

“The Common Agricultural Policy of the European Union – the present and the future”

IERIGZ-PIB, Stare Jablonki, POLAND

05-07 December 2017

MAIN ACHIEVEMENTS AND CHALLENGES IN THE ROMANIAN AGRI-FOOD SECTOR IN THE FIRST DECADE OF EU MEMBERSHIP

ROMANIAN ACADEMY-INSTITUTE OF AGRICULTURAL ECONOMICS

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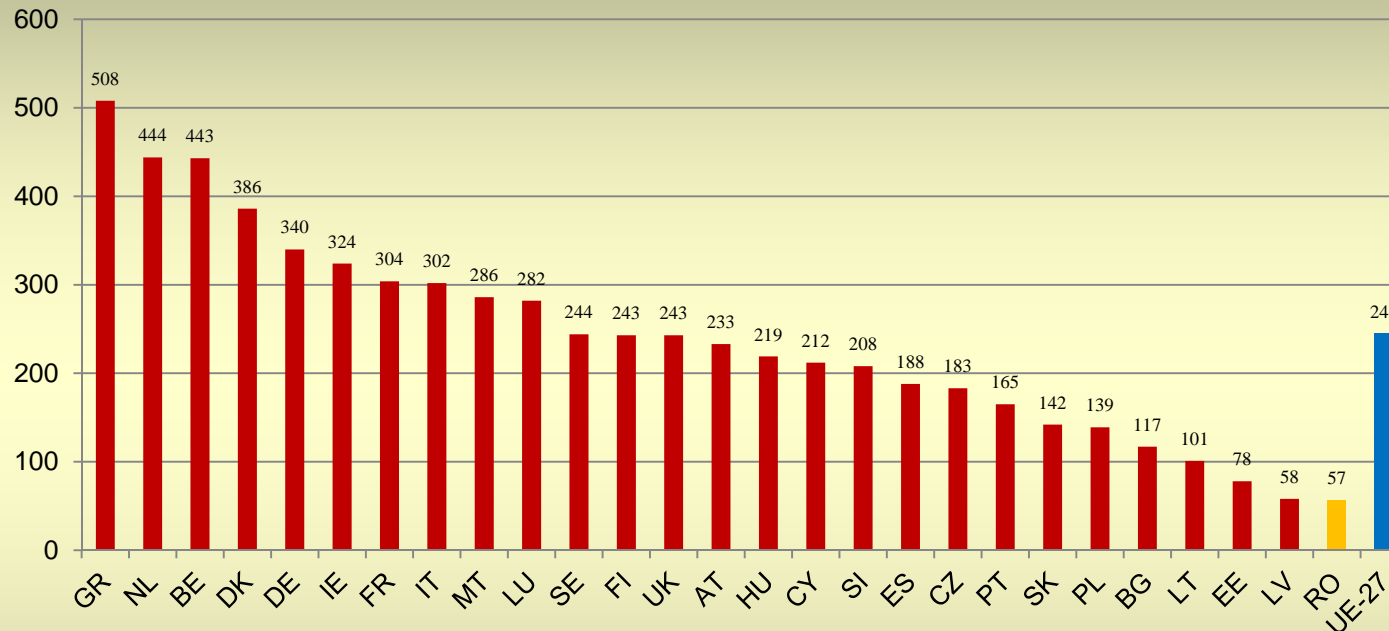
OBJECTIVES, METHODOLOGY AND DATA

- Objectives: Evaluation of the agri-food sector and rural development after 10 years of EU membership
- Method: Statistical analysis of main macroeconomic indicators of the agri-food sector: Population, Labor force, Farm size, GDP, GVA, Consumptions, Productions, EU Funds, Investments, Trade
- Period: 2007-2016 (2005-2013/2015)
- Data from: INS Romania, EUROSTAT
- Conclusions: Characteristics, CAP Effects, Proposals and Trends



Indicators

Direct payments from EU budget Eur/ha UAA (annual average 2007-2013 in EU-27)



Source: Calculations after Implementation and vision of Common Agricultural Policy. CAP in the 27 EU Member States, Council for the Rural Area, The Netherlands, 2008; Eurostat

