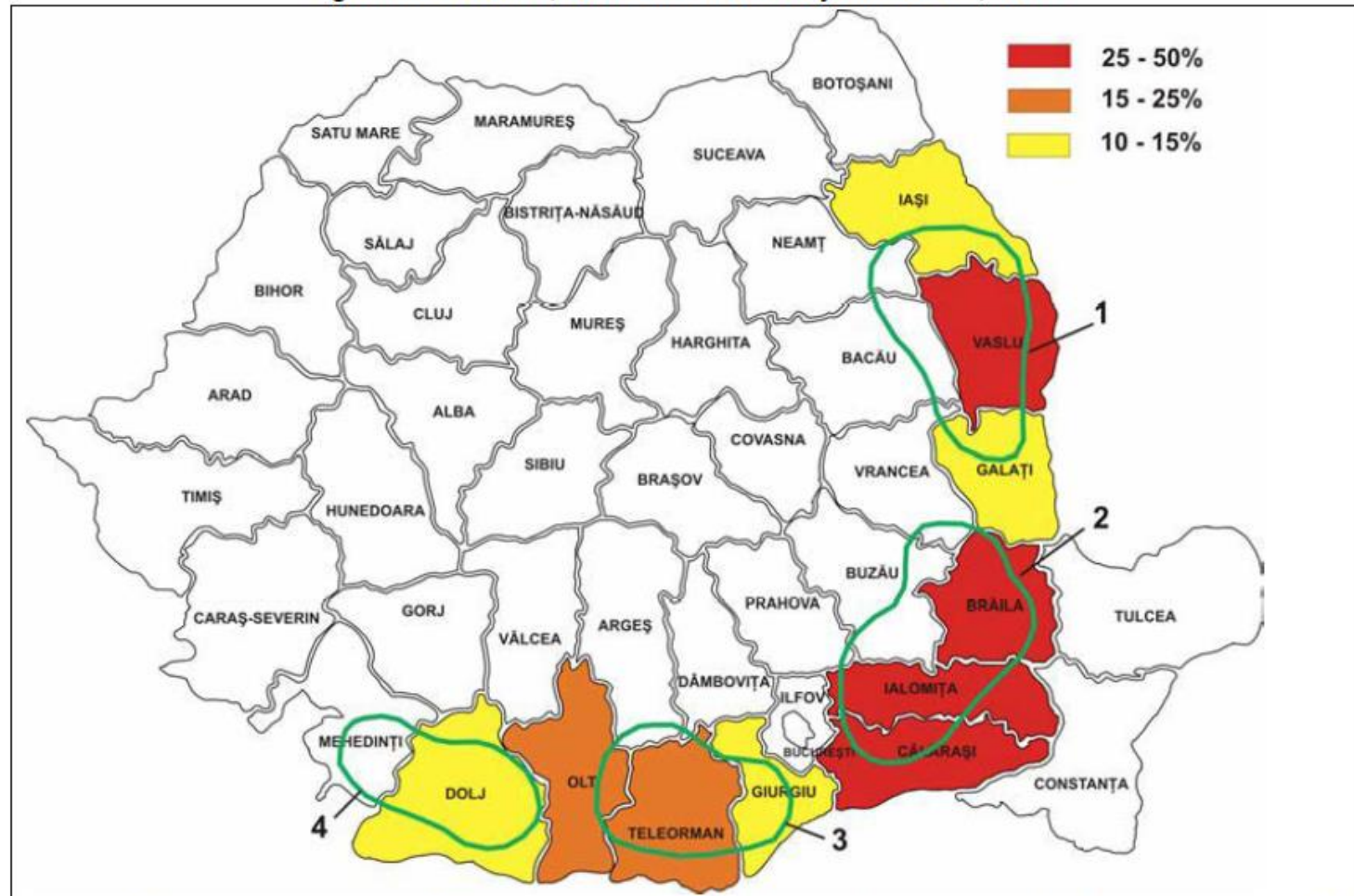
- ▶ “There are an estimated 500 million family farms in the world, representing more than 90 percent of all farms. **They are essential to our way of life**, producing the bulk of our food and serving as the foundation of agriculture and the rural economy. Family farmers hold the key to a more sustainable future.
- ▶ Building on the achievements of the International Year of Family Farming 2014, the United Nations declared **2019-2028 to be the Decade of Family Farming**.
- ▶ **Support to smallholders and family farms is one of the four regional priorities of FAO in Europe and Central Asia**, where FAO aims to improve policy development, sustainable agricultural production and rural livelihoods while reducing rural poverty.
- ▶ Often, land fragmentation hampers development of the rural economy. It is a common problem of many countries in Europe. Small and scattered agricultural plots should be addressed through integrated efforts at land consolidation while ensuring access to land for smallholders.” (United Nations, fao.org, 2019)

