

## ESTIMATING THE IMPACT ON THE LEASING OF HOUSEHOLDS OF FARMERS IN THE RURAL AREA

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### **Abstract**

*Leasing is the most common operation on the land market, at least in areas with a high quality agricultural land. The Romanian legislation in post-communist period leasing experienced a special regulation to introduce it in the new Civil Code, thus recognizing the importance it has in the socio-economic rent in Romania. From this perspective, the lease determining role in the Romanian society is a useful approach to determine regulatory requirements and how the current legislation covers the needs of society. Based on statistical data obtained from the National Institute of Statistics in conjunction with the data collected from the performance of contracts of lease rent in the areas where agricultural land is a very common operation (counties Calarasi, Ialomita, Giurgiu. An image was created on the living standard of the rural farming households and the conclusion drawn is that although the leasing company has only a strong economic role, down to the grassroots level in the households examined, the role of leasing also acquires social issues.*

**Key words:** agricultural land, farming families, rural

### **INTRODUCTION**

The Land reform started immediately after the Revolution of 1989 included most of the Romanian owners of farmland, so the agricultural area of Romania crumbled in a few years into millions of parcels, which on you could not practice agriculture to capitalize on the new agricultural oriented technologies. With the new owners of agricultural land, appeared the need for a land market covering not only buying or selling, but also operations such as leasing, to determine land consolidation in large farms, with important consequences in the modernization of agriculture and increased profitability. Leasing land soon became its first settlement in 1994, the main operation of an early land market, this being due to the fact that the new owners were able to exploit the land without alienating the property.

Twenty years after the first settlement of rent in the new socio-political conditions [2], rent, because it is very common, carries a particular importance in the Romanian society. Therefore, identifying the role that this part of the land market has in society, community or

household level is of interest for regulatory limits of rent in the future.

### **MATERIALS AND METHODS**

To identify the role that rent fulfills in rural communities and in families or households majority of those who use this operation, data was collected from the National Statistics Institute, in Calarasi County Pension Agency for Payments and Intervention in Agriculture has been consulted and specific legislation and works including rural post revolutionary analysis.

Int his purpose, the online Tempo database was consulted. The data collected in the year 2013 were analyzed by comparison, and the results were interpreted to highlight the differences between different related indicators of rural households whose manager is a farmer and other related indicators of households ran by other social and professional categories.

The indicators taken into consideration were those which can guide the establishment of living standard or comfort level, revenues and expenditures.

**RESULTS AND DISCUSSIONS**

According to INS data, the most numerous are those of retired households (41.5%) and employees (38.7%). In terms of occupancy, in 65.8% of urban households live persons employed, a significantly lower percentage compared to urban areas, where 70.8% of households live persons employed.

In 2013, according to the way they cover expenses, 62.7% of households whose head is a farmer cope with difficulty or with great difficulty, the no. 2 by households after whose head is unemployed.

From this perspective it is very clear that reported to routine household maintenance needs, farmers are the most disadvantaged category of active population. Even pensioners are able to cope in a higher percentage with maintenance costs (8.7% of families and pensioners cope easy to very easy compared to 7.7% of current expenditure of farming families).

In Romania in 2013 there were 808,000 households whose head is a farmer, of which 25.6% believe that they need a net monthly income of under 1,000 lei to meet current expenses, 45.4% believe that the necessary monthly net income should be between 1000 and 2000 lei to meet current expenses, 18.8% need a net monthly income between 2000 and 3000 lei and only 10.2% were current needs are of over 3,000 lei monthly.

Table 1. Households by level of net monthly income deemed necessary to cover current expenses, 2013

Occupational status of the family head	Incomes up to 500 lei/month %	Incomes between 501 and 1000 lei /month %	Incomes between 1001 and 2000 lei /month %	Incomes between 2001 and 3000 lei /month %	Incomes over 3000 lei/month %
Employee	1.8	4.8	21.1	33.5	38.8
Owner	-	-	9.8	27.0	61.2
Self-employed in non-agricultural activities	1.3	6.1	29.6	38.6	24.4
Unemployed	2.2	7.4	37.5	30.4	22.5
Farmer	6.4	19.2	45.4	18.8	10.2
Pensioner	3.8	13.4	40.4	25.5	16.9
Other status	5.1	13.2	34.0	24.0	23.7

Source: NIS, 2014

"Findings in terms of household cash needs clearly demonstrate the great differences

between the living conditions of households in the two areas, urban and rural areas" [4], but also between families whose members have different employment status, the most disadvantaged category being the farmers.

Data analysis showed that families whose head was a farmer, 25.6% needed less than Lei 1,000 lei per month, compared to only 9.6% of families whose head is unemployed and 17.2% of pensioners families below Lei 1,000 lei monthly. The conclusion was that farmers are the people with the most modest demands of comfort, this leads to the idea that they are the lowest income category in Romania. In support of this conclusion is the idea that while farming households had the cheapest monthly needs, 62.7% of households whose head was a farmer cover current needs with difficulty or with great difficulty.

Only 4.5% of households whose head was a farmer had borrowings. This reflects the low level of development of this type of households and low prospects regarding their future development.

Table 2. Households with borrowings, occupational status of the household head in 2013

Occupational status of the family head	% households with borrowings
Employee	18.6
Owner	26.6
Self-employed in non-agricultural activities	9.9
Unemployed	9.7
Farmer	4.5
Pensioner	5.8
Other status	90

Source: NIS, 2014

About 65.6% of rural households have no bathroom/shower inside the home (for comparison only 8.5% of urban households do not have a bath or shower in the house. Also 68.6% of rural households do not have wc inside the house. From the data above we can observe that the level of comfort and quality of housing in rural households is much lower than in urban areas, the differences being significant.

