

## ROMANIAN AGRICULTURE POLICY

The Ministry of Agriculture, Forestry and Rural Development of Romania recognizes the need to bind lasting cooperation relation in the fields of agriculture and rural development.

Romania lies in the Southern-Eastern part of Europe, upon the crossroads of the main communication axes North-South and East –West. The total area of the country is 238,391 km<sup>2</sup> of which 93.6% (223,055 km<sup>2</sup>) rural areas (*OECD<sup>1</sup> -2003, level NUTS<sup>2</sup> V*). The Romanian population is of 21,733,556 inhabitants, of which 48% represents rural population (*OECD -2003, level NUTS V*).

**The rural area** has the following features:

- Consists of 12,000 villages that house around 46.6% of the entire Romania's population.
- 67% of the rural population is involved in agriculture, 17% work in food industry and the other 16% practice non-agricultural activities.
- 30% of rural inhabitants work on subsistence and semi-subsistence exploitations of 1.17 ha and respectively of 3.3 ha, representing about 97% out of the total of 4.5 million agricultural exploitations. One of the major problems of the rural areas is that its population grows older.

In Romania, agricultural sector represents a basic branch of the national economy, having significant economic and social importance and implications. The share of agriculture, forestry, fishery and hunting in Gross Domestic Product was about 9 %, in the year 2005. Romania has a wide range of soil types with high theoretical potential, about 60% of arable land having a good and medium fertility. The Romanian total agricultural<sup>2</sup> area stands for 61.7 % of the country's territory<sup>3</sup>, and the arable land<sup>4</sup> represents 63.9 % of the total agricultural land. The surface of arable land per inhabitant is about 0.42 ha. Most of the agricultural land belongs to the private sector -96 %.

**The forest** covers about 6.38 million ha, representing 26.7 % of the Romanian territory.

The forest distribution is not uniform geographically, 58.5 % of it is concentrated in the mountain region, and 34.8% is located in the hilly areas and 6.7% in the plain.

Broadleaved are dominant in Romanian forests - 69.3 % and the rest are coniferous.

At the end of 2004, the ownership structure of forests presented itself as follows:

- Public ownership of state: 5.03 million ha (78.9 %), managed by the National Administration of Forests – Romsilva or local councils
- Private forests (communities, churches, legal persons, individuals): 1.35 mil. ha (21.1 %).

Further to the legislation entered into force this year, the restitution of forests to former owners is continuing.

The fundamental objective of the Policy and Development Strategy of the Romanian Forestry Sector (2001-2010) is forestry sector development in order to increase its contribution to the improvement of the standard living quality based on sustainable forest management.

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1. The definition of rural areas, based on the methodology of the Organization for Economic Cooperation and Development (OECD), according to which rural areas are **those areas where the population density /km<sup>2</sup> is lower than 150 inhabitants / km<sup>2</sup>**. <sup>2</sup> NUTS – Inventory of Statistic Local Government Units *NUTS I*: Romania; *NUTS II*: 8 development regions; *NUTS III*: 42 counties; *NUTS IV*: not used; *NUTS V*: 269 cities and towns, 2,732 communes, 13,042 villages.

2. The total agricultural area in Romania is 14.7 million ha

3. Total country's territory is 23, 5 million ha

4. Total arable land - 9.4 million ha arable land

**Strategic Objectives of the Ministerial programmed** – the development of the Romanian agriculture and the current situation regarding the integration into European Union aim the following policy guidelines:

- Completion of the Land Property Reform
- Encouragement of the households to convert into commercial farms - establishing the legal framework for granting the annuity allowance
- Support the marketing of the agricultural output through market mechanisms
- Support the processing units to improve the marketing of their products and to increase the added value
- National Programme for Rural Development 2007-2013
- Agriculture and the sustainable development of rural area
- Sustainable management of forests and extension of the Romanian forests area by minimum 1% within 4 years – “Green Offensive”
- Food safety and animal health
- Reform of the institutions and establishment of the specific framework for common agricultural policy
- Efficient allocation of the budgetary resources in order to support the farmers
- European funds absorption.