3. Different authors approach toward small farms



- ▶ “...the large number of small-scale holdings is an important source of economic, cultural, social, and natural strength for Romania.
- ▶ Romanian farm sizes cover a wide spectrum, influenced by land use. Very large corporate farms are concentrated mostly in South and East. Although family farms are found in great numbers all over Romania, they are found in their highest numbers, and in the most typical traditional small-scale farmed landscapes, in the northern and central parts of Romania.” (Page and Popa, 2013)

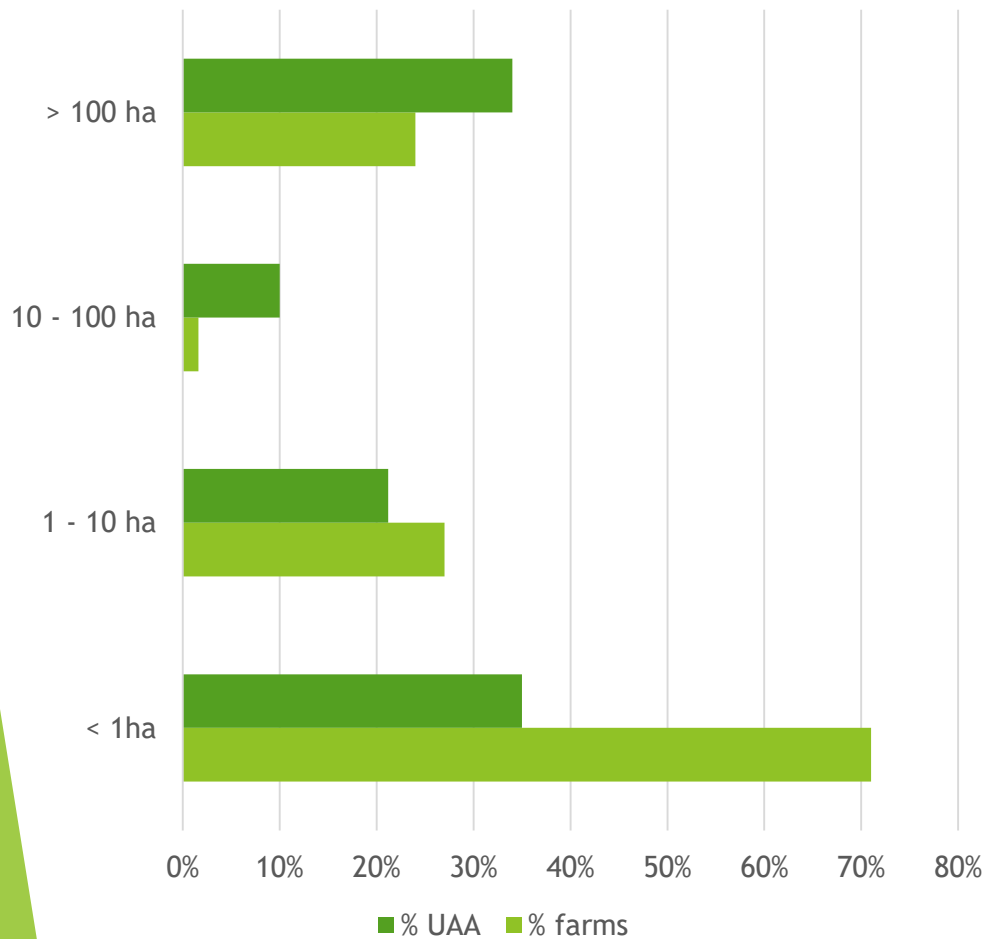
Figure 4: Map showing correlation between percentage of agricultural land in each county occupied by very large farms, over 2,000 ha, and severe rural poverty. Otiman, P., Romania's present agrarian structure, Romanian Academy Bucharest, 2013



- Percentages represent the percentage of eligible agricultural area of each county occupied by very large farms, over 2,000 ha.
- Numbers 1-4 indicate the severest poverty areas in Romania (1 being most severe).