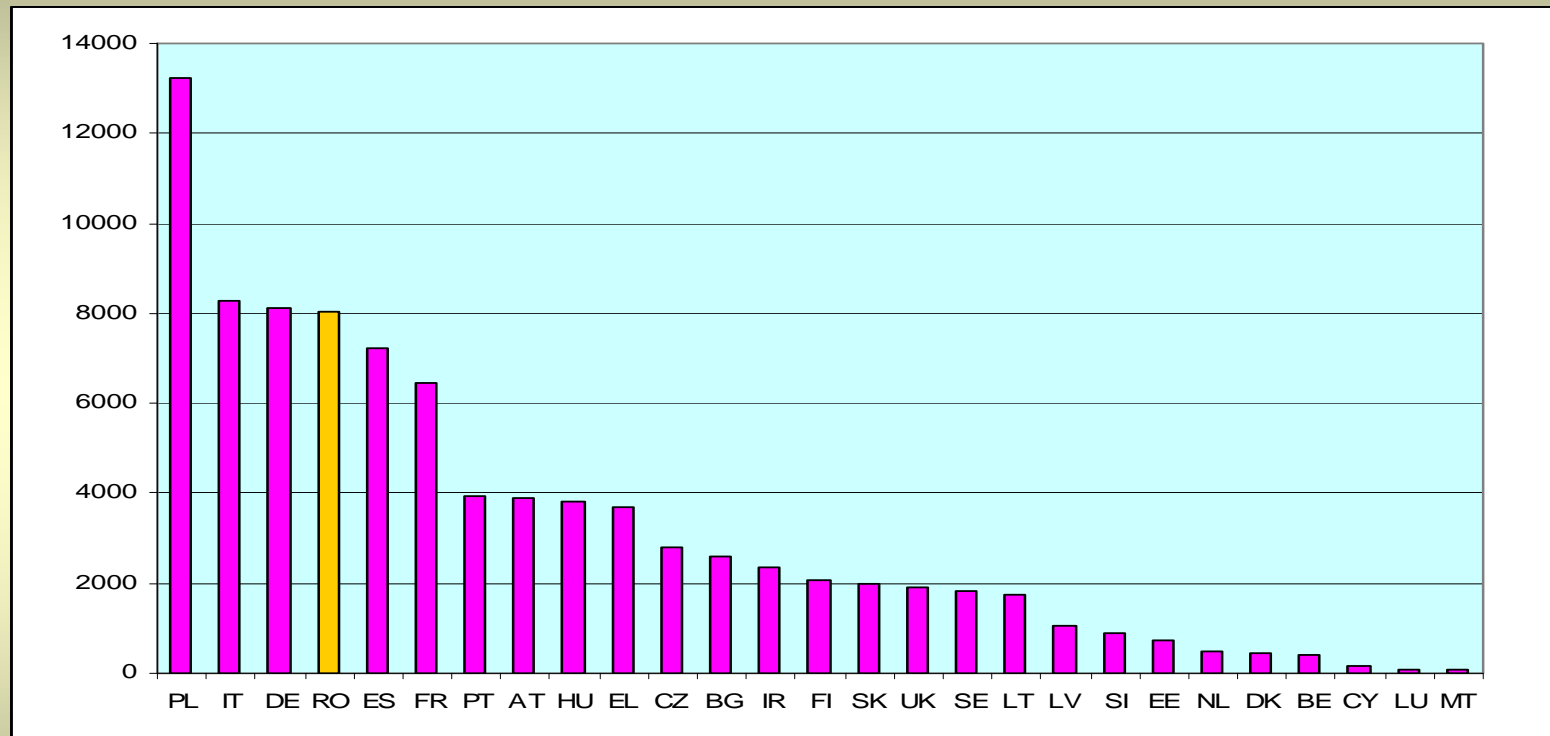
Causes:

- ❖ Progressive annual allocation and historical yields for basic calculations (România=2.65 tons/ha; EU-15=4.77 tons/ha; EU-10=4.0 tons/ha)
- ❖ Also, 5037 thou ha (agricultural area) are not eligible



Indicators

EU funds for rural development (2007-2013)



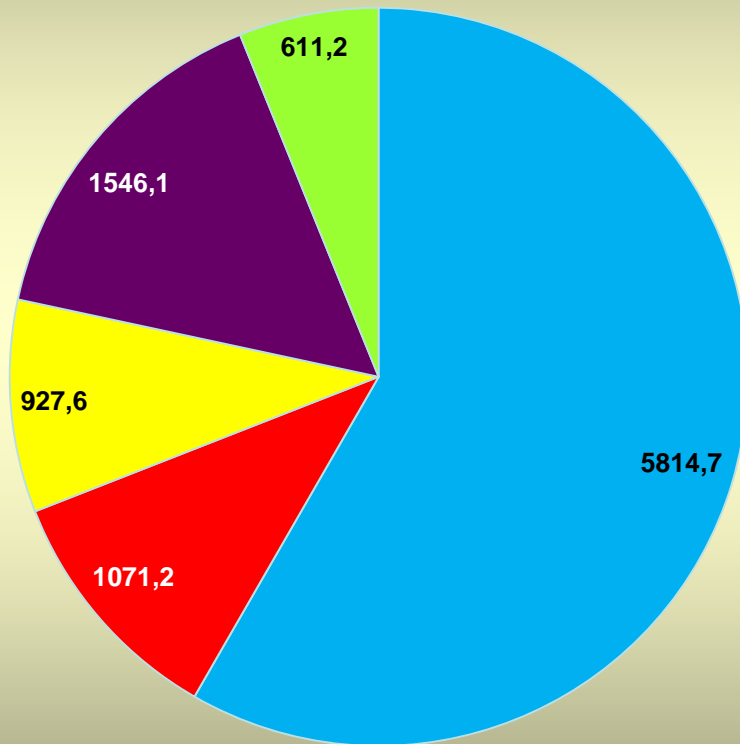
Source: calculations based on DG AGRI data



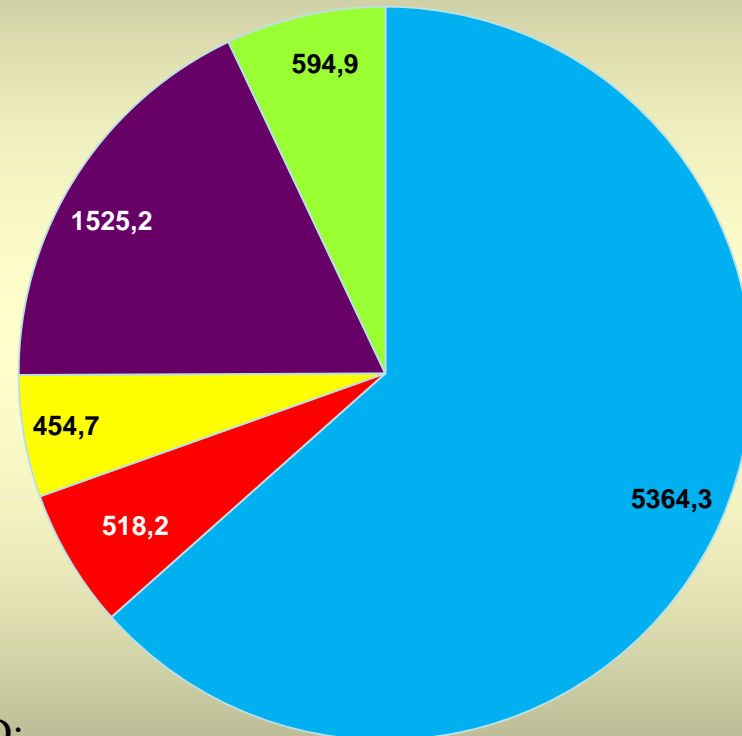
Indicators

NRDP 2007-2013. Initial version (A) and payments (B), Mil. €

A: Total 9970.8 €



B: Total 8457.3 €



LEGEND:

