

## THE IMPACT OF THE COMMON MARKET ORGANIZATION CONCERNING THE ROMANIAN FRUIT AND VEGETABLES SECTOR

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### *Abstract*

*The purpose of this paper is to compare the different forms of financial support, specific for fruit and vegetable sector highlighting the implications for Romanian farmers. To this have been analyzed all possible forms of support on Pillar I and of which Romanian producers have benefited after 2007, without reference to irregular forms of support or to the state aid. Analysis of forms of support we revealed the following: although the financial support has significant value, the transitional payments for processing tomatoes has not been caused a massive migration of producers of fresh tomato to the industrial tomatoes culture; this form of support caused a specialization of vegetables producers, many of whom are beneficiaries of this form of support from the implementation of the scheme to this moment; increasing the number of the legal entity created by producers, specialized on marketing of fruit and vegetables; increase of the fruit and vegetables surfaces whose production is in at least 75% sold through specialized marketing associative forms.*

**Key words:** milk production, evolution, NW Region, Romania

### INTRODUCTION

Fruit and vegetables constitute an important agricultural sector of national economy that by high added value can provide a decent life of a high number of Romanian farmers. In 1989 areas under vegetables had reached 289 600 ha and 290 000 ha of orchards. Currently, according to information centralized by Payments and Intervention Agency for Agriculture, areas for which payments were required in the agricultural year 2010/2011 did not exceed 65 000 hectares for vegetables and melons and 110 000 ha for orchards. Considerable decrease of areas under fruit and vegetables has many reasons, one being the collapse of takeover network, conditioning and marketing of fruit and vegetables. In the Common Agricultural Policy the role of marketing network is taken by associative forms called producers group (PG) and producer organizations (PO). The surface managed by the members of PG and PO is the main indicator of the degree of organization for fruit vegetables sector. Community budget for implementation of CMO rules (approximately €1.5 billion spent

in 2009) is not assigned to the Member States as a national financial envelope but is accessed directly through recognition plans and operational programs, increasing the efficiency of organizational management of the authority. Should also be noted, that the fruits and vegetables sector has the highest rate of financing from the Community budget allocated from Pillar I (16.3%). [1].

### MATERIAL AND METHOD

After the CAP reform in 2007, Romanian producers of vegetables and fruits have received the following forms of support:

- direct area payments;
- transitional payments for tomatoes for processing;
- financial support for producer groups and producer organizations.

Direct payments are a payment scheme in which is given a set amount per hectare, payable once a year. Are eligible the farms with area at least 1 ha and agricultural parcel area to be at least 0.3 ha. For the orchards, tree nurseries and shrubs, the minimum size of the parcel must be at least 0.1 ha.

Transitional payments scheme for tomatoes for processing was established in 2007 as a transient payment scheme in which the financial support is granting an amount per unit surface once a year.

Financial support for producer groups and producer organizations, in order to implement the recognition plans and operational programs.

## RESULTS AND DISCUSSIONS

Granting direct payments aimed to control production and to protect farmers' income from the reduction and / or elimination of intervention prices. There are opinions that say that granting direct payments to farmers will slow the process of restructuring and merging of farm land. [2] Since the value of direct payments in Romania is below 50% of that paid to farmers in the old Member States, the amount of direct payments will gradually increase within 10 years, the aim followed by the EU Commission in the accession time was to encourage process of merging and restructuring of agricultural area. The charts below shows the areas planted with fruit and vegetables with the number of farmers who applied for direct payments between 2007/2008-2009/2010, see Figure 1, 2, 3, 4 and 5.

