

# **Ways for Romanian Holding Refreshment – a Point of View**

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## **Abstract**

The current situation of the most Romanian holdings does not allow the performance of a high-quality and competitive agricultural production on the internal market and on the external market as well and the provision of a decent standard of living for farmers. The overtaking of this situation supposes the conversion of the country-like family holdings into modern trading family holdings, able to induce technological progress and to valorise the natural, labour and material resources available in our country.

The activity content for the formation of such holdings is represented by the enhancement of their economic capacity and of their competitiveness, in concordance with the requirements of future agriculture and of Romania's integration in the EU structures. The accomplishment of such an objective implies actions and measures of agricultural policy, correlated to each other and sustainable, which should combine the private economic interest with the national one.

**Keywords:** holdings, economic size (European Size Unit – ESU), production, competitiveness, productivity

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## **1. Introduction**

The major problems of the Romanian agriculture are mainly represented by the presence of a very extended subsistence and demi-subsistence agriculture (consisted of small individual farms), with insufficient endowment with agricultural equipment and machines, that leads to the achievement of relatively small outturns determining an incomplete labour force utilization with a high self-consumption level. This situation is filled out by the big trading agricultural enterprises (corporate body holdings), relied on land leasing and tenancy (which use about 35% of the used agricultural land surface); this sector is relatively well endowed and achieves big yields, but it does not use the entire agricultural potential of the lands worked.

The intermediary sector, of family trading holdings (individual farms of bigger dimension) is less developed compared with the situation available in other EU-member states. So that it is necessary to make significant efforts to form the property, to

mass the lands and to consolidate the private-family farm into efficient small and middle-size farms [1].

## **2. Materials and methods**

The formulation of the ways for Romanian holding refreshment relies on a vast radiography and knowledge of the reality in this field, and also on the analysis of statistical data related to land management within holdings, to the labour force involved in agricultural production, to agricultural production's profile and character, product destination and agriculture's insertion in the market economy.

## **3. Results and discussion**

Romania's agriculture is strongly divided into small-dimension farms, unable to activate in the commercial sphere; they remain at the subsistence stage, without possibilities of assimilation of high-quality technologies, an important condition for productivity and efficiency enhancement. This

general characterization based on the mean land area included in a farm is not relevant enough and correctly interpreted. A well documented research shows that almost 47% (6906104 ha) of the country's land surface is administered by 100634 farms, with a mean of 68.6 ha/farm, much more above the European mean [2, 3]. If the outturns obtained in Romania from these areas would attain the level obtained in the other EU-member states, then obviously the Romanian agriculture condition would be comparable with the one of the other EU-member states. In these terms, these areas could balance the food consumption in our country. The commercial imbalance of the agri-food products shows that, beside the physical dimension of the holding, there are also many other causes that contribute to the general precarious state of the Romanian agriculture (bad technical endowment, managerial deficiencies, lack of financial resources).

Holding economic size, expressed by *European Size Unit – ESU*, is the indicator that reflects the degree of agricultural production concentration (not only of the surface); in these terms, Romania is on the last position in European Union, with 1.0 ESU/holding, compared with 23.8 ESU in EU-15, 16.1 ESU in EU-25 or 11.2 ESU per holding in EU-27 [4].

The indicators of the human potential from the Romanian agriculture show the increasing trend of the population involved in agriculture, in terms of number and percentage of the total active population employed during 1990-2000, with an obvious readjustment trend in the next period. In the first step, the population employed in agriculture increased from 27.5% in 1989, to 40.8% in 2000, followed by a decrease to the level of 29.5% in 2007, namely to the level available 20 years ago. Actually the big percentage population involved in agriculture creates a series of discrepancies in the agriculture's economic sphere and also in the social problems of the Romanian rural population.

If we analyze the profile and character of the agricultural production, we may notice holdings' lack of performance, determined by:

- the relatively reduced capital, amplifying the more and more reduced utilization of decisive production factors, like irrigation, chemical substances, high-quality biological material;
- the continuous reduction of the animal-based production in the total agricultural production, as a

result of the dramatic livestock decrease, in all species, a phenomenon also caused by the reduction of slaughtering and meat processing capacity, determining the decrease of the creation of a supplementary value added in the Romanian agri-food production.

