

## EFFECTS OF MARKET REFORM ON AGRICULTURAL POLICY COMMUNITY AND RURAL AREAS

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### **Abstract**

*Common Agricultural Policy is one of the basic objectives of European construction with direct importance of its trade policy. She was one of the most difficult chapters of economic integration. Agriculture continues today to depend on a largely natural conditions, climate, soil quality witch makes the productions volume for some products different from one year to another, from one country to another. As a result, at the time of formation of the European Economic Community have a multiform agriculture, partially contradictory. Creating a common market, opening borders and eliminating obstacles to trade, requires States oriented agricultural activities have the same advantages as their partners focused on industrial activities. But creating common agricultural markets could be made similar to the industrial sector, through suppression of customs barriers and the adoption of common rules in the competition.*

**Keywords:** agricultural policy, objective, European, custom control, commercial

### **INTRODUCTION**

In agriculture there are problems more complex due to the particularities of this sector of activity, some generated by natural factors and others with socio-economic character. Protection by each country in the field of agriculture through various regulations: guarantee prices, export subsidies, import restrictions, as well as other processes were specific to each country, non-implementation report directly to agricultural economies based on the rules of the market economy. From these differences began the history of collaboration and the implementation of agricultural policy, farmers in all member countries, starting from their different position. If the initial instrument of agricultural policy was the guarantee scheme of the prices, the objective was chased to satisfy demands of agricultural producers in the community.[3]

They started to show a surplus of agricultural products that it should be stored and exported outside the Community. Until now maintaining stability in rural community space is made with difficulty and high budgetary costs. The new measures of the reform of the

community support to develop redirect sustainable rural by diversifying production and provision of alternative income for small farms is a necessity of rural stability. Quality and production diversification policy orientation aims to strengthen the CAP priority farmers with market linkages and development of rural space.[1]

### **MATERIAL AND METHOD**

This reform of the common agricultural policy was not enforced by the appearance of large surpluses of agricultural products which had to be stored and exported outside the community, sometimes at prices lower than those charged in the interior, has led to the growth of the Community budget for agriculture.

1. The first step towards the reform of the common agricultural policy aimed at reducing agricultural production, for witch they started to maintain the guaranteed prices for only a limited amount of agricultural products. This measure should lead to the decrease of stocks and the reduction of exports outside the community for a variety of agricultural products at prices lower than those of the community and, consequently, to decrease the

costs of Community policy. To attain this objective was introduced as a means of coercion to meet production quotas established annually – applicable tax which had to bear the brands if they exceeded the production quota.[4]

2. The second measure on the reform of the common agricultural policy was taken in 1984 when it was decided to align the agricultural productions at the level of community demand for these products.

3. As a result, it was passed on to the third step on the line deepening reform agricultural policy by which decided the annual approval of an expenditure ceiling for agricultural policy which could not longer exceed the pace of GDP growth.

4. In 1991, the European Commission has decided to shift to a new common agricultural policy reform by establishing competitive price policy, to face both intercommunity competition and the international. The main objectives of this reform of the CAP were: - maintaining the position of the European Union leader on the market of agricultural products; approximation of the Community agricultural production of the actual demand for agricultural products, the granting of Community financial aid to those farmers who are most in need of it; protecting the environment through industrial policies which reflect the development of appropriate economic and social potential of rural areas. The effects of this reform of the common agricultural policy is expected to be favorable to the development of agriculture, because for the first time allow for different levels of compensation between the regions of the European Union, on the basis of statistical data production and yields. These measures can benefit rural areas in Romania provided stimulating selection of viable farms the large number of existing subsistence peasant, modernization of food production chains, development of complex economic activity and stabilize youth in rural areas.[2]

## RESULTS AND DISCUSSIONS

The new reform was accepted in principle since 1999, when the European Council has decided that the next review of the CAP to have place in 2002.

