

## IMPORTANCE OF THE AGRICULTURAL SECTOR AS A BRANCH OF THE NATIONAL ECONOMY

Cristiana TINDECHE, Alina MĂRCUȚĂ, Liviu MĂRCUȚĂ

University of Agricultural Sciences and Veterinary Medicine - Bucharest, Faculty of Management, Economic Engineering in Agriculture and Rural Development, 59, Mărăști Boulevard, District 1, Bucharest, Zip cod 011464, Romania,  
E-mails: tindeche\_cristina@yahoo.com, alinamarcuta@yahoo.com, liviumarcuta@yahoo.com

*Corresponding author:* tindeche\_cristina@yahoo.com

### *Abstract*

*Agriculture is an important branch of the national economy, with various functions such as: main source of business activity that uses the workforce, ecological factor for the protection of the environment, technical and cultural tradition, representing a civilization in itself. This paper shows that, in Romania, agriculture has an extremely special position, being one of the primary branches of material production, taking into account that the economic and social growth of the contemporary world is in close connection with the level of accomplishments in agriculture and it cannot exist outside a strong development of this production branch. Because the agricultural sector is currently growing, now, in 2014, we can see a considerably large migration from the urban area to the rural area. Young people choose villages and not cities being influenced also by the agricultural schemes offered by the European Union, schemes that support the needs of the agricultural field.*

*Key words:* competitive agriculture, migration, economic progress

### INTRODUCTION

Within the entire Romanian economy, agriculture represents one of the most important branches, aimed to contribute highly to the recovery of the economic growth of our country. Fundamental transformations in the agricultural structure, in the technical and material resources, in the farm set-up are necessary in order to ensure a modern agriculture and its enrollment in the general strategy for the transition of the entire Romanian economy to the market economy [1].

As regards the weight of the workforce in agriculture, meaning 27.1 %, Romania may be considered the first ranking country not only in the European Union, but also in Europe. This feature is stressed by some countries with large agricultural areas, such as Russia and Ukraine, with lower weight of people employed in agriculture (14.8 % in Ukraine and 8.4 % in Russia). In this case, we are highly influenced by the ratio of large cultivated areas/small country area. In Bulgaria, the population weight for this sector

is of only 7.1 %. Turkey has a higher weight of people employed in agriculture, meaning 21 %. From this regard, the situation in Serbia is similar to the one in Turkey, with a weight of people employed in agriculture of 20 %. The highly developed countries, irrespective of the high weight of arable land, have a very low weight of people employed in agriculture. Their economies are definitely superior to the post-transition economies and their focus is on engineering, IT and service sector [2].

Within the EU countries, the highest weights of people employed in agriculture (although lower than in Romania) have Poland, with 12.3 %, Portugal, with 10.8 %, and Greece, with 10.5 %. On the other side of the globe, the weight of people employed in agriculture in South America is lower, especially in Brazil, with a weight of 10.8 %. In case of the United States, the weight of people employed in agriculture is of only 1.4 %, similar with the one in Great Britain, also 1.4 %, Germany, 2.1 %, France, 2.8 % (the country with the highest agricultural production in Europe and the first country at the international level in the field of winegrowing). Italy, Japan, the

Netherlands or Switzerland has a weight of less than 4 % of the people employed in agriculture. Among the former socialist countries that are EU member states, Check Republic has the lowest weight of people, 3.2 % [9].

Although the productivity of the agricultural sector has been continuously increasing compared with the productivity of other economy branches, it is still much lower. Therefore, the countries with the highest weight of people employed in agriculture have a much lower GDP per capita. India is an example, with a weight of people employed in agriculture of 52.6 % and a GDP per capita of merely \$ 1,340 per capita. In Indonesia, the weight of people employed in agriculture is 36.9 %, with a GDP of \$ 2,580 per capita. This relevant branch of the economy is and will represent a strategic economic sector in any country of the world. Not even the highly developed countries, where the weight of agriculture in the total GDP is relatively low, can afford to satisfy the demand of food consumption as imports only. Therefore, in order to offset the decreasing of people employed in agriculture, the highly developed countries have increased the productivity of this sector, by upgrading the agricultural works and also by selecting the grain and vegetable varieties, by using different types of fertilizers, pesticides that could influence the product quality, and by diminishing the dependency of production on the weather conditions.

These methods of increasing the labor productivity were supplemented, in case of agriculture, with subsidies for the agricultural production in order to level the agricultural incomes with those obtained in other sectors and thus to diminish the migration trends of people employed in agriculture toward other economic sectors with higher incomes [3].

