

IMPACT OF THE COMMON AGRICULTURAL POLICY ON NATIONAL ECONOMY – ILFOV COUNTY STUDY CASE

Octavian Constantin BURGHELEA¹, Oana Camelia IACOB², Ana-Maria VOLINTIRU³
Anca CRISTEA⁴

¹Printec Group Romania, 53 Putul lui Zamfir, Bucharest, Romania,
E-mail: o.burghelea@printecgroup.com

²Hyperion University, 169 Calea Calarasi, Bucharest, Romania,
E-mail: oanacamelia.i@gmail.com

³Amma Print SRL, Bucharest, Romania, E-mail: anavolintiru@gmail.com

⁴Hyperion University, 169 Calea Calarasi, Bucharest, Romania,
E-mail: lcanacristea@yahoo.com

Corresponding author: o.burghelea@printecgroup.com

Abstract

This article aims to highlight the fact that Romania's accession to the European Union had a major impact on all sectors of the national economy, particularly on agriculture, due to the application of CAP-specific funding tools and mechanisms for addressing farms producing for the market. Since EU mechanisms for supporting agriculture are diverse and will evolve further in this direction, Romania must simplify and redirect their support so that the current types and forms, highly diversified and with difficult to estimate favorable effects, will be able to insure convergence with CAP.

Key words: Common Agricultural Policy, financial mechanisms, labor productivity, occupied population

INTRODUCTION

Agriculture is a key element of any civilization and is at the forefront in the economy and politics of each country. First, the common agricultural policy is a structural component of economic policy which has the function of allocating society's resources to agriculture.

According to the Treaty on the Functioning of the European Union, Article 39 (Article 33 of the consolidated version of the Treaty), sets specific objectives of the CAP [1]: increase agricultural productivity by promoting technical progress and ensuring the optimum use of production factors, especially labor [2]; ensure a fair standard of living for farmers; stabilize markets; ensure the availability of supplies and ensuring reasonable prices for consumers.

Agricultural policy is built around two pillars: the first – also the initial one -is that of the common market organizations, and the second, which gained momentum in the last decade is that of rural development.

During the last two decades, major state or collective owned farms and their physical infrastructure (irrigation systems related to the 3 million hectares of arable land, animal breeding facilities, body farming machinery) were broken down into about 4 million small farms (mainly subsistence), some of them being abandoned, destroyed or damaged.

In our country's agriculture there are two types of holdings: *individual farms*, mostly peasants and *units with legal personality*.

In 2013 the last stage of the reform of the Common Agricultural Policy took place.

This stage sets the following objectives for 2014-2020: turning decoupled aid into a multifunction support system; strengthening the two pillars of the CAP; a unique strengthening of the CMO (common market organizations) as a protective measure to be used only in case of price crises and market disruption; a more integrated approach, with clear objectives and focused on regions for rural development [8].

MATERIALS AND METHODS

The present study uses a range of tools and instruments leading to exposure under various categories trends in the common agricultural policy. Successfully combines research analysis and synthesis of two ways, the authors try to capture the essence, by separating and dissemination of information on the one hand and by reconstituting key element, thus pulling out the dominant phenomenon under investigation.

Graphic illustrations of the research were simple, suggestive and highlight the results of the processing of personal data from the National Institute of Statistics and the www.eurostat.ro. Tables and charts used during this research increase the importance attributed to the chosen topic.

The case study highlights the characteristics of agriculture in Ilfov County. Important to note is that this research can be extended to the macro level.

The research has been well documented, using a variety of sources and bibliographical references comply with the rules academic field.

Starting argument to begin this research is when financing agriculture in a more prolonged transitional period was marked by the implementation of different agricultural policies in line with the programs of the governments that have succeeded but also with a policy of sustainable management, thus ensuring an audit showing the progress of the development of the agricultural sector [13].

The many changes in the ways the land reform was performed have led to *excessive fragmentation* of land to the property rights holders, with serious consequences on long-term competitiveness of agriculture and waste of financial resources, while maintaining subsistence agriculture.

The main elements determining real convergence of Romanian agriculture with the European Union are synthesized and can be formulated as lines of action and specific sectoral reform measures for agriculture and rural development [7].

The strengths of Romanian agriculture, such as climate and soil are favorable for the

development of organic farming, using traditional and no intensive methods.

Weaknesses of Romanian agriculture consist of: agricultural market is less functional; the declining share of agricultural output in GDP has been accompanied by a significant increase in the share of total agricultural population in the occupied civilian population.