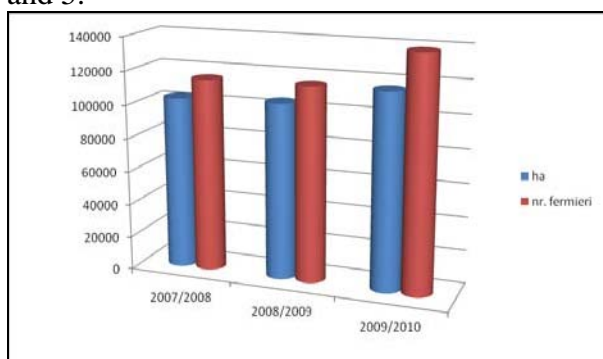


Fig.1 The evolution of orchard surfaces

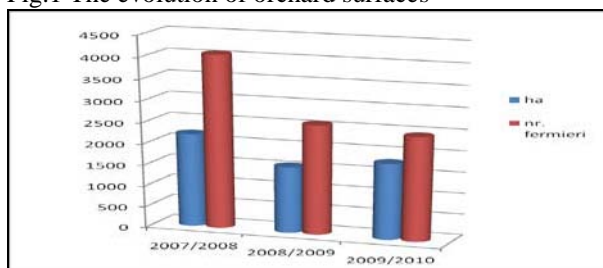


Fig.2 The evolution of shrubs surfaces

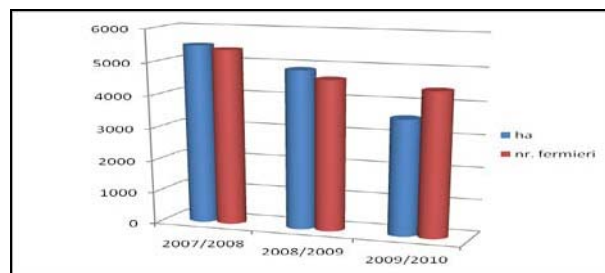


Fig.3 The evolution of surfaces with table grapes

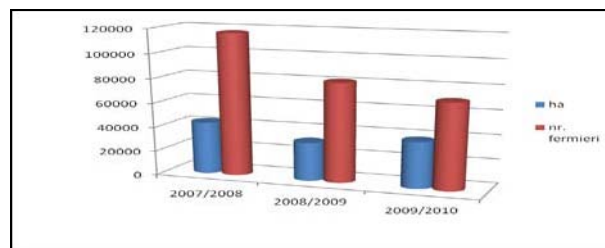


Fig.4 The evolution of surfaces with vegetables

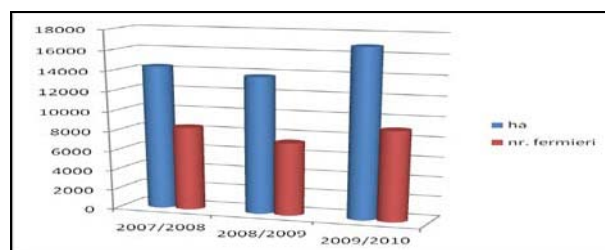


Fig. 5 The evolution of surfaces with watermelons and melons

In the period after accession was identified a perpetuation of inertia on the land market as a result of granting direct payments, so that for most species of fruits and vegetables were observed stagnation of average surface cultivated by a farm, see Figure 6.

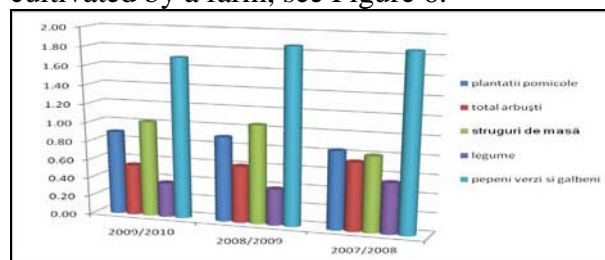


Fig. 6 The evolution of the average surfaces in ha, cultivated with vegetables and fruit on a farm

To this is added the impact already found in the old Member States, regarding the land value and rent market. Thus, operation of direct payments has led to their capitalization in land prices and in rent and while increase value while maintaining a significant share of the elderly as landowners who are not

interested to sell or to rent agricultural land to young farmers.

Assessment of transitional scheme of tomatoes for processing:

Transitional scheme of tomatoes for processing was promoted at the end of 2007 by EU Council by amending Council Regulation (EC) no. 1782/2003. Romania has implemented the scheme in short time and managed to use 100% ceiling allocated to the scheme. The participating of processors in the scheme was voluntary and requires compliance by them of special conditions designed to gather and retain data on contracted areas, on quantities delivered and on the amounts paid to farmers. Although they are not the direct beneficiaries of the financial support, the need for raw materials caused that the processors to meet yearly the authorization procedure. Area contracted by processors had the tendency to constantly increasing. The relatively high level of support (€1,725.81 / ha in 2010) and certainty of sales has made that the number of beneficiaries of this support scheme to increase from 8 in 2007 to 194 in 2011(Fig7)

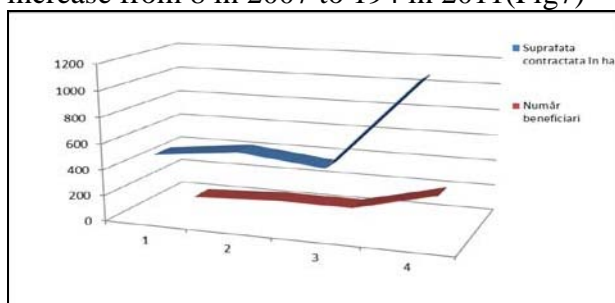


Fig. 7 Evolution of the contracted surfaces and the number of beneficiaries

Impact assessment of support for producer groups (PG) and producer organizations (PO): The implementation of the rules on the common organization of the market was made only in the second half of 2007, so MARD can recognize and approve the first operational program of a producer organization. In the coming years the number of PO remained unchanged while the number of PG became 33 in 2011, see Fig. 8.