Blue=Agriculture; Yellow=Non-agricultural activities; Red=Food industry; Violet=Rural infrastructure; Green=Other activities

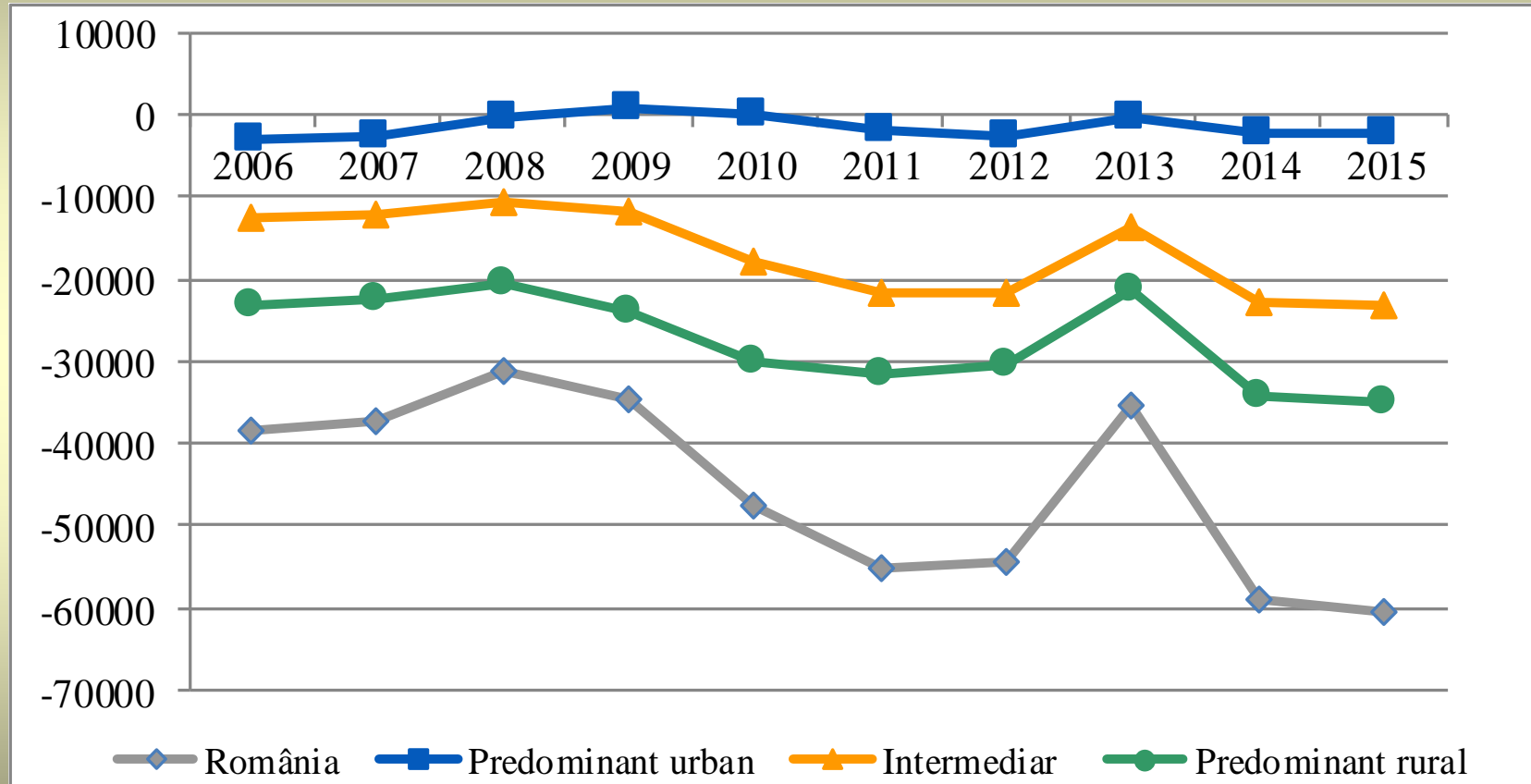
Source: calculations based on AFIR data

❖ Absorption = 84,82% (MADR calculation = 90,97%)



Indicators

Population natural growth, by regions (no.of persons)



