

# Influence of European Funds on Farm Management in Romania

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## Abstract

*European funds are a breath of oxygen for Romania in its attempt to obtain similar results to EU Member States. This paper aims to analyse and highlight at the same time, the importance of implementing European funds on farm management for Romanian agriculture. In an attempt to demonstrate and analyse the positive impact of the funds on farms and on their management public and official data were used. The scientific study outlines how the absorption of EU funds influences farm productivity and how European measures have influenced farmers managerial decisions. The paper refers to the management system applied in farms in Romania and how it has changed when European funds were introduced. A secondary outcome of this article is benchmarking the agricultural sector on Romania's position in the rankings compared with other European Union member states.*

**Keywords :** *European funds, farm, farm management, National Rural Development Programme 2007-2013, farm production, European measures*

**JEL classification:** M11, Q10, Q19

## Introduction

Istudor (2006) says that “Regional development is a complex process of harmonious development of all areas of a country or a single European space , able to ensure the reduction of territorial disparities and achieve a relative balance between economic and social development levels of different areas, taking into account the sustainable management of resources natural and natural environment protection .”

The European funds have represented a significant help for the economy of the EU Member States, but first of all for their beneficiaries. Dachin (2011, p. 152) says that “agriculture was included among the industries in developed EU countries after it benefited from a sustained public support and reached a high level of competitiveness and stability” .

Stafie (2013, p.117) states that “the Common Agricultural Policy (CAP) brought to Romanian farmers real benefits and new opportunities, but at the same time it requires an intensification of the competition”. The European funds for agriculture benefited from the largest budgetary allocations from the EU funds in

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most Member States of the European Union. Moga (2012, p.29 ) said that “the food sector is one of the most important sectors of the economy, encompassing agriculture, the food industry, retail, and eventually, all members of society as consumers.” The European community was aware the food industry is the basis of economy and is directly related to agriculture, as it was the only source of raw matter for the food industry.

In terms of Romanian agriculture, it benefited from European funds through the National Rural Development Programme 2007-2013, a budget of around eight billion euro was allocated for six years of programming. The NRDP 2007-2013 was created to support farmers and agriculture in Romania in the attempt to get to European standards. It was possible due to the changes that took place within the farms. The implementation of a farm management system was tried based on the principles of the European market.

### **1. Farm management in Romania**

Farm management is very well represented at European Union level. It was proved by the high level of products obtained in the European farms. It is based on forecast and a management plan-instrument. The forecast is materialized within the management of a European farm by: estimates, plans and programmes.

This principle can be also applied in farm management in Romania. Before implementing European funds, in most cases, the Romanian farmer adopted involuntarily a farm product-based management. This type of management was favoured by the fact that there was a joint coordination of the products in terms of economy and technology, benefiting from a stronger orientation to market requirements for the product obtained within the farm.

After Romania ‘accession to the European Union and adoption of the National Rural Development Programme 2007-2013, farm management in the Romanian farms had to change. Managers had to implement a farm management based on objectives. This type of management was implemented due to the new requirements of the European measures that are found in the NRDP 2007-2013. Each measure was based on an applicant's guide where it was specified that the beneficiaries of the European funds had to prepare a business plan where the objectives the beneficiary assumes in order to have access to European money should be very clearly described. Adopting this type of management has led to the creation of benefits for the farm manager: better use of time, reduction of the frequency of decision-making and rapid observation of adverse situations.

By introducing this new type of farm management, the managers have thus obtained strategies by which they have developed and marketed products as required by the European market.

Among the European measures that were based on a business plan which had an objective-based management there were measure 112-Young farmers and measure 141-semi-subsistence farms.

### 1.1 Measure 112 – Young farmers

Within the Annual Progress Report 2013 of the NRDP 2007-2013 the general objective of this measure aims at improving and increasing the competitiveness of the agricultural sector by promoting the setting-up of the young farmers and supporting the process of modernization and compliance with the requirements on environmental protection, hygiene and animal welfare, safety at work, and an improved management of the agricultural holdings by generational renewal of the managers, with out increasing the active population employed in agriculture".

The purpose of the support granted within this measure is to improve the management of the agricultural holding by which the farm manager can obtain a production adapted to market requirements. At the end of 2013,12,976 projects were contracted with a public amount of 325,733.03 thousand Euro.