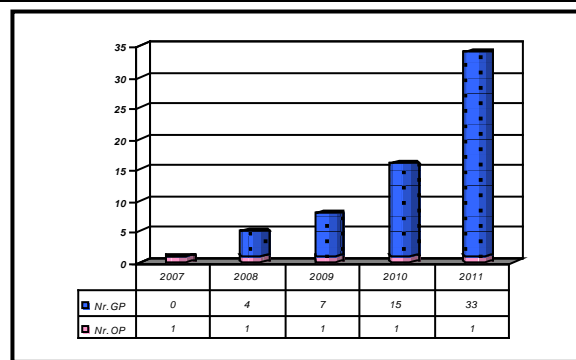


Fig. 8 The evolution of groups and producer organizations in 2007-2011

As a direct consequence of association process, the areas planted by members of producer groups and organizations has grown well, see Figure 9.

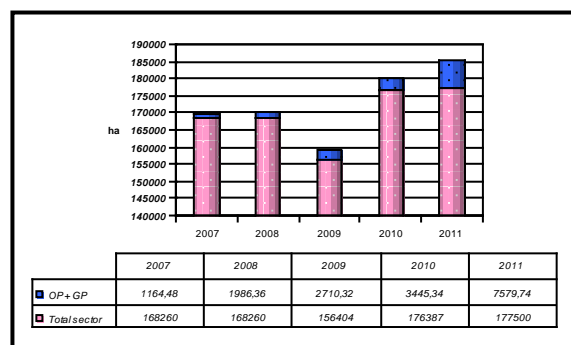


Fig. 9 The ratio of the total surfaces cultivated in Romania and surfaces used by members of PG and PO

After analyzing the data to the above, there is a swing tendency for area occupied by fruit and vegetables in Romania, towards a growth trend of areas planted with fruits and vegetables belonging to members of producer groups and organizations. These two contrary trends show a positive trend of fruit and vegetable marketing chain, with long-term beneficial effects on the economy of the sector. The implementation of the CMO rules and lack of state aid compliant has stimulated association of producers and increasing concentration of production.

In Fig. 10 presents the evolution of the value of marketing production belonging to producer groups and organizations in 2007-2011, compared to the evolution in the same period of the value of fruits and vegetables produced in Romania.

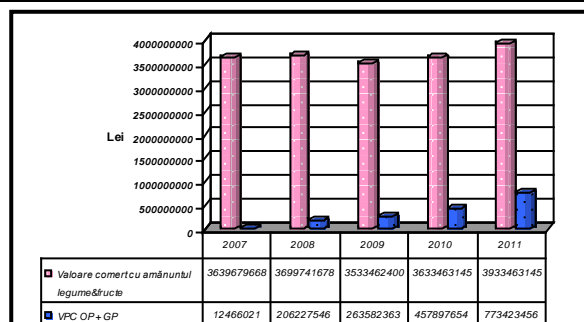


Fig. 10 The ratio of the retail value of fruit and vegetables and the VPC registered by PG and PO

The value of marketed production is the value of production marketed by members through the PG or PO. Producer organizations may receive financial support up to 50% of the approved operational fund. Given the specific rules of CMO in fruit and vegetable, operational fund may not exceed 4.2% of the value of marketed production. Member States with a low degree of organization of producer organizations may grant State aid of 80% of the producer organization to the operational fund.

In Fig. 11 presents the evolution of the financial support received yearly by the PG and PO in Romania from public funds for 2007-2011.

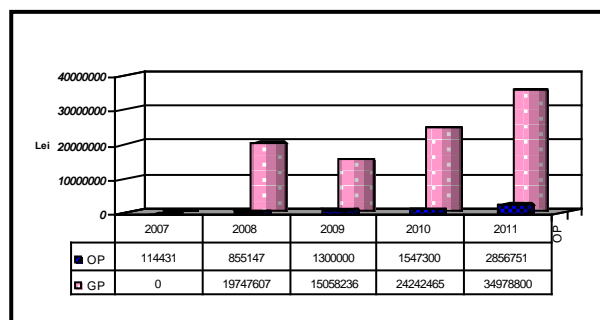


Fig. 11 The evolution of financial support received yearly PG and PO in 2007-2011

From data analysis can observe a trend of accelerated growth of the financial support for PG and PO, from 114431 lei in 2007 to 37835551 lei in 2011. Reported but the Community budget spending in the Pillar I for PG and PO, about 5.7 billion lei in 2011 [3], the financial support accessed by Romanian PG and PO in 2011 is totally insignificant (0.68%).

## CONCLUSIONS

In the period after accession was identified a perpetuation of inertia on the land market as a result of granting direct payments, so that for most species of fruits and vegetables were observed stagnation of average surface cultivated by a farm.

Operation of direct payments has led to their capitalization in land prices and in rent and while increase value while maintaining a significant share of the elderly as landowners who are not interested to sell or to rent agricultural land to young farmers.

The implementation of the CMO rules and lack of state aid compliant has stimulated association of producers and increasing concentration of production.

## ACKNOWLEDGEMENTS

Data concerning the indicators mentioned above were collected by the Ministry of Agriculture and Rural Development in 2007-2011, through its central and local structures.

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