THE SIZES OF ROMANIAN HOLDINGS

Analysis of sizes of Romanian farms



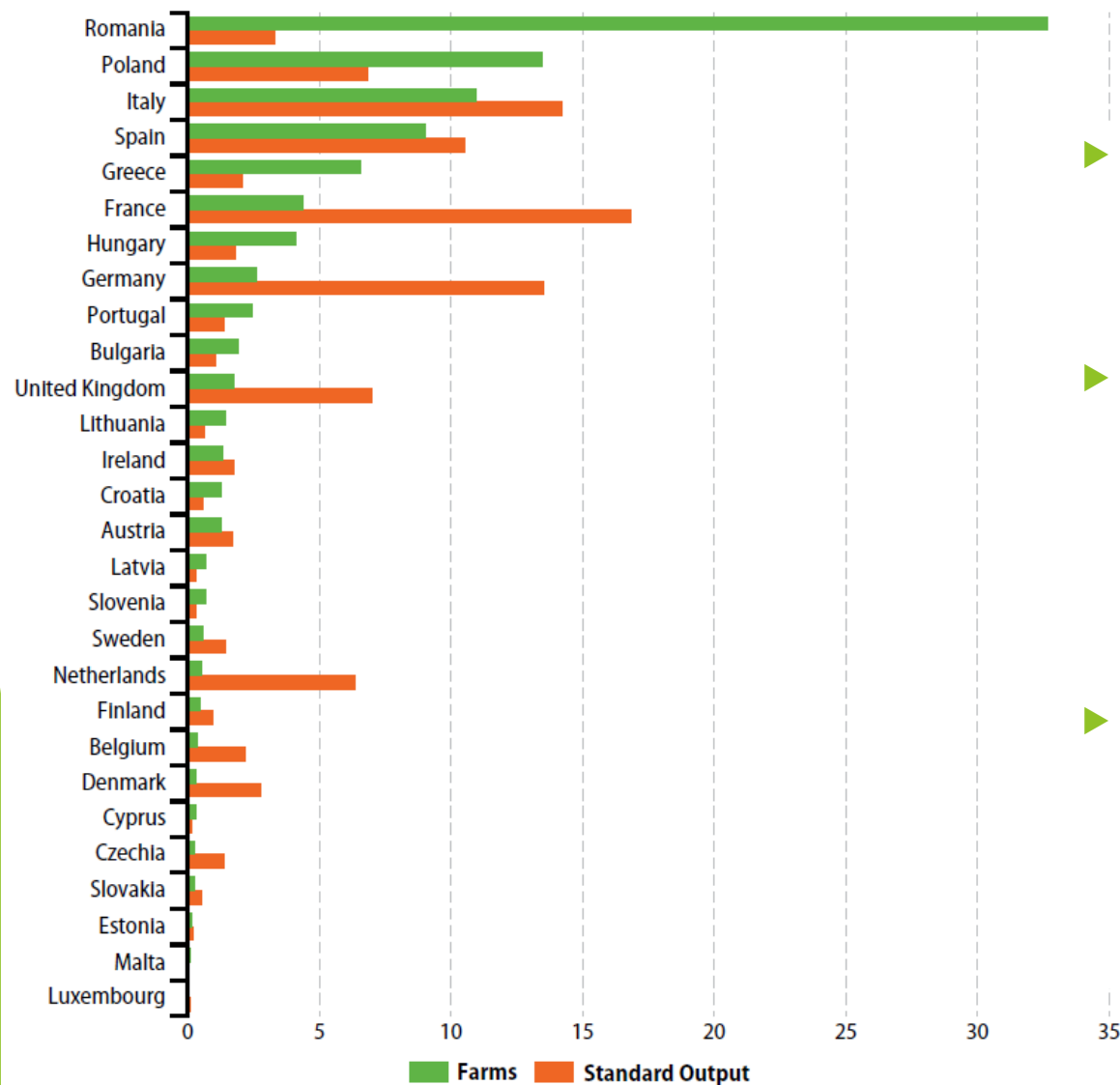
1. **2.8 million holdings (71%)** are under 1 ha in size. They account for 5 m ha, **35% of UAA**.
2. 1.04 million holdings (27%) are between 1-10 ha, regarded as semi-subsistence farms, listed in the Farm Register and eligible for area-based payments. They account for 3.1m ha, 21.2% of UAA, and mostly produce primary products for home consumption. These farms are estimated as producing 25-30% of national food consumption.
3. 60,000 farms (1.6% of Romanian holdings) are between 10-100 ha. They cover 1.49m ha (10% UAA)
4. Only 12,000 farms, **0.3% of holdings**, are commercial operations over 100 ha which cannot be considered too large as family farms: they occupy **34% of UAA**.