Key objectives: Romania has proposed itself that, by joining the EU, to obtain or consolidate: economic stability; large investments from structural funds; higher incomes for farmers; access to the single market for their products (the 375 million consumers EU market, plus the 100 million consumers market of the Central and Eastern Europe - ECE); an increased demand for products with high added value.

Some conclusions can be drawn at national level, such as:

-agriculture has proven to be the most difficult chapter in the accession negotiations with countries candidate to EU agricultural structures, due to the complexity of the objectives pursued which relate to economic stability, high investment from Community funds, higher incomes for farmers, access to the single market *for farmers, given the fierce competition*;

-for Romania, the current socio-economic condition of the agriculture makes a strong obstacle to integration of this sector in U.E. agricultural structures [11]. The low level of labor productivity in agriculture, crumbling agricultural structures, dysfunctions manifested in the system of agricultural markets, marginal relations of subsistence and semi-subsistence farms to the market, predominant self-consumption, reduced access to credit, shortcomings regarding product marketing etc., were the main weaknesses Romanian agriculture faced during the pre-accession stage;

-the need to intensify the efforts of all central institutions in the field as well as of the direct and indirect participants to agricultural activity, in terms of production, marketing and trade, in terms of the *acquis communautaire*, the use with high social responsibility of funds from the state budget

and especially of those from community sources.

-current interstate European construction is a ongoing process, amid the trend of globalization of the world economy and the deepening of economic interference between countries of the contemporary world, embodied in a system for managing supranational economic, social, political, cultural and military powers.

RESULTS AND DISCUSSIONS

Since EU agriculture supporting mechanisms re diverse and will evolve further in this direction, Romania must simplify and redirect their support so that the current types and forms, highly diversified and having difficult to estimate favorable effects, in order to succeed ensuring convergence with CAP [12]. Functional legislative framework regarding land credit, and simplified regulations for lending and financing of agriculture makes this sector to feel the strongest impact of EU integration. [9]

Table 1. Labor productivity in Romania and EU 2010-2014

	2010	2011	2012	2013	2014
UE	35.32	39.59	40.86	41.86	41.77
Romania	9.34	11.78	9.16	11.35	11.49

Source: data from www.eurostat.com, processed by the author

Highlighting the multifunctional valences of agriculture and rural development, through content, this study transits from the analysis of the Romanian agriculture in the process of revival after 1989, the development strategy of the rural economy [15] and increase productivity in the agricultural sector in the context of EU integration (Table 1), seen in the light of globalization, for a deeper approach on the financing arrangements [14] of the agriculture before and after joining the EU, how the implementation mechanisms of internal and external funding can help the achievement of real economic and social cohesion, reaching to the realities of the Romanian agricultural sector, overviewing *the guidelines at regional (county) level* by

conducting a case study on public funding of agriculture at territorial level in order to quantify the impact.

Knowledge of labor productivity is an important prerequisite when you want to create an agricultural policy [4] to support and develop the agricultural sector, as in the services sector. Labor productivity in agriculture = agricultural production / working hours (labor force occupied in agriculture).

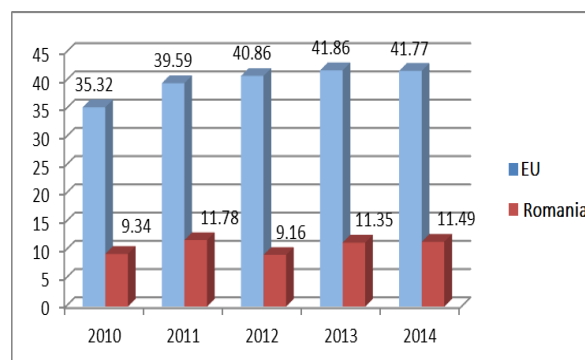


Fig. 1. Labor productivity in agriculture
 Source: data from www.eurostat.com, processed by the author

It notes that compared to the agricultural productivity of labor in the EU 28, Romania record a low productivity (Fig. 1).

The causes for low labor productivity in agriculture are varied and differ from area to area. Thus we have identified as determinants the following: agriculture in Romania is not technologically evolved; because of low wages, the motivation to work in agriculture is low; there is no training for workers in the agricultural sector; Romania's agricultural surface is highly fragmented; using raw material of poor quality.

At the same time, Romania lacks a developed agricultural infrastructure, including modernization of irrigation, building huts and grain silos, and improving rural road network [10].