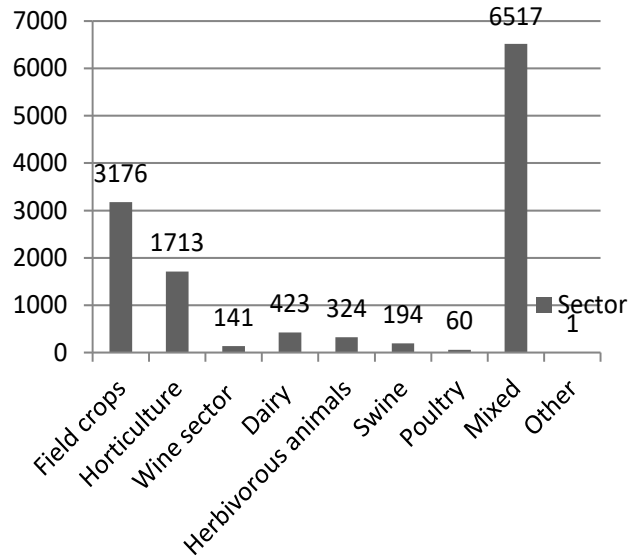
**Table 1. Table of calls**

Year of call	Submitted	Selected	Contracted
2008	661	512	500
2009	2702	2297	2252
2010	3209	2899	2845
2011	7948	4058	3899
2012	7974	3680	3480
Total	22494	13446	12976

(Source: Annual Progress Report of the NRDP 2007-2013, www.madr.ro)

At the end of the year 2013, 5 calls were carried out where 12,976 were contracted. A significant increase can be noticed from year to year in terms of contracting, in the year 2012 we can say that the interest for this measure was much over the ex-ante forecasts at the beginning of the programme. This also suggests that besides the monetary benefits, the beneficiaries were interested to improve farm management.

As one can see from the diagram above, most projects were in the area of mixed farms. It was also influenced by the fact that the management of this type of farm helps to obtain a higher profit in such a short period of time and the fact that the managers of the farms can extend to more markets obtaining products both for the cereal and animal markets. The following category was the field crops with a number of 3,176 projects, which shows that a more direct and easy to implement management can be applied al so for this category.



**Figure 1. Value of the projects approved and paid by agricultural branches**  
 (Source: source adapted from Annual Progress Report of the NRDP 2007-2013, www.madr.ro)

### 1.2 Measure 141 – Semi-subsistence farms

The overall objective of the measure 141 is to increase the competitiveness of the agricultural holdings undergoing restructuring to facilitate solutions to the problems related to transition, given that the agriculture sector and the rural economy are exposed to the competitive pressure of the single market.(NRDP 2007-2013, 2007).

The support under this measure aimed at improving the management of small-sized agricultural holdings. At the end of 2013 projects amounting to 396,212.814 thousand Euro were contracted.

**Table 2. TABLE OF CALLS**

Year	Submitted	Selected	Contracted
2008	20013	12772	17337
2010	16403	16104	15547
2011	26943	1400	13504
2012	25487	15031	14402

(Source: Annual Progress Report of NRDP 2007-2013, www.madr.ro)

In the table above one can see a large number of the projects were contracted for this measure. It is known that in Romania most farms are semi-subsistence farms. This measure is very important for the agriculture in Romania because its support considerably helps small farmers.

Most farmers who have accessed this measure are old managers who have not benefited from a specialized training agriculture. One can note that in the four years analysed, the contracted projects have not significantly varied which means that this measure was one of the most attractive measures of the NRDP 2007-2013.

### **1.3 Measure 111 – Vocational training**

Measure 111 was created in an attempt to help beneficiaries to fulfil the overall objectives of the measure they accessed. It provides for the vocational training of the beneficiaries of measure 141 and measure 112.

The fields studied by farmers were: farm management, organic farming, farm accounting, on-farm diversification of activities and EU standards. Interestingly, for measure 141 the courses last 5 days, during which farm managers go through four fields, and the young farmers' courses last 10 days. By the end of 2012 under this measure, a total number of 23,241 of farmers were trained, according to the information on the website of the Ministry of Agriculture and Rural Development (2014).

Within this measure farm managers could also be monitored. After filling in the questionnaires of attendance, an analysis of the age of the farm managers in Romania could also be done. Tudor (2014) said that “the age structure of managers in the Romanian agriculture corresponds to a “reversed pyramid” (in conformity with the demographic language) in which the most weakly represented is the age group under 35 years old, while the elderly managers (aged 65 years and over) represent the group with the highest frequency.”