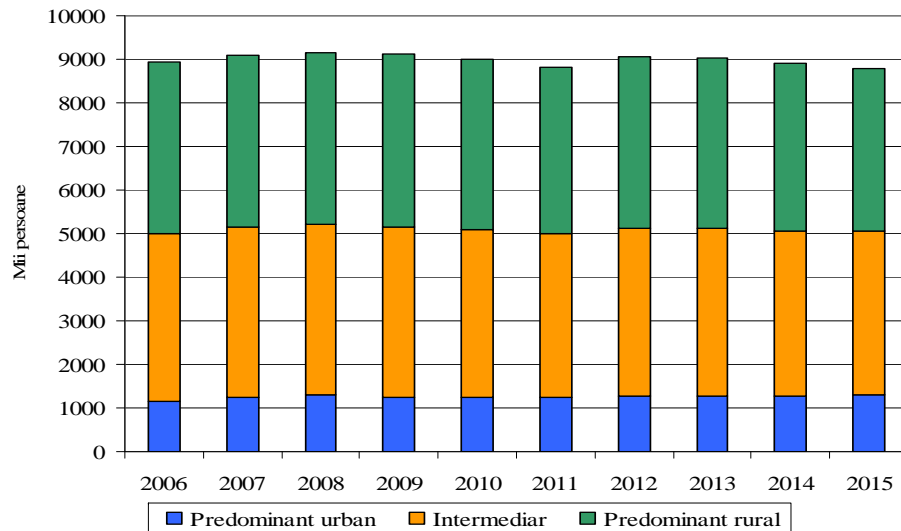
Source: calculations based on INS data (Tempo online)



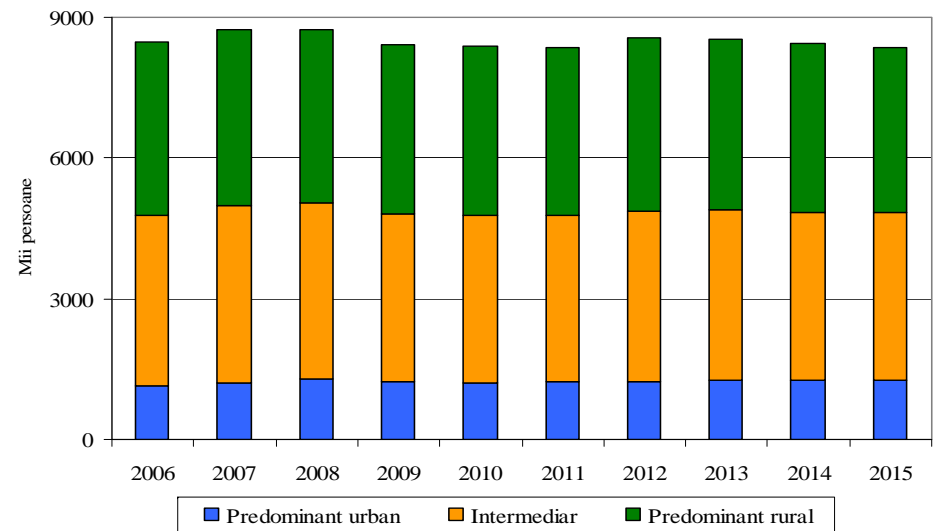
Indicators

Labour

Active population



Occupied population



Source: calculations after INS (Tempo online)

- ❖ **Predominant rural = 39% in 2015 of the active population (44% in 2006)**
- ❖ **Predominant rural = 24,02% in 2015 of the occupied population (27,52% in 2008)**

**Rural space has a transitory character
(refuge for labour especially during economic crisis)**



Indicators

Labour occupied in agriculture, forestry and pisciculture

Labour	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total occupied population (thou.pers.)	9353	9369	9243	9240	9138	9263	8531	8431	8341	8449
Agriculture, forestry, pisciculture (thou.pers.)	2757	2690	2689	2780	2612	2682	2380	2304	2003	1952
% of total	29.47	28.71	29.09	30.08	28.58	28.95	27.89	27.33	24.01	23.10

Source: INS

❖ EU's country with the highest percent (EU average = 4,4% in 2014)



Indicators

Number of farms and UAA, by economic size (2013/2005)

	Number of farms		Agricultural used area	
	Number (2013-2005)	% (2013/2005-100)	Hectares (2013-2005)	% (2013/2005 - 100)
Under 2000 euro	-332550	-12%	-760190	-27%
2000-3999 euro	-331620	-35%	-1104030	-45%
4000-7999 euro	-60360	-14%	-718280	-34%
8000-14999 euro	+32040	+39%	+56390	+7%
15000-24999 euro	+16270	+92%	+117390	+32%
25000-49999 euro	+9300	+97%	+129690	+23%
50000-99999 euro	+3630	+86%	+69770	+8%
100000-250000	+2100	+72%	+32930	+2%
250000-499999 euro	+990	+89%	+269900	+24%
Over 500000 euro	+730	+98%	+844800	+59%

Source: calculations based on EUROSTAT data

- ❖ **Land market very active after accession**
- ❖ **Land's price doubled (Average=427 euro/ha in 2004 ↗ 884 euro/ha in 2015); about 5000 euro/ha in very high potential areas**
- ❖ **Average economic size was 3300 euro standard output in 2013 (2500 euro in 2005, the lowest in EU)**
- ❖ **Minus 600,000 farms in 2013/2005 (Minus 850,000 ha UAA)**
- ❖ **Less no.of farms < 8000 euro, due to NRDP; Positive trend for all farms > 8000 euro, due to NRDP and Pilar1**



Indicators

Agriculture, forestry and pisciculture in GDP (Thou. EUR, current prices)

GDP	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 (provisional data)
Agriculture, forestry, pisciculture	6,807	10,226	7,542	7,060	8,638	6,557	7,721	7,144	6,652	6,593
Total	118,033	154,226	138,627	125,996	134,231	140,486	143,056	151,198	159,993	169,063
% of GDP	5.8	6.6	5.4	5.6	6.4	4.7	5.4	4.7	4.2	3.9

Source: INS data

❖ Still, agriculture has important share in GDP (EU majority it is below 2%)



Indicators

Production, revenues and subsidies in agriculture (Mil.euro, basic prices)