As regards the implementation of the Common Agricultural Policy in Romania, when they became an EU Member State (2007) and had direct access to the benefits of common policies they had to respect certain limits. Thus, direct subsidies that could attract them were only 25% of EU-15 (EU countries

before 2004), this level increased by 5% per year until 2010 and then by 10% every year until 2016.

Direct subsidies in Romania are SAPS¹, unlike single payments used in the EU-15, since SAPS are more manageable. Romania was allowed to use the SAPS until 2011 after which it passed to the single farm payment scheme in 2012.

SAPS remains connected with the production of certain crops and are paid even if a farmer does not produce as long as the land is kept in good agricultural condition. At the same time, Romania has been allowed to supplement the SAPS's for certain agricultural products in order to help the development of certain areas. These additions were supported from the budget for Pillar II of the CAP but most funding was from the national budget [5].

Table 2. Agricultural area by usage, in Ilfov County(ha)

Agricultural area usage	2010	2011	2012	2013	2014
Total	158,328	158,328	158,328	158,328	158,328
Agricultural Land	102,122	101,825	101,581	102,027	101,453
Arable	97,832	97,535	98,390	98,677	98,080
Pastures	1,973	1,973	1,869	1,791	1,875
Meadows	58	58	58	58	58
Vineyards and Vineyard nurseries	1,412	1,412	681	886	812
Orchards and tree nurseries	847	847	583	615	628
Non-agricultural Land	56,206	56,503	56,747	56,301	56,875
Forests and other forest vegetation	25,253	25,253	25,253	25,350	25,217
Occupied by waters, bogs	5,292	5,365	5,292	5,286	5,107
Occupied by buildings	20,364	20,657	20,829	20,277	20,898
Communications and railway infrastructure	4,251	4,182	4,333	4,281	4,491
Degraded and nonproductive land	1,046	1,046	1,040	1,107	1,162

Source: National Institute for Statistics, TEMPO Database

In most EU Member States, Pillar I area has contributed to the greater allocation of financial resources, but in the case of Romania, Pillar II has received 55% of the fund allocated to the CAP from 2007 to 2013.

¹ SAPS= A simplified version of single farm payment, which has been used by almost all new Member States in the first three years, with a possible two-year extension

Ilfov County agriculture characterization

The situation in Ilfov county land by categories of uses in the years 2010-2014, is presented in Table 2.

Agricultural land includes cropland, pastures, meadows, vineyards and vineyard nurseries, orchards and tree nurseries. Regarding the usage of total agricultural area there is a decrease in the year 2014 compared to previous years; this drop is below the level of the year 2012, which was under economic crisis coordinates (Fig. 2).

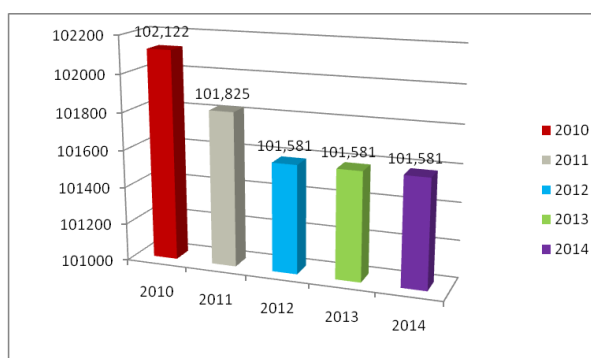


Fig.2. Evolution of agricultural land, Ilfov County
 Source: data processed based on data from the National Institute for Statistics

Non-agricultural land made up of forests and other forest vegetation, filled with water, pools, construction, roads and railways, degraded and unproductive lands etc. have a considerable increase in the year 2014 compared to 2013 (Fig.3).

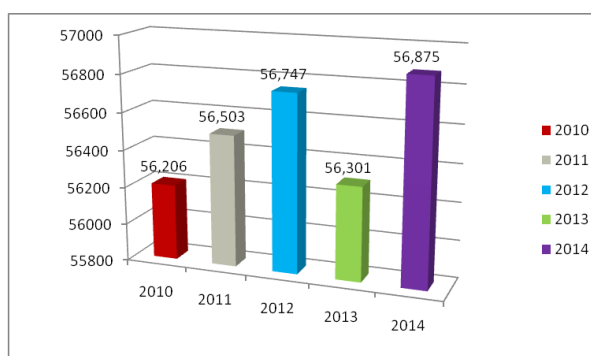


Fig 3. Evolution of non-agricultural land, Ilfov County

Source: data processed based on data from the National Institute for Statistics

The share of agriculture households rose slightly, indicating that the decline in livestock was registered by economic entities with legal personality.