In regards the provision of durable goods in households of farmers is as follows: 40.3% of households have no washing machine (the highest percentage, compared to 23.3% of households whose head is unemployed have washing machine); 20.7% have mobile phone,

73.9% have no computer. The statistical data shows that farming households have the most modest endowment, this being mainly due to the limited financial resources available to them.

Table 3. Households by endowment of some durables and occupational status of the household head in 2013

Occupational status of the family head	No washing machine (%)	No phone (%)	No TV (%)	No computer (%)	No car (%)
Employee	3.9	1.9	0.2	21.9	44.6
Owner	-	-	-	4.2	7.2
Self-employed in non-agricultural activities	10.8	8.6	1.0	38.1	48.2
Unemployed	23.3	11.9	-	59.5	82.3
Farmer	40.3	20.7	3.4	73.9	81.7
Pensioner	21.2	16.6	1.6	72.6	78.4

Source: NIS, 2014

22.2% of farmers say that they have a satisfactory health status or bad, being the second category, after pensioners, with poor health self-declared (for comparison, 9.5% of employees say they have a satisfactory health status or bad, 13.7% of unemployed, 10.9% of owners). 233 000 farmers could not consult a specialist in 2013, 79.2% of them because they could not afford this, and 3.4% due to excessive distance to be traveled and lack of transportation. 311,000 farmers although they needed it, they could not make in 2013 a dental checkup, 82.9% of them because they could not afford it.

In 2013, 44.4% of farming households could not perform on time some expenditure, especially electricity or other expenses of maintaining the house.

households of pensioners, 37.4% households of employees, 9.3% households of farmers, 3.9% and 4.7% unemployed workers households in non-agricultural activities on their own. Of the total households of pensioners 48.8% live in rural areas. With regard to rural households 48.1% are households of pensioners and only 19.9% are households of farmers. [5].

In 2013 "the largest cash income, average monthly per household, was achieved by the households of employees (3100 lei) and the lowest by the farming households (1114.4 lei)". The data presented by the National

Statistics Institute shows that subsistence economy is characteristic to the farm household. This is highlighted by the fact that from the total cash income of all households in 2013, only 3.9% of the money income was from agriculture, 2.8% from the sale of agricultural products, livestock and poultry and 1.1% of revenue provision of agricultural work.

Table 4. Available income (net) on categories of households, according to the occupational status of householder head, in 2013

Occupational status of householder head	Average monthly income per household (Lei)
Employee	2,548.7
Self-employed in non-agricultural activities	1,689.5
Unemployed	1,403.2
Farmer	1,130.2
Pensioner	1,688.5

Source: NIS, 2014

The idea that the family farm can be a solution in rural areas, in addition to lack of means, the problem is that in our country, as "in all countries with market economies, the most sensitive sphere of activity a family farms has, is capitalizing production" [10]

Rent is considered to be not only a legal operation whereby the lessee conveys the lessor the right to use and exploit agricultural goods, for a period determined at a price [1] but also a way for families of owners of agricultural land to complete their annual income. This method of disposal of agricultural land use in Romania has experienced continuous growth, according to current studies, it is a clear tendency to increase the share of agricultural areas leased from 17% in 2007 to approx. 27% in 2010 [8] and about 32% in 2014.

"The consequence of leasing is primarily that of bringing agricultural land unproductive or low productive area in the productivity performance, mainly by creating optimal conditions for practicing agriculture on large surfaces. This produces large crops under conditions of high profitability. From this perspective, leasing plays a key economic role that can not be questioned" [3], especially in the context that „agriculture will continue to be one of the most important economic sectors in rural areas, further contributing

significantly to innovation and development of rural areas" [9].

The particularly low standard of living of the rural population, especially of farmers, is observed not only statistically but also in the literature that analyzes the rural areas in terms of the role it plays in agriculture: "The greatest part of lessors is the low-income people, with money or products obtained under contract on leased land, this being an important source of income, especially for the elderly who have pension of less than 200 euros, which is the most common category in Calarasi county rural area.

According to statistics, the average pension of state social insurance in Calarasi County is 160 euros and the average pension for farmers is 79 euros per month" [3].

Also, in the literature that examines the issue of the lease, it is noted that, in general, farms are characterized by advanced age of family members, the scarcity of inputs and isolation from the market, something which highlights the degree of underdevelopment of rural families of those who act as lessors [6]. "Lease, the price of the property leased, should satisfy the interests of both partners equally: lessors and lessees" [7]

## CONCLUSIONS

If the economic role of the lease is certain, out of the question and proved by the high efficiency of agriculture practiced on large surfaces, the lease having an essential role in achieving large farms, the same can not be said with certainty that the lease has a social role. I say this because at the company level, the lease has not made significant changes at the social level. However, by ensuring additional income for the category of the most disadvantaged population, we can say that it has social influence on families rent owners of agricultural land, which due to the lack of ability to work the land, they submit the land to the lessee to use. This is very important because it can guide future policy in this field by supporting and promoting other operations that may have a pronounced social role in the community as a whole, and the entire Romanian society. This is deemed necessary

because there is a need for developed agriculture in rural coupling just by land owners, who mostly stayed to live in the countryside.

## ACKNOWLEDGEMENTS

This paper was co-financed from the European Social Fund, through the Sectorial Operational Programme Human Resources Development 2007-2013, project number POSDRU/159/1.5/S/138907 "Excellence in scientific interdisciplinary research, doctoral and postdoctoral, in the economic, social and medical fields -EXCELIS", coordinator The Bucharest University of Economic Studies

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