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FARM CONSOLIDATION – FIRST SIGNAL AFTER ACCESSION

ABSTRACT

The paper presents some analyses based on farm structure survey data, emphasising the land tenure pattern in Romania, and depicted its evolution since the period of negotiations, trying to assess the accession impact on the utilized agricultural land, mainly the share of leased in land (by formal and informal arrangements) and of non-utilized land.

Key words: land tenure, land use, farm structure.

JEL Classification: Q15.

1. INTRODUCTION: EVOLUTION OF FARM STRUCTURES AFTER ACCESSION

Romania has a very large number of farms and at the same time an extremely polarized agrarian structure. In the year 2007, 44% of the total number of farms operated less than 1 hectare of land and at the same time the farms with less than 1 hectare accounted for only 5% of the total utilized area. The agricultural holdings with less than 10 hectares accounted for 97.5 % of the total number of holdings and 50% of total utilized area. At the same time, the large-sized farms (over 100 hectares) represented only 0.2% of the total number of farms, while their share in total utilized area represented about 38%. The segment of medium-sized farms (10–100 hectares) is quite poorly represented in Romania: these farms covered only 11.9% of the utilized agricultural area in the year 2005 and 12.6% in the year 2007. It is quite interesting to see what happens with the segment of farms with areas larger than 100 hectares. We have information that the very large-sized farms (over 1000 hectares) have quite a large share in total utilized agricultural area.

The evolutions between the two Farm Structure Surveys from 2005 and 2007 reveal quite a slight evolution trend towards the medium-sized farms and diminution of the number of small-sized farms in particular (Table 1).

In the period between the Farm Structure Surveys of 2005 and 2007, the total number of farms decreased by 269 thousand; 62% of the holdings that disappeared were in the size category of less than 1 hectare.

Table 1

Agricultural holdings and utilized agricultural area, by size categories of the utilized area

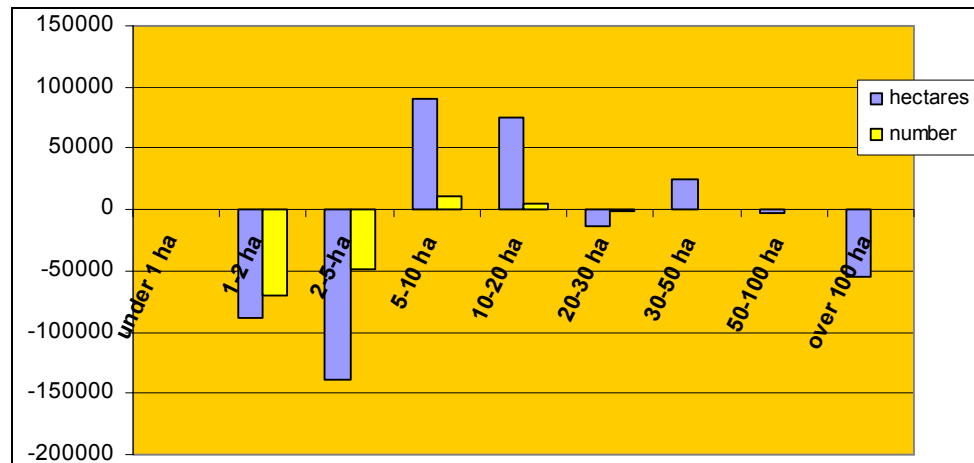
Size categories of holdings	Farm Structure Survey 2005		Farm Structure Survey 2007	
	Number	Hectares	Number	Hectares
Total (thousand), out of which (%):	4121.2	13906.7	3851.8	13753.0
Under 1 hectare	44.9	5.0	43.8	4.7
1–2 ha	21.1	9.0	20.8	8.4
2–5 ha	24.6	22.7	25.1	22.0
5–10 ha	7.0	13.9	7.8	14.7
10–20 ha	1.6	6.1	1.8	6.7
20–30 ha	0.2	1.7	0.2	1.7
30–50 ha	0.1	1.6	0.2	1.8
50–100 ha	0.1	2.4	0.1	2.4
Over 100 ha	0.2	37.6	0.2	37.6

Source: Farm Structure Survey 2005, National Institute of Statistics, 2006
Farm Structure Survey 2007, National Institute of Statistics, 2008

It is worth mentioning here that in the SAPS application scheme in Romania, only those farms are considered eligible that are larger than 1 hectare, with parcels larger than 0.3 ha. Is it possible that the diminution of the number of farms with less than 1 hectare is the result of this measure?