However, some representative livestock industry have resisted in the county, strong enough to revive the livestock sector in the future as well, such as S.C. Romsuintest S.A. Periş for pigs and Avicola Buftea for poultry. Related to the county specific, with a strong agricultural character, agriculture representing

the dominant component of economic activity (featuring reserves and development potential due to soil quality, adequate labor force etc.) situation of agriculture indicators reflects lack of sufficient capitalization of the existing resources (Table 3).

Table 3. Population occupied with national economy branches at NEAC section level 2nd Revision, in Ilfov county

NEAC Rev.2 (national economy activities)	Macro regions, development regions and counties	Thousand capita				
TOTAL	TOTAL	8,371.3	8,365.5	8,569.6	8,530.6	8,431.7
-	Ilfov	157.2	162.5	168.4	165.9	170.7
A Agriculture, Forests And Fishing	TOTAL	2,439.9	2,442	2,510	2,380.1	2,304.1
-	Ilfov	34.1	34.4	35.5	33.6	32.5
B Extractive Industry	TOTAL	65.4	64.8	65.2	63.3	61.9
-	Ilfov	0.3	0.3	0.3	0.2	0.3
C Processing Industry	TOTAL	1,471.9	1,495	1,508.8	1,531.8	1,536.2
-	Ilfov	32.3	32.4	32.9	33	33.7
D Production And Supply Of Electric And Thermal Energy, Hot Water And Air Conditioning	TOTAL	72.7	71	68.6	59.8	58.3
-	Ilfov	0.4	0.4	0.4	0.4	0.3
E Distribution Of Water, Salubrization, Activities Of Water Decontamination	TOTAL	123.3	123	122.7	122.7	125.4
-	Ilfov	3.9	3	3.3	3.4	3.9
F Buildings	TOTAL	627.8	610.9	606.3	631.7	627.9
-	Ilfov	7.8	7.8	8.1	7.9	8.7
G Retail And Gross Trade, Car And Motorcycle Servicing	TOTAL	1,140.3	1,156.9	1,178.3	1,229	1,205.5
-	Ilfov	12.2	12.7	13.7	13.9	13.8
I Hotels And Restaurants	TOTAL	133.1	137.9	154.2	155.7	164.5
-	Ilfov	3.1	3.5	3.8	3.4	3.9
J Information And Communications	TOTAL	134.2	136	153.2	152.9	160.7
-	Ilfov	1.7	2.2	2.6	3.4	4
K Finances And Insurance	TOTAL	133.3	130.2	114	122	118.1
-	Ilfov	0.8	1	1.1	1	1.2
L Real Estate	TOTAL	30.9	30.6	31.4	35.3	28.7
-	Ilfov	1.6	1.8	1.3	1.2	1.4
M Professional Scientific And Technical Activities	TOTAL	155.9	161.1	165.9	169.1	175
-	Ilfov	7.1	7.4	7.4	6.6	7.4

Source: National Institute for Statistics, TEMPO Database

The negative development of agriculture during recent years, due to modest financial possibilities of the peasants and the

substantial reduction of aid granted by the state, can be stopped at least two ways: -orienting investment towards optimizing the

conditions offered by the natural environment;
 -applying the results of agronomic research
 obtained by local research institutes [6].

The SWOT matrix for Ilfov County is
 presented in Table 4.