(Page and Popa, 2013)

STATISTICS

- ▶ In order to present the real statistical data regarding the agricultural indicators in Romania we will use statistical data from:
 - Ministry of Agriculture and Rural Development
 - The Romanian National Institute of Statistics
 - Food and Agriculture Organization of the United Nations
 - Farm Accounting Data Network
 - Eurostat Reports
 - Previous scientific researches

Figure 2.1.2: Farms and standard output, 2016
(share of EU total, %)



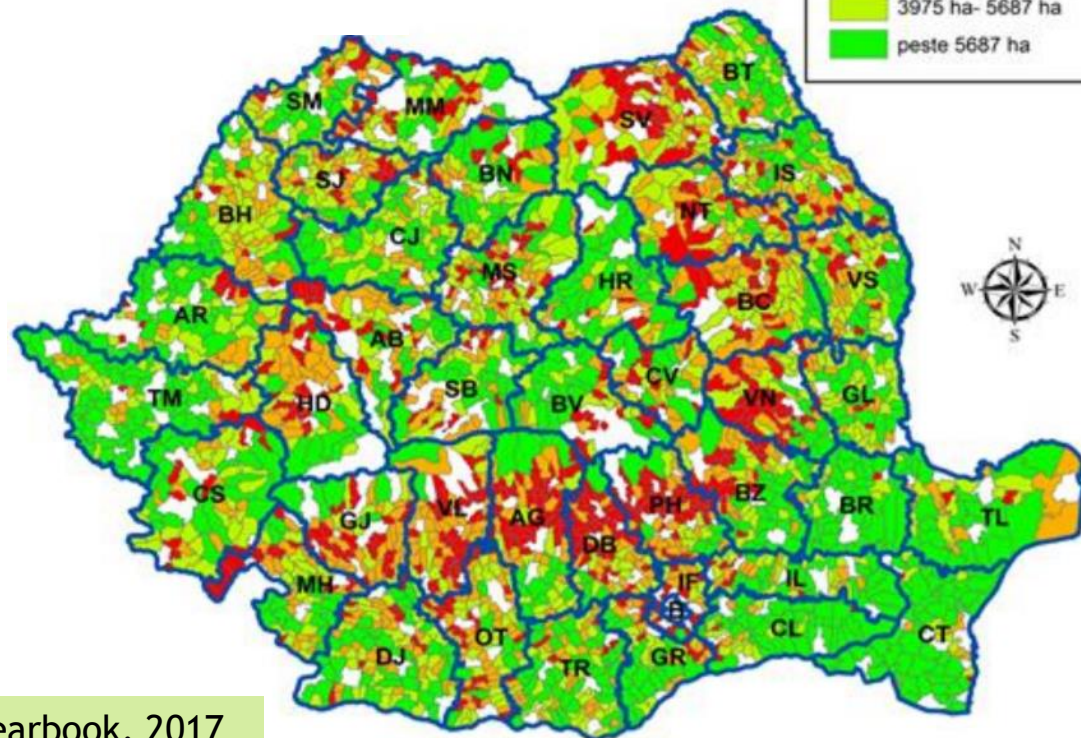
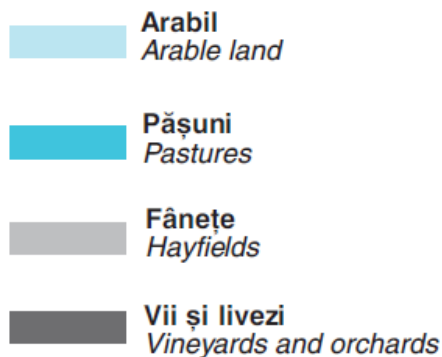
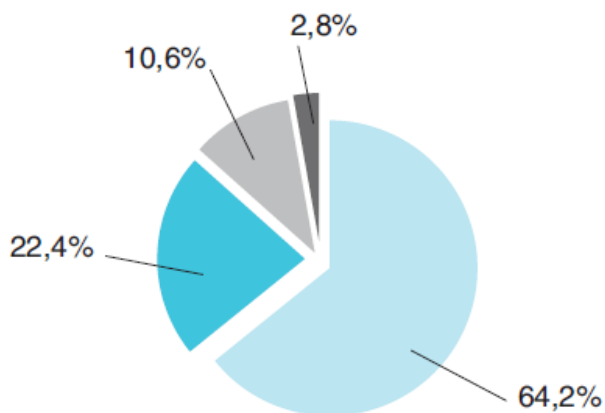
Source: Eurostat (online data code: ef_m_farmleg)

- ▶ One third (32.7 %) of the EU’s agricultural holdings (here-on termed ‘farms’) were located in Romania in 2016, much more than any other Member State;
- ▶ This distribution pattern was particularly clear in Romania, nine in every ten farms (91.8 % or 3.1 million farms) were smaller than 5 ha, but the 0.5% of farms of 50 ha or more in size farmed one half (51.1 %) of all the UAA in the country.
- ▶ Although Romania accounted for about one third of the EU’s farms, it accounted for only 3.3 % of the EU’s standard output (see Figure 2.1.2).