**Farm structure** - The main challenge that Romania is facing nowadays is the existence of high number of subsistence and semi subsistence peasant households featured by a small area size of 1.72 ha and respectively of 3.3 ha, with plots excessively scattered, with low financial resources and a low degree of agricultural machinery endowment. The majority of small farms have only marginal contacts with markets; most of these contacts are being limited to local markets, respectively direct sales from farm. The duality of farm structure is an important issue for the ministry’s policy. The trigger’s policy is to convert the family small farms into commercial farms by land concentration and association means, thus becoming more efficient and increasing the living standards of the rural society. The producer groups are promoted by the ministry’s policy, through its rural development objectives. Thus, M.A.F.D.R.<sup>5</sup> established one of its priorities to stimulate the family farms to convert in commercial farms, in order to become more efficient and to increase the living standards for the rural society.

**Labour force** – The population working in agriculture from the total active population has represented in the last two years around 34% percent of the total labour force. (34, 7 % in 2003 and 35.7% in 2004). The share is due to the high number of agricultural exploitations – 4.4 millions representing 54% of total arable land, the rest of 44 % arable land belonging to the commercial farms which represent approximately 23 000 agricultural holdings with specialized employees in the field (engineers and technicians in crop sciences and animal breeding ). The goal of the ministry is to promote development of commercial farms, producer groups and associations and cooperatives.

These aspects are going to be solved by the new approach of the Romanian Ministry of Agriculture, by leading the capitalization of the rural area by the mean of investments incentives for the rural area and subsidies for agriculture in an efficient way. The value added will increase in rural area, especially by the promotion of balance of raw material production from vegetal and animal sectors, agro food industry and bio fuels industry, and by the means of economic diversification in the rural area.

The ministry also promotes a strategy of transfer the land from the old farmers of over 62 years old to young farmers by selling or renting – called *Voyager Rent - Program* (for old farmers - 50 euros/ha/year

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5. MAFRD - Ministry of agriculture, forests and rural development

for rent contracts and 100 euros/ha/year for the sold land). Through the National Program of Rural Development 2007-2013 are planned agricultural consultancy and agricultural extension for the young farmers which will be installed in the agriculture field. The same program is planning funds for investments in modernization and performance increase for agriculture and agro industry fields, for diversification of economic activities in the rural area. Romanian Agricultural Policy is drafted to be a real network of the rural society, between farmers, funds, investments, crops and animals. The culture and tradition will play an important role in the field of economic diversification. The synergy between the pillars of agricultural market and production, and the second pillar of rural development will have as result a more prosperous rural society.

**Agricultural production** - the share in agriculture production is mainly represented by the animal and vegetal sectors, the agricultural services will be supported by increasing the number of the Small and Medium Size Enterprises in this sector. MAFRD has been promoting during last two years the FARMER Program in order to increase the investments in agriculture and to improve the endowments in the field.

**The Crop production** - the cereal sector has a high share, about 62%, because of the good soil quality for these plants and also of the national demand for these agricultural products. Also in Romania the areas and the production of technical plants, sugar beat and oil crops are in line with the national tradition of crop cultivation. Because the costs are moderate regarding crop technology the maize represents an easy plant to cultivate and with a low degree of mechanization on small parcels. In the commercial farms the scale economy ensures the development of the agricultural activities. This is the reason why the Government through the Ministry of Agriculture is supporting a semi subsistence farm to become a commercial farm, by completion the *Land Property Reform and by encourage the households to become a commercial farm* - establishing the legal framework for granting the annuity allowance. The ministry intends to support the producer groups and the farmers association through the National Programme for Rural Development 2007-2013. The ministry intends to grant a direct support, yearly in order to ensure the competitiveness of the domestic producers at the national and international level having in view the globalization process. In the same political line the Ministry of Agriculture drew up the legislation for the improvement of the agricultural internal market and the promotion of the agricultural products export (Government Ordinance No. 45/2005 regarding market organization for agricultural and agro food products).