Table 4. The SWOT Analysis Matrix, Ilfov County

Strengths	Weaknesses
<ul style="list-style-type: none"> -Geographical positioning around Bucharest -Traditionally agricultural county, benefiting from the existence of a major agricultural / livestock research institute affiliated with a university (University of Agronomic Sciences and Veterinary Medicine of Bucharest) -Existence within the county's economy of a tradition of livestock industry and meat processing -Potential for development of tourism and agro tourism -Trained and qualified workforce available at reduced cost -Greater involvement of public authorities in developing regional development projects and inter institutional cooperation with reference centers in Bucharest -Lowland relief, water flows usable for irrigation and temperate climate make agriculture a sector with large reserves and possibilities, creates a significant hydroelectric, forestry and touristic potential -Plain area is favorable to the development of agriculture, especially vegetables in order to satisfy the growing supply requirements of the Capital, county population's consumption and to provide the raw material to cannery facilities in the county -The 10 large lakes in the county provide fishing significant quantities of fish for the needs of residents in the county and the Capital -Using chemical fertilizers and pesticides on reduced scale can contribute to green agricultural products with low pollution -The variety of ecosystems and species habitats of wildlife, due to lakes and ponds etc. -The crossing of the County by two pan-European corridors 	<ul style="list-style-type: none"> -County marked by the exodus of labor to Bucharest -Young people disinterested to work in agriculture -Natural population decrease -The aging of workforce employed in agriculture -Existence of an information gap and underdeveloped consultancy in the county -Poor entrepreneurial education -Serious problems with rural poverty, poor social services -The high degree of land division -Lack of clarity on the legal regime of the land -The mentality of non-acceptance on land consolidation and association -Delaying funding for land -Lack of equipment and machinery used in agriculture, lack of associative structures on farms -Lack of viable associations that operate according to a strategy, having dedicated staff, promoting the objectives of the association -Decrease of the number of livestock farmers; the absence of support measures for this category of farmers -The decrease in cattle and poultry -Existence of a small number of collection centers for products of plant origin at the county level, corresponding to EU standards -The decrease in cultivated areas -Delays in aid to farmers -Growing of certified organic seeds on small areas only
Opportunities	Threats
<ul style="list-style-type: none"> -European integration may increase the role that Ilfov County plays in Romanian agriculture by increasing the number of investors -Development possibilities for extensive farming –organic agriculture -Existence of support for projects through active measures of the RDP, regarding organic farming through the development of technologies designed to protect the environment -Development of partnership relations with Bucharest Municipality -Existence of legal regulations to create associations, producer groups by product in livestock growing -The possibility of obtaining EU funds to finance projects on active measures in RDP -The possibility of obtaining government subsidies -Existence of European funds to support and subsidize agriculture -Establishing partnerships with organizations from other EU countries with developed agriculture on the exchange of experience, transfer of technologies and good practices -Organization of exhibitions / seminars / fairs in the region (County) and Bucharest -Possibility to capitalize on agricultural products by traditional methods 	<ul style="list-style-type: none"> -Expanding urban Bucharest -The migration of young people to the city of Bucharest -Misapplication of decentralization with negative influences in agriculture -Maintaining practicing a subsistence agriculture -Elimination from the market of small agricultural producers who do not comply with EU PAC legislation U.E. -Budgetary limitations on state aid -Legislative loophole on the definition of rural areas -Legislative incoherence and political instability

The territorial analysis must be structured in four chapters, each of them analyze the different ways of financing depending on the source of the funds, namely: State funding through subsidies from the state budget and own MAPDR funds through APIA; funding through the SAPARD program; mixed financing, in the *Private-State-External* system, through the "Farmer" program, and the *Private-External* system through the World Bank. We can perform a case study on the implementation and financing of the

project "*Agricultural Pollution Control Project*" at Tiganesti-Ilfov.

Another phase of analysis may represent a case study on the financing of economic agents in agriculture program SAPARD measure 3.1. "Investments in agricultural holdings", the modernization of a pig farm, and another analysis, the purchase of machinery to modernize the vegetable farm. Analyzing the forms of financing county agriculture from public funds, we can draw some conclusions related to:

-financial resources meant to support county agriculture come from the State budget, MAPDR own sources and irredeemable foreign sources. Allocation schemes and assessing the impact on the agricultural sector can highlight the positive effects and shortcomings that show up in the implementation process, allowing improved agricultural policy mechanisms;

-between 2002 - 2014, farmers in the county have benefited from financial support from the state, the subsidy for the purchase of irrigation facilities, agricultural equipment, diesel, seeds, etc., while livestock farmers have received financial support from the state, the subsidy for milk, meat, heifers, calves, beehives, sheep.

Thus, Romania has recorded, following the EU accession, increases in farm incomes, a polarization of farms took place, reducing the number of household farms and seeing a land transfer from small to large farms that prompted the use of owned farm land in production [3].

Also, Romania should develop an infrastructure that will enable investments in agriculture, thus becoming an attractive area for investors.

CONCLUSIONS

The draft regulations for the future common agricultural policy take into account the territorial and structural realities of EU-27, giving Member States more flexibility to choose the right type of policy for each state.

Some measures in Pillar 2 and the measures in Pillar 1 can contribute to a more sustainable process of merging, but not enough unless supplemented by national measures of the above mentioned kind (an agency with the role of land bank, a State aid measure to support cadaster registration costs), measures that require long term funds allocated in the national budget.

