



THE IMPACT OF ECONOMIC CRISIS UPON ROMANIAN AGRO-FOOD SYSTEM: CHALLENGES AND POSSIBLE SOLUTION

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Abstract: *The added value of Romanian agricultural production decreased between 2008 and 2009 by 24.1%, while the EU's decreased by 12.3%. With an utilized agricultural area in 2008 of 0,411 ha per capita, about twice the European average which is 0,212 ha, Romania gets agricultural production far below the EU-27. There may be at least six agricultural development model. There is no future for classical solutions for Romanian agriculture, considering years to be recovered. There is a creative approach to constitute cross-border associations of farmers that will boost economic performance in the sector will conduct to regional economic growth.*

Key words: *agriculture, agricultural development model, producers associations, rural development, crisis*

1. INTRODUCTION

Questions about agriculture and rural development's importance are not few. The issues consist in determining their role in strategic development. The agricultural development history may be divided into three periods: between 1950 and 1960, when economics defined agricultural development by increasing output/capita; in the 70s, when economists from developed countries replaced these theories with empirical studies on rural areas and used, for the first time, for this fields, income, distribution, employees; the 80s and 90s that brought another approach: the agricultural development to be based on food security and sustainability (Staatz, J. M., Eicher, C. K., 1998: pp. 8). Nowadays we discuss about sustainable development, competitiveness and a convergent policy towards these goals. Both national and European public policies aim these objectives. And both agriculture and rural development are reshaped from another perspective: the possible solutions for obtaining higher economic results.

Models for agricultural development become much more important. Literature review offers at least six models for agricultural development: frontier model, conservation model, urban-industrial impact model, diffusion model, high-payoff input model, induced innovation model (Ruttan, W. V., 1998: pp. 155). Following, the research question normally comes: what would be the best solution for Romanian agriculture? EU intervenes to support agriculture in different ways, but the solutions are not identical for each country. Each acts in a justified manner in order to preserve traditions and individual and group competitiveness of domestic farmers. Actions are, yet, under the CAP.

The study is based on documentation on the existing models of development of agriculture and rural areas. A solution for Romanian agriculture and rural development has been proposed.

2. ROMANIAN AGRICULTURE POST CRISIS

A pertinent analysis of agro-food sector in the pre and post crisis is necessary. On the one hand, the economic context is one of these elements. In Romania in 2010, GDP/capita was 5700 Euro, comparing to 24500 Euro, the average of EU-27 (Eurostat, Basic figures on the EU, 2011, pp. 3). The

unemployment rate in the EU-27 was 9.6% in the last half of 2010, versus 7.4% in Romania the same period (Eurostat, Basic figures on the EU, 2011, pp. 5).

The added value of agricultural production decreased between 2008 and 2009 by 24.1%, while the EU's decreased by 12.3%. But, it seems that we are used to have this situation. We are hiding behind unnecessary excuses like there is a difference of years to recover between Romania and other EU countries, although not many solutions were tried during the previous years. And yet: in year 2010, real agricultural output in Europe grew 9.9%, compared with the mitigation of the previous years.

On the other hand, agro-food system has features that distinguish it from the rest of total sectors: depends to a large extent by environmental and weather conditions. With an utilized agricultural area in 2008 of 0,411 ha per capita, about twice the European average which is 0,212 ha, Romania gets agricultural production far below the EU-27.

Thus, agricultural price index between 2008 and 2011 has increased considerably. This is inevitably painful for the actors on the products' chain. The effect is propagated. Scissors prices acted since 1929 is too high in our country's agriculture, and has a bad huge impact on this sector and causes large imbalances. Moreover, total investment fell by 2,9% between first semester of 2010 and first semester of 2011, and the investments in agriculture represents only 5,4% of the total. It is very little compared to the needs of this sector. This is another crisis effect upon agriculture. More or less direct effects were propagated in the chain: the SMEs decreasing number; the jobs' supply in this sector is reducing; the fertilizer, chemical fertilizers, pesticides' costs are rising, the loans for agriculture, even loans in progress, are increasing their costs; the production costs are increasing, conducting to an obviously spread effect.

In addition, food industry, most often, was unable to absorb agricultural production, especially in the fruit and vegetables sector. The absence of insurances in the system should be added, because of difficult conditions imposed by the financial actors, and lack of financial power of agricultural producers and processors.

3. ROMANIAN AGRICULTURE'S CHALLENGES

We could even say that public policies have been CAP reactive and not anticipatory. The Romanian agriculture, as well as, Romanian rurality faces several challenges:

a) lack of a clear, easy to follow policy, with annual plans and specific purpose for the farmer, even if the strategy exists, meaning National Programme for Rural Development.

b) unbalanced access in time and space of pre-accession and to the structural funds causes of social and economic differences, and in addition, excessive bureaucracy to access EU funds.

For example, the number of approved and financed projects broken down by regions on Measure 322 "Village renewal and development, improving basic services for rural economy and population and enhancement of rural heritage" of the National Rural Development Programme of Romania, is very different on regions, taking into considerations both their number and