	2007	2016	2016 - 2007	Minimum 2007-2016	Maximum 2007-2016
Crop production	8612	9689	1077	8428	12781
Animal production	4375	3877	-497	3636	4375
Agricultural production	13192	13743	551	12835	16877
Intermediate consumption	8057	8838	780	7742	10135
Gross value added	6244	6333	89	6209	8362
Fix capital consumption	2259	2266	7	1927	3018
Taxes	57	21	-37	21	57
Subsidies	491	2628	2137	398	2628
Factor income	4418	6675	2257	4418	6705

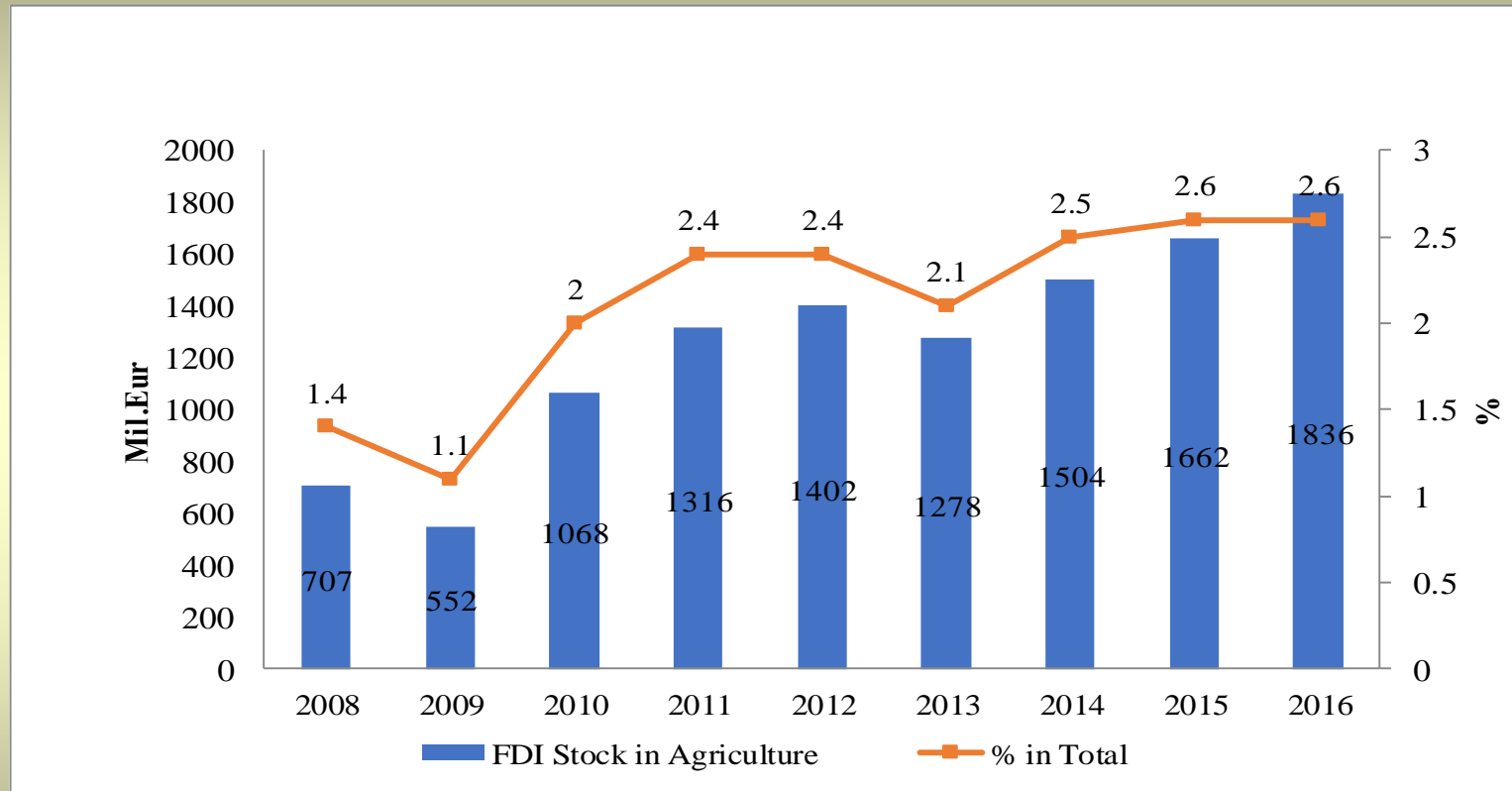
Source: calculations based on EUROSTAT

- ❖ **Animal production value decreased**
 - ❖ **High volatility for agricultural production value (Crop production)**
 - ❖ **GVA/ha is about 600 euro (in Western European countries, exceeds 1000 euro/ha)**
 - ❖ **Low level of capitalization in agriculture (Romania is on the penultimate place in EU) in terms of capitalization of agricultural holdings**
- ❖ **CAP effects => increased of subsidies X 5 times; Didn't have a major impact on the total agricultural production value, but had a certain impact at farm level**
- ❖ **Direct payments/ha => positive effects (% of subsidies in revenues increased from 10% to 40% 2007/2016)**