The Ministry of Agriculture is promoting the development of energy and biomass crops, rape, maize in the light of future and current environmental strategic development. The industry of bio fuels is welcomed in Romania, the foreign and national investments being encouraged. In the Rural Development Program there are funds allocated for investments projects.

An important factor of agricultural development is the energy crops, such as rape seeds, oil plants, corn for production of bio fuels, biodiesel and for bio ethanol, Romania promoting national and foreign investments in bio fuels and alternative energy industry. The European strategy for alternative energies and Kyoto protocol are in line with this incentive.

**Livestock and livestock products** - in the livestock sector we elaborate a strategy for the improvement of the animal breeding in order to increase the performance of the milk and meat sector. Through the absorption of the vegetal raw material and the breeding improvement will result an increasing of animal production for the agro food industry. The synergy between those represents a real incentive for rural society development.

In the same line the Romanian Government aims the financial support for balancing the animal and vegetal sector, in order to ensure the absorption of the vegetal raw materials by the animal and food

industry. In the next chart I present the trend of agricultural support from this year, trend which is maintained next year.

**Food industry** - the food industry represents an important share in the whole Romanian industry and ensures the absorption of agricultural raw material and supplies the internal consumption with agro foods (bread and milling industry, vegetal alimentary oils milk and meet processing). The improvement of food industry in Romania is achieved by special investments programs, financed by the national budget and the EU budget, such as, *National programme for improvement of food industry performance through quality (for implementation of HCCP standards, quality management ISO 9001 and environment management ISO 14001)*, *National Farmer Program* and *SAPARD programme* – having as the main aim the support of the entrepreneurs investments and the modernization plans for small and medium size food processing plants, localized in the rural areas.

### **Services for agriculture**

**a). Mechanization** – the ministry supports the development of services for agriculture through investments programmes for farmers, aiming to improve the endowments in order increase the performance of the sector. The national “Farmer” Programme and other laws provide for granting of subventions to procure new tractors is financed from the national budget.

**b). Fertilizers use** - the use of fertilizers is relatively low. In order to increase the fertilizers use, M.A.F.R.D. grants financial support for procurement of inputs as well as for enabling credits. (Law No. 150/2003 for subvention credits for agricultural production and Law No. 231/2005 for procurement the agricultural production inputs in order to increase performance – fertilizers, pesticides and fuels).

**c). Irrigations** - regarding the land Reclamation in Romania due to climacteric and soil condition the development of the irrigation and the drainage system covers almost 30% of the arable land. But the effective irrigated area represents 14, 4% of total area resulting of the lack of equipment these being old and in many cases implying high running costs and in other cases many of the components have been destroyed by the physical depreciation. The Ministry of Agriculture has promoted in the last years the financial support through governmental credits for modernisation of the irrigation system granted to farmers and associations.

### **Support for marketing through market mechanisms**

#### ***Premises:***

- The organization and functioning of the agro-food markets - the legal framework was adopted in 2002.
- Furthermore, harmonizing the instruments and the mechanisms to organize and regulate the agro-food market with the EU practices raises the need to establish the proper institutional framework to define the field and market policies on the products value chain, to establish the cereals intervention system and to equilibrate the offer and the demand on the market.

#### ***Objectives:***

- To restructure the agricultural markets;
- To establish and implement the intervention mechanism for cereals, complying with the EU norms;

- To implement the warehouse certificates and to establish the Guarantee Fund for warehouse certificates;
- To identify, to develop and to market the products and the technologies that can provide a competitive advantage on the domestic and external market;
- To improve the quality of the agro-food products and to encourage the export activities.