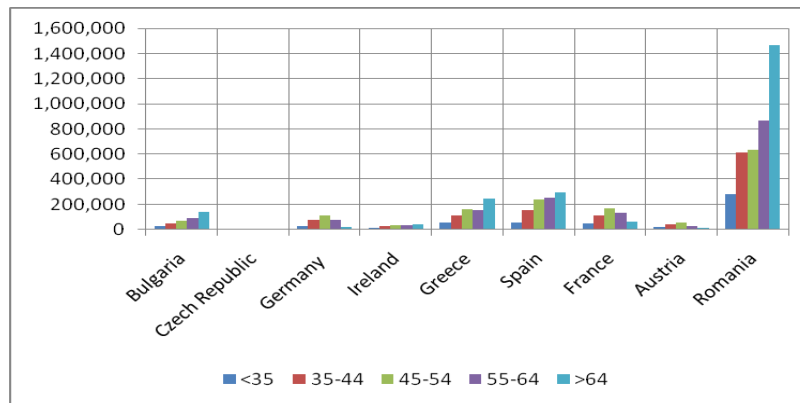
Following these findings, we can say that 111 was necessary especially for the beneficiaries of measure 141.

**Table 3. Number of farms according to the age of farm managers**

Age	<35	35-44	45-54	55-64	>64
Country	Year 2010				
Bulgaria	25,540	44,480	68,500	93,810	138,160
Czech Republic	2,670	4,730	6,140	6,410	2,920
Germany	21,280	73,420	109,270	79,270	15,900
Ireland	9,450	25,150	34,920	35,000	35,370
Greece	50,180	112,710	163,060	156,230	240,890
Spain	52,790	152,440	237,040	253,180	294,350
France	45,090	109,440	166,990	132,720	61,870

Age	<35	35-44	45-54	55-64	>64
Austria	16,110	41,060	53,640	26,980	12,380
Romania	280,440	609,610	636,370	868,910	1,463,720

(Source: Eurostat)



**Figure 2. Number of farms according to the farm managers' age in 2010**

(Source: Eurostat)

Among the countries analysed in the table and chart above it can be noticed that Romania has the largest number of farms led by managers aged more than 64 years. At the same time, most young farmers are also in Romania, but the large number of farms in Romania indicates that there are many small-sized farms and agriculture in our country is a basic activity. Although the number of farmers in our country is very high compared to other European countries, in terms of productivity and profit, Romania is among Europe's laggards. This is also due to poor management at farm level, because the work force is aging, and the methods used are out dated and are not up to European standards.

#### ***1.4 European measure addressed to large farms***

In the NRDP 2007-2013 there were other European measures that influenced farm management in Romania. Among the measures that singled out, there were 121 and 123. These measures addressed large farms that have a large production both of plants and animal husbandry.

The management in the farms that fell under these measures is complex implying a very large involvement of the farm manager and staff employed. The objective-based management moulds very well on this type of farm and helped them to develop so that they penetrate the European market with products at the standard imposed in the EU.

**Table 4. Land use - 1000 ha**

Year	2007	2008	2009	2010	2011	2012	2013
Belgium	1,370.3	1,373.8	1,365.2	1,358.02	1,337.25	1,333.91	1,338.57
Bulgaria	5,116.2	5,100.8	5,029.6	5,051.86	5,087.948	5,122.983	4,995.111
Czech Republic	3,596.7	3,550.8	3,545.8	3,523.857	3,504.032	3,525.889	3,521
Denmark	2,694.5	2,682.9	2,639.0	2,676.2	2,672.6	2,663.6	:
Germany	16,954.3	16,925.7	16,889.6	16,704.044	16,721.3	16,667.3	16,699.6
Estonia	914.7	906.5	931.8	948.8	946	955.9	965.9
Ireland	4,275.9	4,199.9	4,189.9	4,562.719	4,555.5	4,532.722	4,477.774
Greece	3,983.8	4,069.0	3,819.0	3,746.69	4,094.84	4,145.32	3,959
Spain	25,003.0	24,718.1	24,190.4	:	23,894.372	23,463.115	23,649.447
France	29,413.9	29,385.0	35,177.8	29,311.03	28,852.546	29,000.829	28,975.971
Croatia	1,201.6	1,288.1	1,299.3	1,333.835	1,326.083	1,330.973	1,301.985
Hungary	5,807.1	5,789.7	5,783.3	5,342.704	5,337.225	5,338.015	5,339.53
Austria	3,238.6	3,171.0	3,168.6	3,165.802	2,868.153	2,863.583	2,862.435
Poland	16,177.1	15,607.7	15,624.6	14,603.2	14,780.2	14,529.4	14,409.9
Romania	13,714.1	13,717.2	13,711.3	14,156.479	13,981.624	13,733.143	13,904.637
TOTAL	133,461.8	132,486.2	137,365.2	106,485.2	129,959.7	129,206.7	126,400.9