Table 1. Surfaces, reference productions, the production quotas and ceilings supported by national negotiation  
*Vegetable sector*

<b>- Base area for arable crops</b>	<b>7.012.666 ha</b>
- Average yield of reference	2,65 to/ha
Vines	
- It recognizes the entire surface planted (from the vineyard register in 2006)	
- replanting rights shall recognize for varieties prohibited in the EU	30 mii ha
- The area planted with walnuts	1645 ha
- The area planted with rice	500 ha
- The area planted with cu hop	198 ha

*National quarantined quantities*

<b>- Flax and hemp</b>	<b>963 tone</b>
- Tobacco	12.312 tone
- Rice seed	100 tone
- Other seeds	2.294 tone
- Processed tomatoes	50.390 tone
- Processed peaches	523 tone

*Livestock*

<b>- Milk quota</b>	<b>3.057.000 tone</b>
from which	
- Deliveries to factories	1.093.000 tone
- Direct sales	1.964.000 tone
- Backup quota (2009)	188.000 tone

*Ceilings for cattle and sheep*

<b>-Beef</b>	<b>452.000 heads</b>
- Suckle cows	150.000 heads
- Adult beef to the slaughterhouse	1.148.000 heads
- Slaughtering calves	85.000 heads
Sheep and goats	5.880.000 heads

*The new reform of the common agricultural policy*

a. remove the link between direct payments and production, thus the direct payments to be

granted independently of the volume and structure of production;

b. the obligation to respect by the farmers of certain environmental standards, food safety, animal health and animal welfare, the preservation of land in good conditions;

c. to supplement financial resources for rural development at the expense of reducing direct aid, namely by transfer of financial resources from the market towards measures for rural development measures;

d. financial discipline. A mechanism was adopted for stabilizing agricultural expenditure so that not is pregnancy is less the ceilings set in the financial perspectives for the period 2007-2013.[5]

Another element of the reform of agricultural policy and strengthening and commune is boosting rural development, through the adoption of new measures for rural development in the category of those accompanying, measures aiming at the quality of products meet the environmental standards, plant health, etc.

Table 2 Calendar for allocation of the Community budget and the national budget for direct payments in the period 2007-2016

An	% annual percentage increase in payments to the EU ceiling	% annual percentage increase in payments from the national budget*	total annual payments %
2007	25	30	55
2008	30	30	60
2009	35	30	65
2010	40	30	70
2011	50	30	80
2012	60	30	90
2013	70	30	100
2014	80	20	100
2015	90	10	100
2016	100	0	100

\*maxim 30%

Source: Treaty of accession of Bulgaria and Romania to the EU Publishing the Official Gazette of Romania, 2005

Under the proposals the European Commission, in the period 2007-2009 agriculture in Romania could benefit from funding total 4,037 billion euro of which:

-1,613 billion euro for the implementation of the measures for the implementation of the CAP (0,732 billion euro earmarked for measures to support the markets through the mechanism of intervention and export refunds-cereal, dairy products, beef, etc.-and 0,881 billion for direct payments to farmers);

- 2,424 billion for rural development. For Romania direct payments shall be introduced in accordance with the following timetable percentage growth.

## CONCLUSIONS

Customs Union theory is unpredictable in terms of forecasting economic impact in terms of reallocating resources, specialization and social welfare changes for a country that has entered into a Customs Union.

In other words, remove tariff barriers in the Customs Union between the member States and introduces tariffs commune, establishes new trade conditions and discriminates against non-Member States.

The integration of Romania produces changes in relative prices which add trade in agric - food products with the member, and a drop in exports to non-Member States as well as an increase or a decrease of imports from non-Member States, depending on the effect of deflection of trade along the sector associated with the implementation of new tariffs.

Inclusion of the agro-food sector in regional integration model will benefit producers Romanians live animals (especially cattle), producers of meat, sugar and grain. For these sectors, the positive effects of access to the European market will overcome the negative effects of cheaper imports. In other words, changes in export prices have a direct and positive impact on producers ' incomes, comparative with direct repercussions and negative import price change.

As the reduction of EU 25 tariffs on imports from Romania in greater, the grater is the direct impact on export and output growth. Growth of production depends on the internal and export share of that sector.

The elasticity of substitution of goods import and export shares are higher, the more it grows

more trade with the countries of the EU and so gain social welfare is greater. In conclusion, it pays to put into question the assumption that the producers in the sector agrifood of Romania are able to respond to the opportunities arising from increasing access to the European market.

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