Secondly, in Romania, the agricultural area decreased each year, as a result of real estate sector development, of building roads and motorways, etc. Thus, in the year 2007, the total agricultural area was down by 178 thousand hectares compared to that in the year 2005, and the utilized agricultural area by 153.6 thousand hectares.

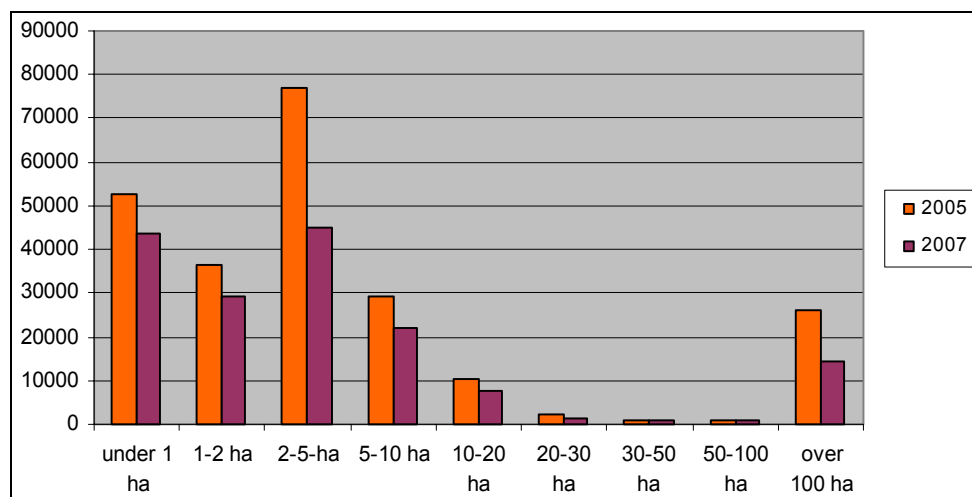
At the same time, besides the utilized agricultural areas, there are significant non-utilized agricultural areas. Their share ranges from 1.1 to 1.6% of total agricultural area.



Source: Farm Structure Survey 2005, National Institute of Statistics, 2006.
Farm Structure Survey 2007, National Institute of Statistics, 2008

Figure 1. Variations in the agrarian structure in the period 2005–2007.

In the Figure 1 we can notice the significant diminution of the number of small-sized farms in the period 2005–2007: in total, the number of farms under 5 hectares decreased by 284 thousand, while the area utilized by these was down by about 273 thousand hectares. In the same period, the number of farms in the size category 5–20 hectares increased by about 15 thousand, and the area operated by these increased by 166 thousand hectares. By correlating these figures, we can state that part of the land areas operated by the farms under 5 hectares went into the operation of medium-sized farms (5 to 20 hectares). The evolution of farms in the size category 20–100 hectares also reveals the diminution of the area utilized by the farms in the size category 20–30 ha by 74 thousand hectares and the increase of the area utilized by the farms with 30–50 ha by 24 thousand hectares. It should be mentioned that the diminution of land areas utilized by the farms with over 100 hectare might be also the effect of the decrease of total agricultural area in the year 2007 compared to the year 2005, as we have previously mentioned.



Source: Farm Structure Survey 2005, National Institute of Statistics, 2006.
Farm Structure Survey 2007, National Institute of Statistics, 2008.

Figure 2. Distribution of non-utilized agricultural areas by size categories of holdings (ha).

At the same time, besides the utilized agricultural areas, there are also significant non-utilized agricultural areas. The share of the latter in total agricultural area is 1.1–1.6%.

In the year 2005, about 236 thousand hectares remained non-utilized, while in the year 2007 the non-utilized areas totaled about 165 thousand hectares.

The non-utilization of agricultural land has mainly economic, social and weather-related causes, being more pregnant in the years following the drought

periods. The non-utilization of agricultural land areas is also more present in the areas with old-aged population. In the Figure 2 it can be seen that most of the non-utilized agricultural land areas are owned by the small and medium-sized holdings. The farms with less than 10 hectares owned about 82% of the non-utilized agricultural land in the year 2005 and 84% in 2007. We consider that these non-utilized agricultural land areas could be attracted into the production circuit by different modalities, namely: life annuity scheme, land sale/purchase or land lease.

As regards the large-sized farms, the data supplied by the Agency of Payments and Intervention in Agriculture reveal that the farms with more than 1000 hectares operate about 30% of the area eligible for direct payments, although the number of farms in this size category represents only 0.22% of the total number of eligible farms (see the table below).