(Source: Eurostat)

In the table above one can see a decrease in land use in agriculture at the European Union level. This is due to the implementation of EU funds and national programmes implemented in each Member State. The trend is decreasing as the aim is to preserve the environment and to streamline agricultural areas. There are special agri-environmental measures fostering a sustainable agriculture based on a sustainable management of farms.

In the period 2007-2013 the Romanian progress did not fluctuate very much; Romania was in the top five of the countries surveyed. In 2013 the land use in Romania is 11% of the total are analysed in the table above. On the first place as land use is France with a percentage of 22% of the countries analysed, followed by Spain and Romania.

**Table 5. Soft wheat - prices per 100 kg**

**CURRENCY: EURO**

**PRODUCTION VEGETABLE: 100 KG**

Year	2007	2008	2009	2010	2011	2012	2013
Belgium	17.74	16.49	11.05	15.58	19.83	22.33	19.87
Bulgaria	15.25	15.98	10.76	12.50	16.71	20.67	16.12
Czech Republic	16.49	20.47	10.93	13.42	20.49	20.08	20.36
Denmark	16.60	20.39	12.09	13.16	19.33	20.72	20.5

**CURRENCY: EURO**

**PRODUCTION VEGETABLE: 100 KG**

<b>Year</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Germany	17.52	18.64	11.26	14.95	20.86	21.87	20.26
Ireland	20.09	13.66	10.48	:	:	:	:
Greece	23.51	22.60	13.50	16.46	22.50	23.2	21.55
Spain	20.28	19.03	14.24	17.34	21.17	23.91	:
France	18.94	14.90	11.11	16.05	21.32	30.44	27.89
Italy	20.80	22.31	15.38	18.24	24.86	24.56	33.07
Latvia	18.87	15.48	11.31	16.34	19.65	21.29	18.42
Lithuania	18.70	16.18	11.47	16.20	20.61	21.22	17.94
Hungary	17.39	15.89	10.62	14.23	18.29	20.85	16.06
Austria	18.90	13.61	8.32	18.41	15.72	21.1	12.64
Poland	18.68	18.29	11.16	15.00	19.93	21.38	19
Romania	18.30	17.95	11.09	14.01	20.76	20.41	19.24
Slovakia	16.34	14.11	10.33	13.61	17.94	19.24	16.92

(Source: Eurostat)

The table above shows the price of soft wheat and its evolution throughout the 2007-2013 programme. In Romania there is a fluctuation during the six years analysed, but at the end of the programming there is an increase of about 3% compared to 2007. This is due to the fact that farm managers in Romania accessed EU funds. Accessing funds led to the implementation of new on-farm management systems. By the management applied, the managers were able to improve their production, to use new equipment and to better use the workforce although the UAA decreased from year to year as shown in the table.

In 2013, in the EU, the highest price for soft wheat is registered in Italy, followed by France and Greece. You still need to keep in mind that the price is also influenced by weather condition in each country. At European level, the price in Romania is not very small but considering the used area is very large we should have used a higher price. This is possible only by improving farm management because it ensures a better quality product.

### **Conclusions**

By implementing EU funds in agriculture, the aim was to increase the level of farms in Romania and the Member States of the European Union. Even if farm management implies the collection and processing of financial, climate and technical data, we still cannot say the farm management is a hundred percent integrated at farm level in Romania.

There is an increase both in production and price, but the most important increase due to funds is the vocational training of farm managers by measure 111.



From this point of view Romania is at a disadvantage compared to other Member States, most farm managers are aged people who do not have a specialized vocational training and who are still influenced by the old agricultural system before 1989. The aim is to change this situation by attracting managers towards new European measures by the 2014-2020 programming, to help them acquire new qualifications and to inform them on new agricultural procedures and technologies.

It is important that in the future both young and old managers strive to align with European rules in force in order to achieve significant results on the European market. It is possible because, as we analysed in our paper, the production and the area of the country provide for all the elements necessary for a successful agriculture in Romania.

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