Indicators

Foreign direct investments



Source: calculations after BNR

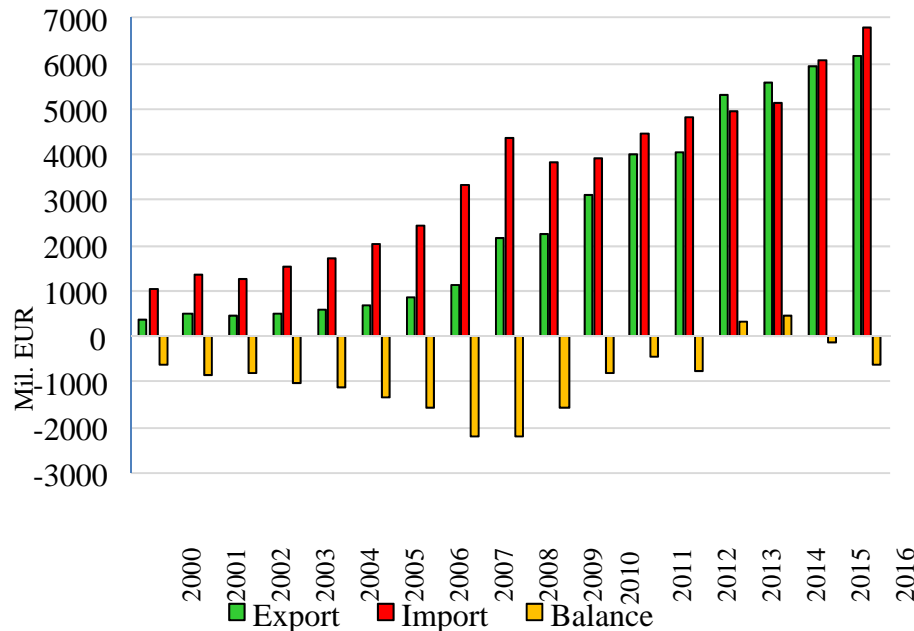
- ❖ In 2007, % of agriculture in Romanian FDI stock was less than 1% (almost the same as in Poland and Hungary)
- ❖ In 2016, 2.5 times bigger