Source: Agriculture statistics UE - Eurostat, europa.eu, 2018)

Agricultural area

Agricultural area, by use, in 2014 (end of year)

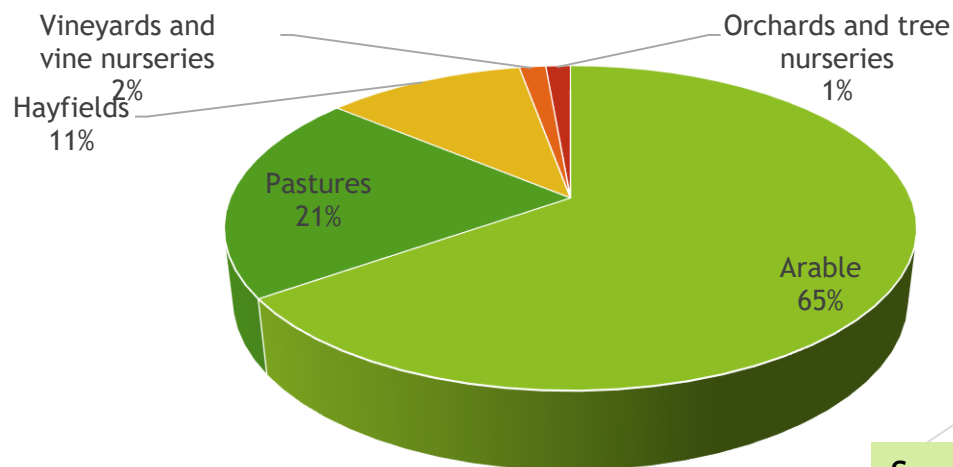


Total area of the land fund	23839,1
Agricultural area	14630,1
Arable	9395,3
Pastures	3272,2
Hayfields	1556,3
Vineyards and vine nurseries	209,4
Orchards and tree nurseries	196,9
Forests and other forest vegetation lands	6734,0

Source: Romanian Statistical Yearbook, 2017

Agricultural area, by use

Suprafața agricolă (mii ha) <i>Agricultural area (thou ha)</i>		Structura / Structure (%)		
Total	din care: proprietate privată ¹⁾ <i>of which: private ownership¹⁾</i>	Total	din care: proprietate privată ¹⁾ <i>of which: private ownership¹⁾</i>	
14630,1	13699,7	100,0	100,0	<i>Total</i>
9395,3	8940,2	64,2	65,2	<i>Arable</i>
3272,2	2852,2	22,4	20,8	<i>Pastures</i>
1556,3	1517,2	10,6	11,1	<i>Hayfields</i>
209,4	202,2	1,4	1,5	<i>Vineyards and vine nurseries</i>
196,9	187,9	1,4	1,4	<i>Orchards and tree nurseries</i>





SWOT Analysis of the Agri-food and Rural Development Sector in Romania

Strengths	Weaknesses	Opportunities	Threats	Strategic objective
<ul style="list-style-type: none"> ➤ Very large agricultural areas, mostly arable land ➤ High potential for crops diversification ➤ Wide range of traditional products 	<ul style="list-style-type: none"> ➤ Low productivity, especially in livestock sector ➤ Low access to capital and on loans ➤ Small and medium-sized farms, with a low level of inputs used ➤ Unorganized supply chain ➤ Lack of infrastructure and marketing ➤ Inappropriate marketing channels for small farms ➤ Important agri-food deficit caused by product imports and raw materials exports 	<ul style="list-style-type: none"> ➤ Increase demand natural food products ➤ Bio/ecological production has favorable perspectives ➤ Growing demand for quality local and regional products Exposure to global markets (Constanța), river basins links with main EU countries (Danube) 	<ul style="list-style-type: none"> ➤ Insufficient absorption of EU funds ➤ Political instability ➤ Foreign competition ➤ Lack of investments and long period of implementation for the modernization of the rural infrastructure projects 	<ul style="list-style-type: none"> ➤ Increasing the coverage of domestic food consumption and recovering the net agro-food exporter status, in line with sectoral production potential and responding to the worldwide growing demand for food