As it can be seen in the table below, in the year 2008, the number of eligible farms for the payments per hectare was about 1.1 million, while the eligible area totaled about 9.4 million hectares.

Table 2

Distribution of farms that applied for subsidies per hectare in 2008

	Payment applications – 2008			
	No. of holdings	Percentage in total holdings (%)	Area (hectares)	Percentage in total funds (%)
1–5 ha	912,245	81	2,234,984.79	23.59
5–10 ha	145,400	12.91	977,066.80	10.31
10–50 ha	51,547	4.58	995,337.22	10.50
50–100 ha	5,802	0.52	414,682.72	4.38
100–500 ha	8,704	0.77	1,957,369.76	20.66
500–1000 ha	1,718	0.15	1,189,953.39	12.56
1000–5000 ha	822	0.07	1,355,287.79	14.30
5000–10000 ha	23	0.002	179,334.15	1.89
over 10000 ha	8	0.001	172,114.63	1.82
Total	1,126,269		9,476,131.25	

Source: information processed on the basis of data provided by MAFRD.

The top five entrepreneurs and their companies in the agricultural sector own 2% of Romania's arable land area. In this context, Culita Tarita, owner of agricultural land and industrial enterprise TCE 2 Brazi has the largest area of farmed land, over 55,000 ha. Also, Mihai Anghel manages 25,000 ha of agricultural land, through Cerealcom Dolj (south-eastern part of the country)¹.

¹ Romania Agribusiness Report q4, 2009, published by Business Monitor International LTD.

2. THE LEGAL STATUS OF AGRICULTURAL HOLDINGS IN ROMANIA

According to their legal status, the agricultural holdings from Romania are divided into two categories, namely individual agricultural holdings and legal entities (Table 3). The first category generally covers the peasant household farms, out of which many farms are extremely small-sized, even under 1 hectare. They operate about 65% of the Utilized Agricultural Area, the remaining 35% being operated by the legal entity farms.

The individual agricultural holdings decreased in number in the period 2005–2007, by 269 thousand, while their average size slightly increased from 2.2 to 2.3 ha. In the same period, the legal entity farms decreased in number by 0.5 thousand and their average size increased from 269.0 ha to 275.4 ha. As we have previously mentioned, these average sizes cover very large extremes, ranging from farms with several hectares to farms of dozen thousand hectares.

Table 3

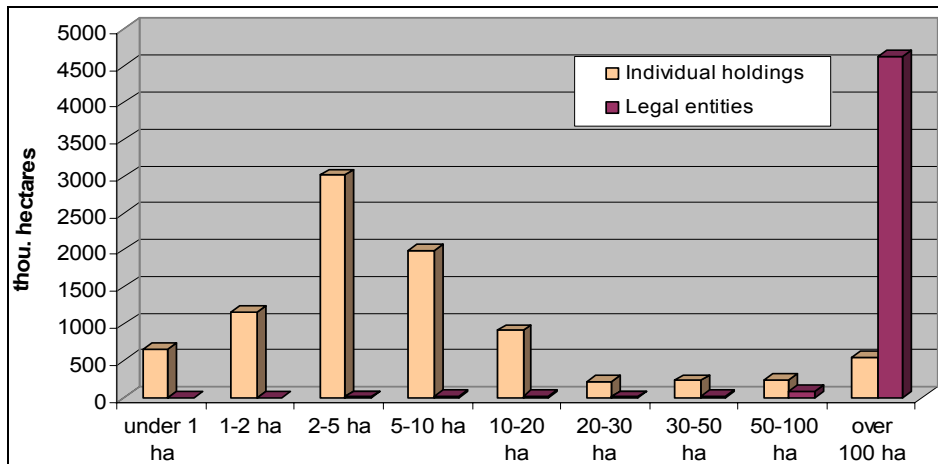
The agricultural holdings from Romania according to their legal status

Types of holdings	MU	Farm Survey 2005	Farm Survey 2007
A) Individual holdings			
Number	Thou.	4103.4	3834.4
Utilized Agricultural Area	Thou. ha	9102.0	8966.3
Average area per holding	Ha	2.2	2.3
B) Farms as legal entities			
Number	Thou.	17.8	17.3
Total area	Thou. ha	4804.7	4786.7
Average area per holding	ha	269.3	275.4
C) Total holdings			
Number	Thou.	4121.2	3851.8
Total area	Thou. ha	13906.7	13753.0
Average area per holding	ha	3.4	3.6

Source: Farm Structure Survey 2005 and 2007, National Institute of Statistics

The legal entity farms consist of legal agricultural associations, commercial companies with majority private capital, commercial companies with majority state capital, the public administration units, as well as other units. In the year 2007, the share of the land areas utilized by these types of units in total land area operated by the legal entity farms was the following: private commercial companies 40.1%, public administration units 39.1%, agricultural associations 12.9%, commercial companies with state capital 0.7%, cooperative units 0.3%, other 6.9%. If we investigate the dynamics of this structure, we can notice that compared to the year 2005, in the year 2007 the share of the commercial companies with private capital increased, while the share of the public administration units and of the agricultural associations decreased.