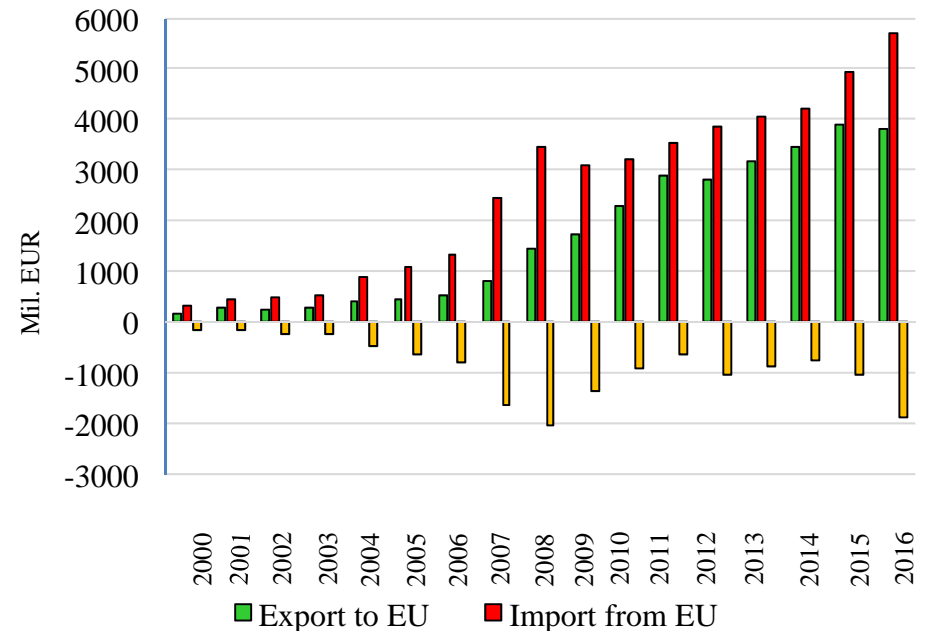
Indicators

Agri-food trade, 2000-2016

Total

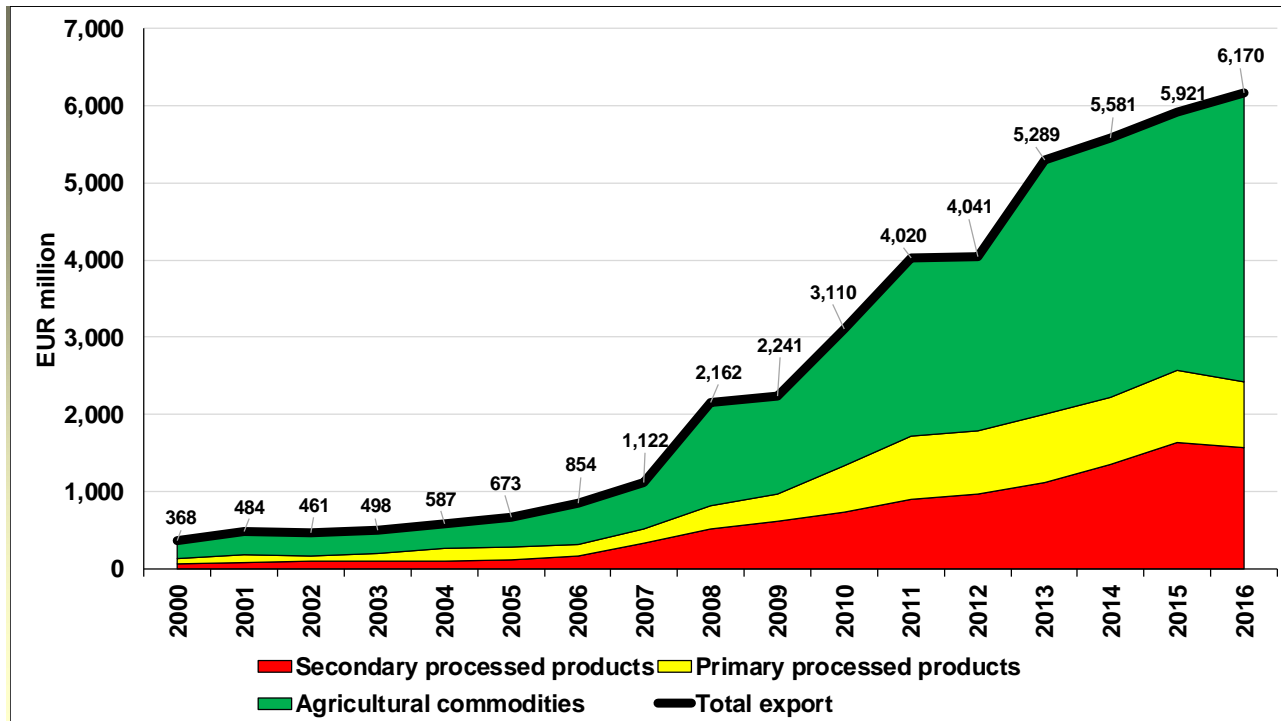


European Union



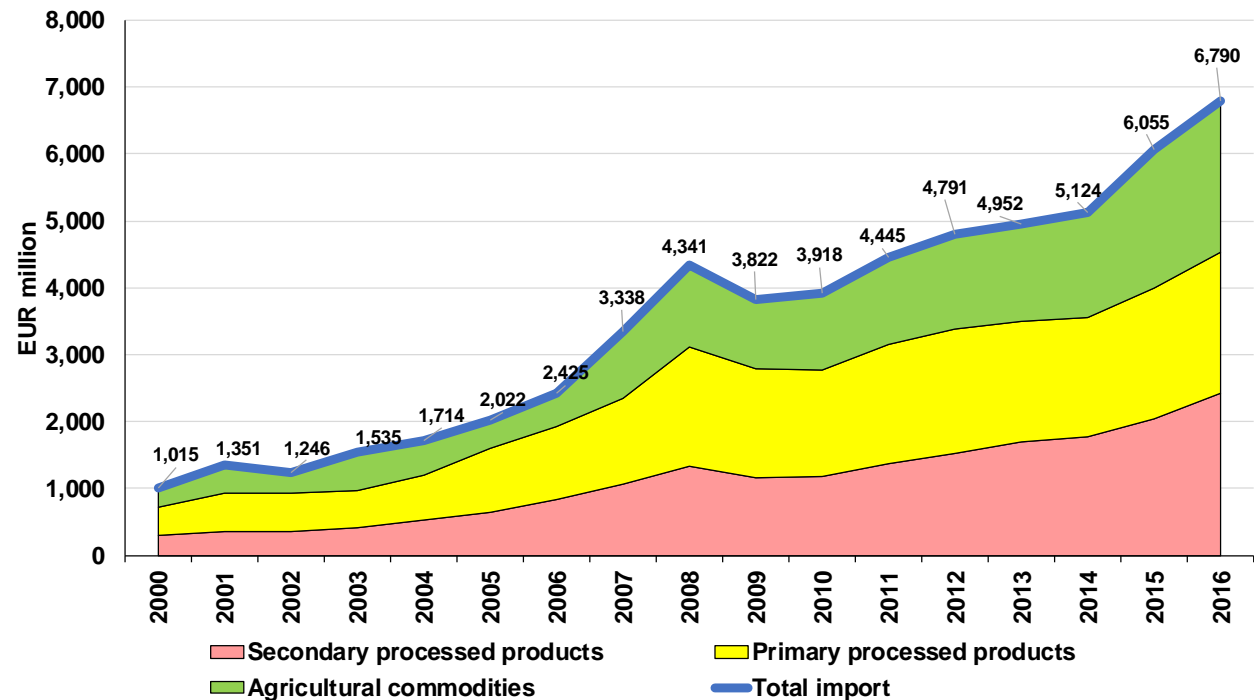
Source: calculations based on EUROSTAT data

- ❖ **Significant expansion in the agri-food trade after accession**
 - ❖ **Growth for exports and imports (+5 times and +2 times)**
- ❖ **Permanent negative with EU (Positive only in 2 years for total trade)**
 - ❖ **Export of primary products and Import of processed products**
- ❖ **Specialized exports and imports after 2007: first 5 groups of products count 87.4% total value of agri-food exports from EU, and 58.6% for imports**



ROMANIA
Processed products vs. agricultural commodities

- **Export of primary agricultural products in 2016:**
Romania 61%
Poland 14%
- **Import of processed products in 2016:**
Romania 67%
Poland 74%