Strengths	Weaknesses	Opportunities	Threats	Strategic objective
<ul style="list-style-type: none"> ➤ Expanded areas with good conditions (chernozems) for production ➤ agricultural ➤ Local workforce available ➤ Great diversity of natural resources and local products 	<ul style="list-style-type: none"> ➤ Extremely fragmented agricultural land ➤ High share of holdings without legal personality ➤ Lack of a functional cadaster system and high land registration costs ➤ The large number of farmers who are not eligible for assistance ➤ The high share of subsistence and semi-subsistence farms ➤ Insufficient public consultancy services ➤ The small number of producers organizations 	<ul style="list-style-type: none"> ➤ CAP 2014-2020 more flexible for EU-28 diversity, providing an appropriate framework for further restructuring and investment ➤ Possibility to use European structural and investment funds for a national cadastre system ➤ Marketing facilities for producer groups and producer associations 	<ul style="list-style-type: none"> ➤ Migration of young and qualified rural population into urban areas ➤ The risk of depopulation of rural areas ➤ Uninsufficient skills and knowledge of agricultural administration staff 	<ul style="list-style-type: none"> ➤ Accelerating the structural transition towards economically viable agriculture in parallel with the application of environment-friendly agricultural practices and the gradual reduction of the labor force in agriculture

Strengths	Weaknesses	Opportunities	Threats	Strategic objective
<ul style="list-style-type: none"> ➤ Fertile soil and favorable climatic conditions ➤ Satisfactory water resources ➤ The relatively large share of forests in UAA ➤ Wide range of renewable energy sources ➤ Diverse natural environment 	<ul style="list-style-type: none"> ➤ Decrease in soil quality ➤ Low utilization and poor condition of irrigation systems ➤ High vulnerability of agriculture to natural hazards (soil erosion, landslides, drought, hail, frost, floods) ➤ Untapped potential of the forest sector ➤ Declining biodiversity in rural areas ➤ Low level of organic farming 	<ul style="list-style-type: none"> ➤ Reorient the CAP towards the issue of change ➤ Mass penetration of modern land management practices ➤ Mass penetration of modern water management practices ➤ Development and use of species resistant to climate change ➤ Increase of renewable energy resources in agriculture ➤ Strengthening forestry capacities (infrastructure and processing) ➤ Sustainable resource management 	<ul style="list-style-type: none"> ➤ Accelerated climate change and natural disasters ➤ Increased soil erosion due to deforestation ➤ Reducing water supply due to climate change ➤ Increasing temperature and changing precipitation patterns ➤ Poor management of agricultural production practices, resulting in higher levels of pollution ➤ Declining biodiversity 	<ul style="list-style-type: none"> ➤ Limiting the carbon footprint of agriculture, promoting environmentally friendly and climate-friendly agriculture, adequate water management and encouraging renewable energy production

Strengths	Weaknesses	Opportunities	Threats	Strategic objective
<ul style="list-style-type: none"> ➤ High share of rural areas ➤ Rich rural heritage (traditions, nature, traditional architecture) ➤ Internal mobility of rural labor ➤ Positive attitude towards small entrepreneurs 	<ul style="list-style-type: none"> ➤ Numerous workforce, but with low productivity ➤ Aging of the low-educated population ➤ High unemployment rates among young people ➤ Poor quality of physical infrastructure in rural areas ➤ Poor local development initiatives ➤ Low Average Income (Poverty) ➤ Rural infrastructure of poor quality 	<ul style="list-style-type: none"> ➤ Possibilities for agritourism development based on extensive agriculture ➤ The average wage in rural areas is rising due to economic growth ➤ Possibility to use remittances for investment ➤ The emergence of small young agricultural entrepreneurs 	<ul style="list-style-type: none"> ➤ Reduced employment opportunities in agriculture ➤ Depopulation of villages due to migration and aging of the population ➤ Enhance the differences between urban and rural areas in terms of revenue ➤ Increasing the level of poverty and social exclusion in rural areas 	<ul style="list-style-type: none"> ➤ Improving living standards in rural areas, providing basic infrastructure and services comparable to those in urban areas, reducing rural income disparities between Romania and the EU average

Strategy for Medium and Long-term Agri-Food Sector Development 2020-2030, Ministry of Agricultura and Rural Development, 2015

THANK YOU!