In relation to the land areas utilized by the individual agricultural holdings and the legal entity units, from the Figure 3 we can notice that the individual holdings are generally small to medium-sized, while most of the legal entity farms have over 100 hectares. Thus, 94% of the agricultural land utilized by the individual farms belongs to farms with less than 100 hectares, while 97% of the land areas utilized by the legal entities belong to farms with over 100 hectares. As we have already mentioned, the segment of farms operating thousands of hectares is quite well represented in this category of legal entity units.



Source: Farm Structure Survey 2005, National Institute of Statistics, 2006
Farm Structure Survey 2007, National Institute of Statistics, 2008

Figure 3 Distribution of individual holdings and of legal entity units by utilized agricultural area

3. LAND TENURE MODALITY ON THE FARMS IN ROMANIA

In the year 2007, out of total utilized agricultural area, the land area into ownership accounted for 73.2% on the average, the land area under land lease schemes about 16.8%, the land operated on concession basis 2.2%, while the land under share-cropping schemes 2.1% (Table 4). Yet these averages cover very large variations with regard to the land tenure modalities depending on the farm size. Thus, more than 90% of the land areas operated by the small-sized farms (up to 10 hectares) represent land into their ownership.

The land lease phenomenon is quite significant in the case of medium and large-sized farms. Thus, on the farms with over 10 hectares, the leased in land accounts for 6.8% of the land operated by these farms; in the case of farms with over 100 hectares, the share of leased in land may reach 37.9%. It is worth mentioning that the share of land operated on concession basis increases beginning with the farms with 30–50 ha. As a rule, the land areas operated on concession basis belong to the Agency of State Domains and are operated on concession basis

on longer periods in exchange of paying a royalty. We can also notice that the land operated under share-cropping arrangements decreased in importance in the case of farms with over 50 hectares; most often the informal share-cropping arrangements are characteristic to the small and medium-sized farms (Table 5).

Table 4

Land tenure modality on the agricultural holdings from Romania (total)

	2005 Survey		2007 Survey		Differences	
	Hectares (2)	% (3)	Hectares (4)	%(5)	Hectares (4)–(2)	%(5)–(3)
Into ownership	10367.0	74.5	10071.4	73.2	-295.5	-1.3
On concession basis	331.0	2.4	301.3	2.2	-29.7	-0.2
Leased in	1945.0	14.0	2311.2	16.8	+365.8	+2.8
Share-cropping	427.0	3.1	282.4	2.1	-144.7	-1.0
Used on a free of charge basis	194.2	1.4	239.3	1.7	+45.2	+0.3
Other modalities	642.2	4.6	547.5	4.0	-94.8	-0.6
Total	13906.7	100	13753.0	100	-153.7	

Source: Farm Structure Survey 2005, National Institute of Statistics, 2006.

Farm Structure Survey 2007, National Institute of Statistics, 2008.

Table 5

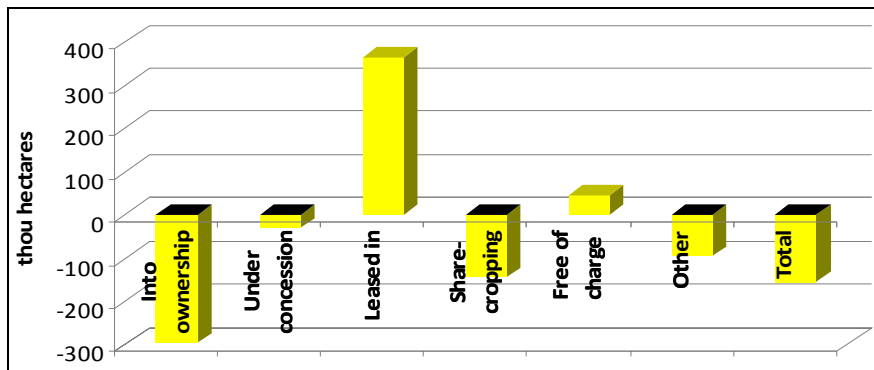
Land tenure modality according to the utilized agricultural area by farms, in the year 2007

