

FINANCIAL SUPPORT MECHANISMS FOR ROMANIAN FARMERS BEGINNING WITH 2007

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ABSTRACT- Financial support mechanisms for Romanian farmers beginning with 2007

Romanian agriculture refreshment, respectively its harmonization with the common exigencies in this field, represents a long-term process that requires the integrated application of measures specific to the general orientations of the Common Agricultural Policy.

In these terms, it is necessary to improve rural infrastructure (roads and public facilities), and this process should be correlated with the creation of an attractive investment environment, with the organization of producer groups in agriculture, etc.

Keywords: Common Agricultural Policy (CAP), financial support, direct payments per hectare, complementary national payments, rural development funds, governmental support

INTRODUCTION

Because Romania is an EU-member country since 2007, obviously it must, in concordance with the adhesion agreement, „align” to the financing systems of agriculture and rural development practised in the European Union. Under the context of the financial CAP reforms, available for our country, too, the financing of the Romanian agriculture is made with European Union funds, and also with funds from the state budget (public funds) directed in supporting programs for farmers. (FEHER, 2009)

MATERIAL AND METHOD

Starting with 2007, Romania, as European Union-member state, must implement CAP mechanisms for farmer support. From this viewpoint the paper is based on the provisions of the Common Agricultural Policy.

RESULTS

The main financial support mechanisms for the Romanian farmers, for the period 2007-2013, may be synthetically presented as follows.

1. Direct Payments per Hectare

The Direct Payments per Hectare introduced in 2007 are supported by the European Union funds.

The sum offered in 2007 was approximately 50 Euros/ hectare. This sum will increase step by step, every year, until 2013, when it will be more than 200 Euros/ hectare/ year).

The money is given to those who work the land – owners or tenants – under the following conditions:

- ◆ the agricultural land area cultivated (arable land, pasture, vineyard, orchard, etc.) should be at least 1 ha, divided in parcels of at least 0.30 ha
- ◆ the land should be registered in Farm Register
- ◆ the owner or the tenant should apply until 15th May 2007.

The institution administrating the direct payments per ha is the Agriculture Payments and Intervention Agency (APIA). There are several centres of this agency in each county of Romania, where farmers may obtain information related to the money they will receive.

2. Complementary National Payments

The Complementary National Payments, introduced in 2007, too, come besides the Direct Payments per Hectare. The difference between them is that the Complementary National Payments will be paid by the Romanian Government from the Ministry of Agriculture's budget.

The Complementary National Payments will be calculated per area cultivated, respectively per animal capita, according to the European model.

The Complementary National Payments will get to farmers through the Agriculture Payments and Intervention Agency (APIA). They can be increased in concordance with the budgetary resources and farmers' needs.

3. Rural Development Funds

The Rural Development Funds represent the financial support offered Romania by EU for investments in agriculture and rural development. According to the negotiations between Romania and European Union, our country will benefit by about 8.1 billion Euros for the period 2007 – 2013, meaning 1.07 milliard euros per year. This sum is supplemented with the Romanian Government's contribution, according to investment type. The Rural Development Funds resemble the SAPARD funds, with the differences that:

- they are about 6-fold bigger;
- aim at more beneficiaries, including small farmers and enterprisers;
- they can be much easily obtained.

The Rural Development Funds are intended for small farmers, farmer associations, young persons, small and medium enterprises from the agricultural and forest sectors (and also for services and small industry), processing units, forest owners, farmers from mountain regions and local councils.

These funds are classified in 4 major directions. Each direction (axe) includes several measures, as follows:

A. Competitvity increase in the agricultural and forest sector = 3.219 billion Euros (42.2% of the total)

- ◆ support for semi-subsistence farms (about 85,000 small farms will receive 1500 Euros/ year, for 3 years, if they make a modernization plan)
- ◆ farm modernization (16,000 farms will receive about 70,000 Euros/project)
- ◆ foundation of farms by farmers younger than 40 years old (up to 40,000 Euros/farm, according to the project applied)
- ◆ support for farmer associations (750 groups of producers will receive approximately 250,000 Euros/project)
- ◆ professional formation and information (140,000 farmers will be trained).