These conclusions represent the base of the formulation of possible ways to be followed for the refreshment of Romanian holdings, namely:

**a). Stimulation of the holding dimension and economic size adjustment, in terms of development.** Considering the situation available (Romania is the second country, following Malta, with the smallest mean area per holding, and the country with the smallest economic size from EU-27), we think that the increase of family holding area represents an essential condition to make these holdings efficient. The high-quality agriculture cannot be performed, when we speak about cereals, on 3.6-ha areas – the mean Romanian holding dimension, divided in 10-15 parcels.

The main methods to increase holding dimension are represented by the governmental support for the process of agricultural land tabulation (judicial property regulation), by the associating of agricultural producers, life-annuities supplies for the old people or for those who accept to abandon agriculture, correlated with supports for young farmers who want to live in the rural area. These actions must facilitate the structural adaptation and development of competitive holdings, which practise a durable agriculture by improving management and labour force.

**b). Barycentre transfer from the traditional, extensive factors to the economic development's qualitative factors,** where a decisive role is played by knowledge, managerial education, new technologies and automation, providing a durable competitiveness advantage. Without quantitative increase and qualitative and diversity improvement of production, concomitantly with the increase of the gross and net value added, we cannot speak about agricultural refreshment and about formation of viable competitive holdings [5].

**c). Another ways of utilization for the production factors.** The labour force in holdings is usually excessive, while the capital is insufficient. Contrary to the agricultural trends in the advanced countries, the Romanian agriculture is „more intensive in terms of work” and „less

*intensive in terms of capital*". This situation is the result of the much more reduced utilization of some inputs (high-quality seeds and reproductive material, fertilizers, energy and lubricants, forage, etc.) in Romania than in the West-European countries; this largely explains the inferior outturns obtained by the Romanian holdings. Similar gaps are available in the field of the fixed assets as well – machines, equipment, etc. The application of quantitative and qualitative changes in the system of production factors leads to production concentration in holdings, in terms of land surface and also in terms of economic size and efficiency.

The low outturn, much below the level of the other EU states, generates big unitary costs, which many times cannot be recovered from the market costs, with negative effects on efficiency and self-financing capacity.

**d). Family holding progress depends on the amplification of its own sources of development, on the capacity of attracting exogenous sources and also on the support provided by authorities.**

**e). Stimulation of investments, inclusively by changing the crediting policy and by supporting the agricultural producers for holding capitalisation.** Land acceptance as bailment for bank loans offer farmers the possibility to apply easier for credits, considering that the most of them do not have other forms of bailment beside the house they live in. So, we give the example of the Danish Mortgage Credit Company (unique Danish financing model) that accepts the mortgage of the holding as guaranty and offers a loan of up to 70% of the farm value; when the farmer does not pay back the credit and does not pay the interest, the financing banks will take the farm and sell it. Actually, this procedure has been applied in Romania by the Rural Land Credit from the period before the First World War until the Second one.

The increase of investment volume and its allocation in vegetal and animal production in concordance with market requirements represents the launching platform of agriculture [6].

**f). We consider the removal of the animal-breeding sector and the enhancement of the cereal character of the Romanian agriculture are negative** in terms of utilization of resources and wide-ranged conditions available in our country, and also from the viewpoint of the satisfaction of requirements. That is why it is necessary to develop animal-breeding sector and

to increase its participation in the agricultural production (in 2007, animal-based production represented only 38.3% of total agricultural production) and to redirect agriculture towards the production of products with big value added per unit of surface, like the horticultural ones, which are required on the market.

**g). An opportunity for the Romanian holdings is represented by the transformation of some existent disadvantages (low intermediary consumption level) into advantages, by orienting towards the ecologic (organic) agriculture.**

In European Union, 5.8 million ha are organically worked in 140,000 farms, representing 3.4% of the arable land and 1.5% of the EU farms [7]. There are significant differences between the different European countries that practise the ecologic agriculture. So, over 13% of the arable land is organically cultivated in Austria, 11% in Switzerland, and most of the EU countries have not attained 1% yet. The country with the biggest number of farms and the biggest ecologically-cultivated area is Italy, representing 20% of the organically-cultivated land from EU and more than 25% of the organic farms.