***Achievements:***

- In 2005 a new Law on the organization of the agro-food market has been enacted regulating the agricultural markets for each value chain and establishing the role of the Product Councils.
- A new law on the recognition and functioning of producer groups has been adopted.
- In order to improve the organization and functioning of the cereals market there have been granted, from the state budget, a financial support for the storage of 1,500 thousand tones of wheat, harvested in 2005 and it has been reviewed the seeds grading methodology.
- A number of 18 Product Councils have been established, functioning as dialogue partners for the Ministry, that are comprised of value chain partners (producers, processors, traders) and the regulating authority. By establishing these Product Councils there will be ensured a better dialogue among the partners within the value chain and will be conducted a better strategy elaboration and policy support for these products.
- Furthermore, there has been established the legal framework for the import-export certificates and guarantees for a limited number of products that will familiarise the economic agents and the administration staff with the EU procedures.
- In 2006, the cereals intervention system will apply for the wheat in the case that the market will need it to equilibrate the demand and the offer of cereals, through the procurement of a certain quantity of cereals at the intervention price and object to certain minimum quality and quantity criteria.
- This year the Guarantee Fund for warehouse certificates will be established to guarantee the value of the seeds for which the certificates have been issued by the licensed warehouses to the owners and/or the creditor in case of a significant loss.
- Through the “Program on increase the competitiveness of the agro-food products” a financial support will be granted to the processing units, up to 75% of the eligible costs for quality improvement (but not more than 50,000 Euros per project) for the following:
  - functioning of a quality and/or environment management system;
  - endowing and/or establishing the testing laboratories and their accreditation;
  - registering and protecting the trade marks, invention licences, industrial drawings and patterns for the Romanian products;
- The support will be granted for the processing units that function under licence, are profitable, have no budgetary debts and have an access to other co-financing sources for the same program.

By achieving the above mentioned objectives, the price stability will be established through the elimination of the price fluctuations and ensuring a guaranteed income to cover the costs of the production, a proper functioning of the value chains to harmonize the interest of the partners (producers – processors – warehouse keepers – transporters – traders). Another expected result would be the increase of production credits in order to continue the production cycle, using the warehouse certificates as collaterals.

## **Rural Development Program - Pillar II of CAP – Romania 2007-2013**

During the period 2007 – 2013, Romania will benefit of Community funds for rural development and agriculture, financed through Pillar II of EAFRD<sup>6</sup>, amounting to 7, 1 billion euro; Furthermore 20 measures will be implemented starting with 2007 within the new Rural Development Programme following SAPARD<sup>7</sup>.

Axis 1 – Includes measures for increasing the competitiveness of the agricultural and forestry sector

Axis 2 – Includes measures to improve the environment and the landscape.

Axis 3 – Includes measures for quality of life in the rural area and diversification of rural economy.

Axis 4 – LEADER Programme – implementation of a pilot programme at territorial level.

**Agricultural research and extension** - agriculture can not be guided properly without scientific research studies applied to our land and climate conditions, plants and animals adapted to our environment, best organization for our economic and social condition.

- At ministerial level there has been created a division for agricultural research with a coordinative role for country research activities.
- The research institutes for agriculture and food industry are represented by the Academy of Agricultural and Forestry Sciences of Bucharest with 11 Institutes of Research and 68 research and development centres for crop plants, animal breeding, horticulture, vineyards and winery, fruits and vegetables sciences, silk production, mountain science, fish breeding and aquaculture, agricultural economics and rural development.
- There are 6 National research institutes under the coordination of MAFRD, in the fields of soil science, plant protection, land reclamation, crop science, biology and animal nutrition, biotechnology, animal breeding.
- The above mentioned bodies have a major potential knowledge whereas the studies have a positive role in the decisional process for agro policy and for the development of Romanian agriculture.
- The Romanian agricultural research sector is a tool for international cooperation.
- The advisory system is represented by ANCA – National Agency for Agricultural Consultancy – with 700 local centres in the territory, in 42 counties.
- In Romania there are 5 – Universities of Agricultural and Veterinary Sciences and over 1000 agricultural colleges, which cover the needs for professional education in agriculture at national level, with many international exchange programmes. Education and training are essential in helping rural communities to improve the rural economy performance.

The MAFRD seeks continuously to improve the results of this sector through Sectorial Operational Programmes and World Bank granting schemes for investments.

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7. SAPARD – Special Adhesion Program for Agriculture and Rural Development