## **MATERIALS AND METHODS**

Although the Romanian migration, as we know it today, is relatively a recent one, it managed to have an increasing influence on the current Romanian society. Whether it has

positive or negative influence, the concept tends to become widespread both at the level of perception and of experience. Today, the international migration is a phenomenon which takes several forms, which has impact and shapes national societies.

The main type of mobility was the labour circulation, especially towards the main industrial centres.

The current paper performs a quantitative analysis, using the method of analysing social documents, i.e. statistical yearbooks, reports related to workforce and other documents regarding mediation/placement, career information and counselling, financial support, contributions to employment and labour market policy making in Romania.

These indicators have been analysed in close connection to the main demographic evolutions, registered in the same social space.

## **RESULTS AND DISCUSSIONS**

We consider that the Romanian agricultural sector has a potential for development in the following years, by amending several metrics, such as: the lower productivity compared with that of the European Union countries. Romania has a very low average level of productivity compared with the EU (almost twice less than other post-transition countries, except Bulgaria, and much lower than the Western countries, exempt Luxemburg); the high difference between agriculture (the productivity of which is of 20.6 % of the national average level) on the one hand and industry and services (where the productivity represents 116.3 % and 144.6 % respectively of the national average), on the other hand; the people employed in agriculture is aging, the weight of people aged 54 years and more in this sector being of 33.6 % in 2012. At the same time, 27.9 % represent young workforce, under 35 years of age, with a low level of education and training, thus with weak chances to adapt to the market requirements.

In the French economy, the productivity per each person employed in agriculture is of

approximately 61.5 %. French agriculture is the first in Europe, with 19 % of the total production of the European Union, being represented by cereal and industrial crops, animal farming and winegrowing [8]. Here, there are approximately 500,000 farms. A high agricultural productivity is accomplished in Germany also, even if its weight per worker is lower than in France, meaning 50.1 %. According to Index Mundi, the German agriculture stands for only 0.8 % of GDP, but it is an extremely productive sector managing to cover 90 % of the food demand of the country with the domestic production. Higher agricultural productivities are also obtained in Poland, where the weight of productivity in the total of economy is of 45.2 %, and in Hungary is of 42.14 %. A lower productivity is registered in Greece, its weight being close to the Romanian one, meaning 30 %.

The only country in the world where the labor productivity in agriculture is higher than that of the entire economy is New Zealand. Even if in the agriculture of this country work almost 7 % of the active population, GDP of this sector is of 7.4 % [8]. Austria, the number 1 country in Europe as regards the organic farming, has an intensive farming sector which covers almost the entire domestic demand of products and participates to the GDP with approximately 2 %.

#### **Agriculture in the European Community**

The most important contribution to the GDP increase in 2013 compared to 2012 was of the industry (+2.3 %), with a weight of 30.0% in GDP and with a volume of activity which was increased with 8.1% [5], and agriculture, forestry and fishing (+1.1%), with a lower weight in the GDP (5.6 %) and with a volume of activity which was increased with 23.4% [6].

In the near future, the organic farming has to be prioritized because it may generate a higher added value and products that are maintained in the domestic market, but that may be also exported.

The significant increase of agriculture in 2013 resulted mainly from its weather-dependent nature, because in the previous year the weather conditions were good. This year, the

same progress will be hard to obtain taking into account the first two quarters with important changes as regards the weather conditions. This year, the economic growth will probably be resulted mainly from the exchange rate and from economic and social movements specific to an electoral year. 2012 showed an economic growth of 0.3 % compared to the previous year, in the context of a contraction with 21.2 % of the gross value added in agriculture and of a diminishing of industry with 2.1 %, according to INS (*National Institute of Statistics*). Therefore, the growth was determined, mainly, by the increase of the activity volume and, as a result, of the gross value added in Information Technology and Communications (+29.4 %), professional, scientific and technical activities; administrative services and support services (+8.4 %). The economic growth of 2.5 % in 2011 was supported mainly by the agricultural trend, plus 11.3 %, and by industry, registering a raise of 5 %. The growth was determined, significantly, by the increase of the activity volume and, as a result, of the gross value added in agriculture, forestry and fishing (+11.3 %), industry (+5.0 %) and shows, cultural and entertainment activities; repairs of household products and other services (4.8%). [8]

In 2010, constructions represented the sector with one of the highest increase of the activity volume, 5.7 %, followed by agriculture, forestry and fishing (+3.1 %) and industry (+2 %).

In 2009, the Romanian agriculture decreased with 0.8 % compared to the previous year, as shown in the following tables. But first, we will analyze a group of European agricultural regions and we will try to outline a comparison with our country, especially as regards the economic trends.