The reasons supporting the orientation of the Romanian agriculture to the production of ecologic products are:

- the increase of the demand for ecologic products, enhanced in EU countries by the effects generated by the „mad cow” disease (bovine spongiform encephalopathy), by swine foot-and-mouth disease, aviary fever in poultry and also by the persistence of some noxious elements in food, beside income increases and population’s demand for healthy food;
- the relatively reduced proportion of organic food on the Western market (about 3-4%);
- the bigger price than the one of the conventional products (a price addition of about 80%).

Besides these reasons, there are other reasons related to the favourable conditions available in our country for ecologic products, like:

- the utilization of very small amounts of chemical fertilizers and pesticides, or even none of these. In order to certify a land to be able for ecologic production, it must have not been chemically treated for 2-5 years. Consequently, this lack of chemical application lightens farm transformation into ecologic farms;

- a reduced hormone and antibiotic application in the animal-breeding sector;
- the existence of extended areas, especially in hills and mountains, with reduced pollution degree, where the ecologic products can be easily obtained. In some of these regions, several products have been certified as „clean products” – for example, milk and dairy products in Vatra Dornei region;
- the apparition of ecologic farms that sell products on the internal or external market, but in small amounts. The most important cultivated plants in the ecologic farms are: cereals, vegetables, forage plants, medicinal plants, oil plants and fruit trees. In the animal-breeding sector, the cow milk, sheep milk and dairy products are the most important. More than 95% of these products are sold to Germany, The Netherlands, Switzerland and Italy;
- the existence of relatively-small family farms and the abundance of labour force, the substitution of mechanical works with manual work and of chemical fertilizers with natural fertilizers are also factors favouring the organization of the ecologic production.

**h).** Considering the dimensions of the part-time agriculture in our country (6390 thousand individuals, compared with 580 thousands – the EU-15 mean, according to the data provided by Eurostat 2007), it is necessary to create **alternatives for the occupation of available time, the increase of work productivity and farmers' incomes.** From this viewpoint, we mention:

- the foundation of small and medium enterprises in the rural area, which should involve labour force and provide an increase of farmers' incomes due to the increase of product value added;
- the application of organic agriculture;
- the development of agriculture-connected activities: rural tourism and agri-tourism, handicrafts, etc.

**i).** It is necessary and possible to increase the **concentrating degree of agricultural production, by developing the associative forms.** In these terms, it is necessary to:

- promote the modern cooperation principles and farmers unification in organizations at county and national levels, which should represent their concerns and participate to the elaboration of agricultural policies;

- stimulate the association of agricultural producers by offering facilities;
- to support financially the technical endowment with tractors, agricultural machines, devices and equipment for production and distribution supervision, supply of fertilizers, high-quality biological material, extension of performing technologies, scientific researches, etc.
- provide the managerial and professional education for the leading staff, to provide decision-taking consulting regarding resource allocation and activity efficientization.

The preoccupation for the association of individual farmers and farm consolidation must represent a dominant of the governmental agricultural policy, since we are behind the other Central and Eastern European countries in terms of cooperation for the beginning of the agricultural development.

#### 4. Conclusions

The conclusions drawn from this research generate a possible set of actions and measures of agricultural policy, correlated to each other and time sustainable, which aim at holding refreshment:

⇒ stimulation of holding dimension and economic size adjustment, in terms of their development with governmental support for the process of judicial land property regulation, association of the agricultural producers, life-annuities supplies for the old people or support for the young farmers, etc., concretely and not just declaratory;

⇒ barycentre transfer from traditional, extensive factors to the economic development's qualitative factors, especially by increasing the managerial capacity in the agricultural practice;

⇒ readjustment and stimulation of an adequate method of using the high-quality factors of production (seeds, chemical fertilizers, forage, biological material);

⇒ amplification of the internal sources of development by stimulating the Romanian-capital credit institutions, as condition of attracting and applying the internal sources, especially by assuring the pre-financing and co-financing of the projects financed from structural and complementary funds;

⇒ stimulation of investments in agriculture, inclusively by adopting an official agriculture crediting policy;

⇒ reduction of the cereal-character of agriculture by stimulating animal-breeding sector and animal-based products processing;  
⇒ transformation of the existent disadvantages (low intermediary consumption level) into advantages by orienting towards the ecologic agriculture;  
⇒ increase of the agricultural raw matter processing (cereals, vegetables, fruit, meat), by increasing the gross value added in the agri-food processing units from the rural area.

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