B. Environmental improvement and agricultural land and forest management = 1.907 billion Euros (25% of the total)

- ◆ support per area for disfavoured regions, especially in mountains (about 370,000 farmers will receive a supplement of 25 - 250 Euro/ hectare/ year)
- ◆ support for pastures and hayfields (about 95 Euro/ hectare / year)
- ◆ support for the first land afforestation (36,000 hectares will benefit by funds of 5,000 Euros/ hectare)

C. Life quality improvement in rural area and rural economy diversification = 2.007 billion Euros (26.3% of the total)

- ◆ diversification of non-agricultural activities (handicrafts, traditional products, rural tourism) (19,000 beneficiaries will receive 10,000 Euros/ project)
- ◆ investments in small enterprises in rural area – hairdressers’, agricultural machine maintenance, etc. (3,800 small enterprises will be financed with 20,000 Euros/ project)
- ◆ village renovation (approximately 1200 local councils will receive 1 million euros each for roads, water supply, restoration of historic and cultural buildings, etc.).

D. LEADER Program = 0.188 billion Euros (2.5% of the total).

This will finance the creation of Local Action Groups, which will support the rural development projects.

There is a special fund for fishing – European Fisheries Fund (EFF) of 263 million Euros for the period 2007 – 2013. The biggest part of this sum will be allocated for:

- ◆ creation of fish farms
- ◆ modernization of boats and cogs
- ◆ fisher associations.

4. Governmental Support

The Rural Development Funds are financed through the Payments Agency for Rural Development and Fisheries (PARDF – the former SAPARD Agency). PARDF has 42 county offices, where projects may be applied starting with the spring of 2007.

The Governmental Support represents the subsidies and credits offered by the Ministry of Agriculture, starting with 2007, to support land cultivation and animal breeding.

The Governmental Support is directed to:

- credits for agricultural production, support for seeds and planting material, subsidies for phyto-sanitary treatments, bonuses for crop insurances, support for vineyards and orchards starting, subsidies for irrigations (in the vegetal sector);

- support for breed and reproduction animals purchase, credits for production, subsidies for sowing centres in the case of producer associations (in the animal-breeding sector).

The Governmental Support will be distributed through the Agriculture Payments and Intervention Agency (APIA) and the Rural Development Agencies (ARDA).

Market Mechanisms

The Market Mechanisms represent the actions protecting agricultural producers against the competition outside the European Union and also against the price changes that occur at agri-food products.

The main market mechanisms applied in Romania after the adhesion to the European Union are:

- **Intervention price.** This represents the Government's action of purchase or sale, on the market, of certain product amounts, in order to protect producers and market under conditions of over-production or sub-production. This mechanism is stipulated mainly for cereals and it will provide the producer a correct wheat price.

- **Export subsidies.** These represent sums of money offered to the Romanian producers that export agri-food products outside the European Union, if the sale price outside EU is smaller than the price available within EU.

The market mechanisms are submitted to the Agriculture Payments and Intervention Agency (APIA).

During 2007 – 2013, European Union will offer approximately 12 billion Euros for agriculture and rural development. The sum represents 40% of the total funds allocated by European Union for Romania for this period.

These funds could be attracted only if the farmers or authorized institutions would have the possibility to apply eligible projects for various investments.

CONCLUSIONS

The Payments and Intervention Agency cannot offer the payments per hectare if the applicant is not recorded in Farm Register. The Farm Register is very important because it represents a data base including all farms from Romania.

Romanian agriculture refreshment, respectively its harmonization with the common exigencies in this field, represents a long-term process that requires the integrated application of measures specific to the general orientations of the Common Agricultural Policy.

In these terms, it is necessary to improve rural infrastructure (roads and public facilities), and this process should be correlated with the creation of an attractive investment environment, with the organization of producer groups in agriculture, etc.

Farm modernization aims at the purchase of modern equipment, which should reduce production costs, and also at the attraction of young farmers to farms with real potential, to face the competition pressure.

Moreover, in order to provide incomes that should favour farm modernization, the Romanian farmers benefit, from the European Union budget, by:

- direct payments per land area;
- restitutions to the agricultural products exports to third countries;
- interventions for agricultural market regulation;
- funds for rural development measures.

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