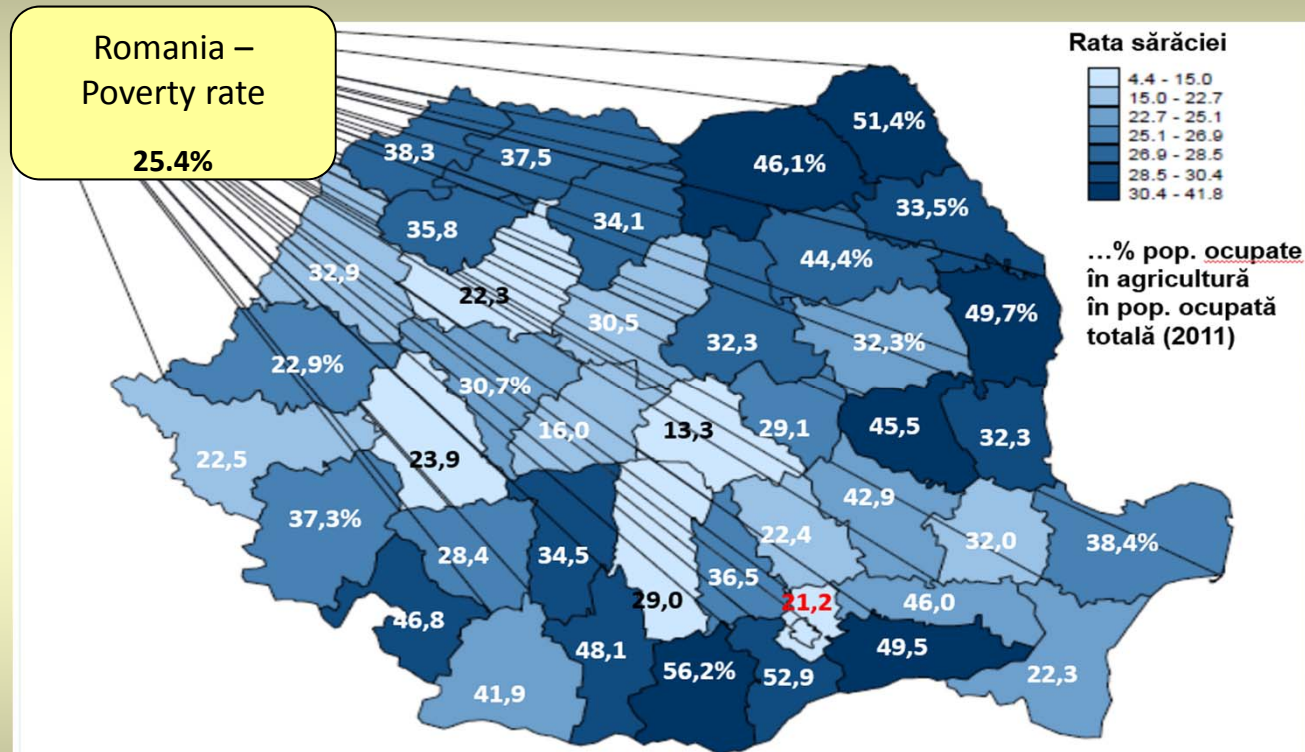




Indicators

Poverty rate

(The relationship between the employment incidence in agriculture and poverty)



Source: Brief of poverty mapping in Romania (estimations of the World Bank experts, 2014); INS data, TEMPO on-line, [FOM103D]

- ❖ Romania is among EU countries with big progresses between 2008 and 2014 (reduction of poverty risk and social exclusion)
- ❖ Still, in rural area the poverty is present (55% from rural population under poverty risk and social exclusion)



CONCLUSIONS

- **EU accession has had a (+) impact on the overall evolution of the agri-food sector, although in the first years after accession the lack of competitiveness had (-) impact**
- **The initial development and efficiency gap (differences from OMS and even NMS agri-food sector) was quite important**
- **Problems of the Romanian agri-food sector:**
 - Labour productivity is lower
 - Returns are lower
 - Lower FDI investments (but some in food processing)
 - Lower gross value added
 - Excessive labour employed in agriculture (due to insufficient capitalisation)
 - On the other hand, lack of workforce due to social aids
- **Contradictions persist: Romania's agriculture has an important share in GDP, an insignificant contribution to economic growth, although it concentrates many resources, has increasing foreign trade but specialized on unprocessed products for exports and processed products for imports**
- **Important investments through NRDP and EU funds, in farms (capitalisation and high quality livestock), food processing, infrastructure**
- **There are still gaps as compared to the other Member States, whether old or new**



PERSPECTIVES CAP 2020+

ROMANIA

- Diminishing direct payments in CAP post 2020 will have a severe negative impact on the performance of the Romanian farms
- Greening measures are likely to have a positive impact in Romania
- Expectations:
 - Development of farms (through NPDR measures)
 - Absorption of EU funds
 - Organic agri-food production
 - Development of agri-food products included in the EU quality schemes (PDO, PDI, TSG)
 - Development of animal husbandry sector
 - Development of vineyards and fruit sector (specialized programme)



PERSPECTIVES CAP 2020+

- Many factors of influence for CAP construction
- New CAP must make face to: BREXIT, Competitiveness (BRICS, TIGER, MIST, etc), Migration, Climate change
- There are 2 levels of discussion:
 - Social or Financial
 - Small farms or Big farms
 - Traditional farms or Business
 - NMS or OMS

Scenario 1:

❖ **BREXIT** (2019/maybe 2020) => - UK contribution, 12% for EU Budget
Present: CAP = 38% (408 bil.) from EU Budget (2020=-15% of 2013)

- **V.1.1.** Replacement of UK contribution (Who will replace UK?)

Who will pay more? Who will lose/win?

- **V.1.2.** A reduction of EU Budget (CAP) with UK contribution

Who will take more? Who will lose/win?

+ Tendencies, New context/New allocations for: Migration, EU Defense and Security, Social policy, Climate change

=> A proportional diminish for each EU member



PERSPECTIVES CAP 2020+

Scenario 2 (BREXIT hypothesis):

- ❖ No single CAP (different speeds, because there are different levels of development and different national interests); **Mix of CAP** (measures)

Scenario 3 (BREXIT hypothesis):

Transfer to national budgets (Total, Partly or Only UK contribution)

Scenario 4 (BREXIT hypothesis):

Reset of present CAP; New start for all members, based on former CAP (2007-2013) scheme, but equal opportunities/chances for all member states (a EU principle which was “lost” from previous negotiations)

Scenario 5:

NO BREXIT

The same CAP scheme, level of allocation (adjusted), measures, etc (-15%)

In all cases: A common idea from all CEECs !

THANK YOU FOR ATTENTION!