By the end of 2016, the merger will not be more vigorously than before, being inertial, but with the new multiannual financial framework, if the information on the new opportunities will be disseminated properly and on time, there could be an interest in

accessing new measures.

If resources will be found and there will be a long-term political vision in this regard, the process will probably accelerate.

In the most optimistic variant of a massive absorption of EU funds and in terms of support from the national measures financed from the state budget, it is possible that by 2020, there should be significant structural changes of the holdings, increasing the share of farms 10- 100 hectares while reducing that of farms under ten hectares, especially those owned by farmers over the age of 65, which will lead to a process of rejuvenation of the workforce in agriculture.

Trend analysis of the private sector of agriculture emphasizes besides urgent need to institutionally address these issues, the importance of collaboration between different types of specialists, through the confluence of economic, social and environmental factors, currently justified by the quality of Member State of the European Union, both regarding detection and extrapolating trends, and the implementation of required measures.

All countries have tried to promote agricultural development by funding research, providing services and other support schemes, boosting production through subsidies. This is what allowed the fourfold increase of the agricultural production of the century, contributing to society development in general. But at the same time, it increased agricultural pollution and a number of landscape qualities were degraded.

REFERENCES

- [1]Alexandri, C., Luca, L., 2008, Romania and CAP reform, in „Agricultural Economics and Rural Development”, nr. 3-4
- [2] Bălan, M., Uzlău, C., 2012, Repere ale ocupării pe piața forței de muncă în regiunile Vest, Sud-Vest, Sud, Sud-Est și Bucharest-Ilfov, Renaissance Publishing House, Bucharest
- [3]Burghilea, O., C., Burghilea, C., 2011, Implementation status of environmental policy in Romania in the context of sustainable economic development, Scientific Papers. Series "Management, Economic Engineering in Agriculture and rural development", Vol. 11(3), pp.29-34
- [4]Knight, D., F., 2010, Romania and the Common Agricultural Policy, Eco Ruralis, <http://sar.org.ro/wp->

content/uploads/2013/01/Romania-and-the-Common-Agricultural-Policy.pdf

[5]Luca, L., Cionga, C., Giurcă, D., 2012, Consolidarea exploatațiilor agricole, online pe adresa, http://facultateademangement.ro/wp-content/uploads/01_Studiu-Consolidarea-exploatațiilor-agricole.pdf

[6]Merce, E., 2010, Agricultura României: evaluări superficiale, strategii atemporale, rezultate paradoxale, European Institute, Iași

[7]Niculae, I., Costache, G., M., Condei, R., 2014, Study on sustainable development trends of Romania agriculture, Scientific Papers. Series "Management, Economic Engineering in Agriculture and rural development", Vol. 14(2):195-200

[8]Popescu Agatha, Condei Reta, 2015, Research on Romania's employment in agriculture and its position in the European Union, Scientific Papers. Series "Management, Economic Engineering in Agriculture and rural development", Vol. 15(2):281-290

[9]Micromonograph Series – European Policies, Romanian European Institute, Agricultural Policy, http://beta.ier.ro/documente/formare/Politica_agricola.pdf, p. 5

[10] Socol, C., 2004, Opțiunile de politică agricolă și dezvoltare durabilă a agriculturii, Economic Publishing House

[11]Stanef, R., M., 2010, Agricultura României în fata exigențelor Uniunii Europene, ASE Publishing House

[12]Tindeche, C., Mărcuță, A., Mărcuță, L., 2015, Importance of the agricultural sector as a branch of the national economy, Scientific Papers. Series "Management, Economic Engineering in Agriculture and Rural Development", Vol. 14 Issue 4

[13]Topor, I., D., Putan, A., Capusneanu, S., 2011, The Role of Management Accounting in Providing Information for Making Decision within an Entity, International Journal of Academic Research in Accounting, Finance and Management Sciences, Vol. 1, No. 2

[14]Uzlău, C., 2011, Scenarii de politică fiscală în perspectiva aderării României la Uniunea Europeană. Estimarea impactului asupra indicatorilor de bază ai dezvoltării economice, Editura Renaissance, Bucharest

[15]Uzlau, C., Uzlau, L., 2012, Creșterea atractivității investiționale a localităților rurale "Conferința Romanian rural tourism in the context of sustainable development. Present and prospects", 14th Edition, Vatra Dornei