The European area is covered mainly by intermediary and rural regions. Romania has mainly rural regions, with more than 50 % of the population, the rest being distributed in intermediary regions. The only important urban cluster is the capital and the adjacent areas, fact that is generally valid in all the countries. Bulgaria and Greece have larger

weights of rural regions that, as seen above, do not have a productivity correlated with their amount.

In Spain, Great Britain and Germany, the urban areas are predominant, and in Ireland, Northern countries, Italy and France, the rural areas. Other population clusters in urban areas, other than capitals are found in the Mediterranean cities and inland, in Great Britain.

In 2013, in EU27, the highest weight from the total incomes was of the services. They are predominant in all the member states. The cross-country differences are given by the sectors showing economic progress, such as agriculture and industry. Agriculture has an important weight in Romania, 11 %, with approximately 3 percentage points more than the constructions sector, and it is exceeded by industry, with a three times higher percent [7]. The region with the highest added value for agriculture was Ialomița County and the adjacent areas. The numbers for Bulgaria and Hungary are similar. [10]

#### **2014 - The year of migration of young people from urban areas to rural areas**

In 2014, it seems that there are many young people from the urban area who want to settle in the rural area, more than 22,000 applications for the setting up measure (measure 112 - Setting up of young farmers) being registered, according the minister of Agriculture. In EU, only 6 % of the young people have started businesses in the agricultural field. The New Common Agricultural Policy is aimed to support these actions by funds, one of the objectives being the increase of the number of young people in this sector. Another important objective is the increase of subsidies, together with the diminishing of the gaps between the EU regions as regards the subsidies. The increase of the number of applications could be a result of the fact that people from urban areas realized the necessity of the employment in agriculture, and the low offer of qualified jobs in this field or the increase of the support received by young people for setting up, meaning Euro 40,000. The first session of project requests related to Measure 112 -

"Setting up of young farmers" was opened in December 2008.

In November 2012, the Paying Agency for Rural Development and Fisheries (PARDF) announced that more than 9,000 young people, out of which 4,000 are women, started a country farm in the last years, for which they received non-refundable funds of more than Euro 200 million.

As regards the internal migration, between 1970 and 1990, its predominant direction was from rural areas to urban areas. Starting with 1992, the number of those moving from rural areas to urban centers has started to diminish, and the mobility towards the opposite direction, from urban areas to rural areas has increased. This fact was due, mainly to the economic transition and to the decrease of employment opportunities in the cities. Big cities have faced with a deficit of new jobs created, especially as the number of inhabitants was increasing continuously. After 1997, the migration from the urban area to the rural area exceeded the number of those who moved from the villages to the urban centers, which, partially, is due to the suburbanization phenomenon.

The emigration and internal migration phenomena are outlined in the context of highly pronounced development gaps between the different regions in the country, and between the rural and the urban areas. The Romanian regions, which are characterized by an increased loss due to the internal migration, are, at the same time, origin regions for the considerable flows of external migration [4]. The three regions with the highest net loss of population due to migration are North-East, South-East and South. These are predominantly rural regions, characterized by high rates of employment in the agricultural field, relatively high poverty rates (including those active on the labor market), regions that are threatened by the rapid aging of population. They generally have a lower level of infrastructure development and GDP per capita below the national average.

Migration represents the major cause of the accelerated aging of population and of the depopulation of the rural areas. It generates

the qualified human capital deficit, and, in general, the deficit of workforce, that starts to be seen in some specific sectors and regions [4]. Especially the massive exodus of physicians, nurses, and of teaching personnel has resulted in the deterioration of the quality of medical assistance and education, affecting, mainly in the rural areas, the access to those services and contributing to the choice of the inhabitants to change their domicile in order to have a better and safer life.[11]

In the period 2006 - 2008, the evolution of the number of persons moving to the rural area was positive, with a slight decrease in 2009, a year with a dip recession. A high increase was registered in 2010. Non-official sources indicate that years 2012 and 2013 have an ascending trend.

Table 1.Number of young people who arrived in the rural areas, 2006-2011

Age group	2006	2007	2008	2009	2010	2011
< 15 years	30576	36678	38333	37221	52189	38537
15-19 years	13432	15968	14739	12893	18676	12698
20-24 years	20906	25834	25580	23279	31081	22130
25-29 years	18712	22559	22089	17702	24126	17498
30-34 years	16776	20107	21418	17421	23375	16671
35-39 years	12829	15388	15500	11791	16317	11841

Source: www.insse.ro

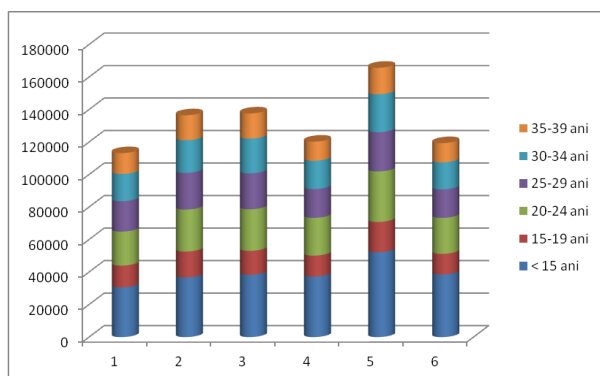


Fig.1. Young people arrived in the urban area in the period 2006-2011

Source: Personal interpretation of the data found on www.eurostat.ro

These statistics are directly proportionate with the number of persons leaving the urban area, out of which men have influenced the above-

mentioned trends, being the first to adapt to the economic and social conditions (see Table 1 and Figure 1).

The highest weight of the young people set up in the rural area was registered, for all the analyzed age groups, in 2010. These data have the same trends as the number of young people leaving the urban area, the number of this is the highest, as it could be seen in the figure above, for 2010 also. Among the age groups of the people at working age, the young people of 20 - 24 years of age have the highest weight from the total of young people arrived in the urban area (see Table and Figure 2).

Table 2.Number of young people who left the urban area, 2006-2011

Age group	2006	2007	2008	2009	2010	2011
< 15 years	26494	28329	32902	32586	46342	34262
15-19 years	11628	11861	11656	9700	14730	10050
20-24 years	25341	26608	28588	26749	36159	24450
25-29 years	31535	32613	34637	29535	42406	29029
30-34 years	23165	25258	29480	25554	36681	25873
35-39 years	17614	18378	19232	15141	22485	16351

Source: Personal interpretation of data according to INS

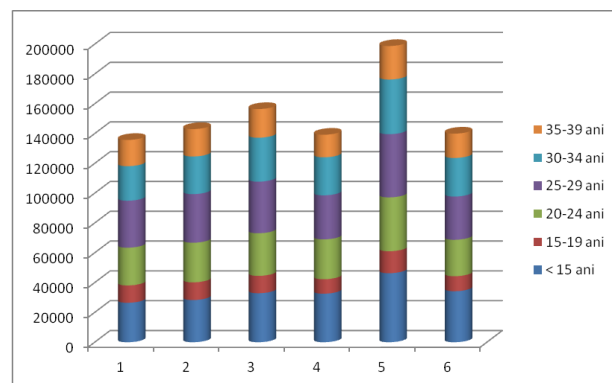


Fig.2. Number of young people who left from the urban area to the rural area in the period 2006-2011

Source: Personal interpretation of the date found on www.eurostat.ro

The number of the people who left the urban area is higher than the number of those arrived in the rural areas, especially in case of those of 20-24 years of age. If only a small percent of those have higher education or

education in the field of agriculture, they can push the rural areas towards development, from an economic, social and cultural point of view. These data may be closely connected to the award of start-up funding in the respective sector.

## CONCLUSIONS

Over time, Romanian agriculture has followed the trend of the economy. In the periods of economic progress, it was prolific, and in recession periods, the production was diminished. These facts show the interdependency between the economic and agricultural sector. A main segment of agriculture is the self-consumption. It has a positive side because it maintains the customs and generates incomes for the minimum living expenses of the farmers and a negative one because it is not reflected in the economic growth. There are countries such as Austria, with small regions as regards their size and dispersion, which can be exploited in such a way, but with an increased productivity due to the involvement of investments in the organic farming. It is aimed to be the future of this field, due to the role it plays for people health and security and for its importance in the growth of national incomes, as regards the increase of consumption and exports. Still far away from the organic farming, Romania has to implement the irrigation system infrastructure, the increase of productivity, the stimulation of education in the agricultural field. The service segment (the highest weight in GDP) and constructions are self-developed, and that is why the priority of our country should be the agriculture.

Romania may be seen as a special case among the former communist countries, as regards the transition of agriculture towards the market economy, without coherent long term policies and, usually, lacking special policies for land consolidation. The regulations suggested for the New Common Agricultural Policy take into account the EU territorial and structural realities and offer the member states more flexibility in choosing the type of policy that is proper to each state. The aim of the

rural development funds has to be the solving of some key restrictions of the Romanian rural area, so that, beyond the degree of absorption, important has to be the efficiency of their use

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