	Under 1 ha	1–2 ha	2–5 ha	5–10 ha	10–20 ha	20–30 ha	30–50 ha	50–100 ha	Over 100 ha
Into ownership	94.2	92.9	93.3	92.7	85.7	72.3	55.3	43.8	47.4
Concession	0.2	0.1	0.1	0.2	0.2	1.1	4.6	6.2	5.0
Leased in	0.4	0.7	1.2	1.7	6.8	12.6	23.7	37.0	37.9
Share-cropping	1.7	2.2	1.8	2.0	3.2	5.7	10.3	5.4	1.2
On a free of charge basis	2.4	2.7	2.5	2.2	2.5	4.7	2.2	1.5	0.6
Other	1.1	1.4	1.2	1.2	1.6	3.6	3.9	6.2	8.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100	100.0

Source: Farm Structure Survey 2005, National Institute of Statistics, 2006.

Farm Structure Survey 2007, National Institute of Statistics, 2008.

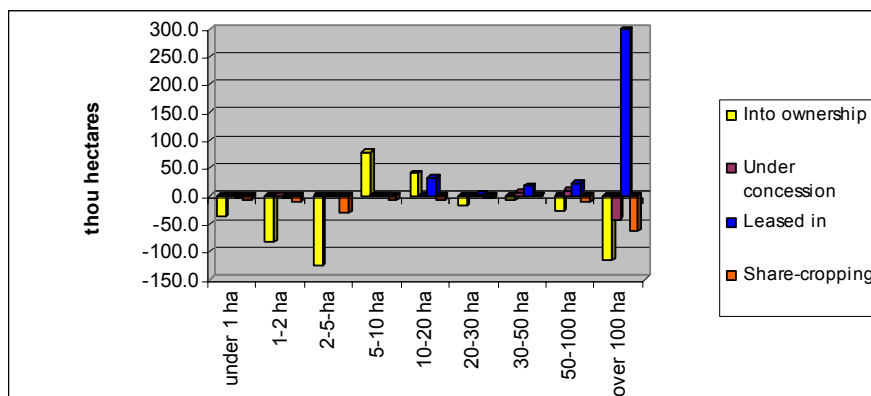
When investigating the dynamics of the agricultural land tenure modalities between the two successive Farm Structure Surveys, it can be noticed that in the year 2007, compared to 2005, the size of leased in land areas increased by 366 thousand hectares, while the utilized land areas into ownership and the land areas under share-cropping arrangements decreased by 295 thousand hectares and 145 thousand hectares respectively. It should be mentioned that the increase of farm size, which is noticed mostly in the case of legal entities, is mainly due to the increase of leased in land areas, while the “share-cropping” arrangements lost ground (Figure 4).



Source: Farm Structure Survey 2005, National Institute of Statistics, 2006.
Farm Structure Survey 2007, National Institute of Statistics, 2008.

Figure 4. The changes produced in the land tenure modality in the case of utilized agricultural areas in the period 2005–2007

If we examine the land tenure changes by farm size, we can notice that in the period 2005–2007, the utilized land areas into ownership on the small-sized farms (under 5 ha) decreased, while the utilized land areas into ownership on the farms from the size category 5–20 hectares increased. This fact would indicate a consolidation process of the medium-sized farms (5–20 ha) on the basis of land sale-purchase actions. At the same time, we can notice an increase of the leased in land areas in the case of farms with more than 100 hectares. Practically, in the year 2007, the land areas leased in by the farms with over 100 hectares represented 84% of total leased in land areas (Figure 5). This situation confirms the fact that land lease remains the main modality of increasing the utilized land areas on the farms from Romania.



Source: Farm Structure Survey 2005, National Institute of Statistics, 2006.
Farm Structure Survey 2007, National Institute of Statistics, 2008.

Figure 5. The changes produced in the land tenure modalities in the case of utilized agricultural land in the period 2005–2007 by farm size.

If we investigate the situation of land tenure modality by the legal status of holdings, we can notice that the individual holdings mainly use land areas into their ownership (85%–86%), while the other land tenure forms are non-significant, maybe with the exception of leased in land (6%–7% of total utilized land areas).

About 52–50% of the land areas operated by the legal entities are into their ownership, while most of the remaining land is leased in (30%–36%). It can be also noticed that the share of the leased in land increased in both categories of farms, together with the diminution of the land areas operated under concession basis and share cropping arrangements (Table 6).

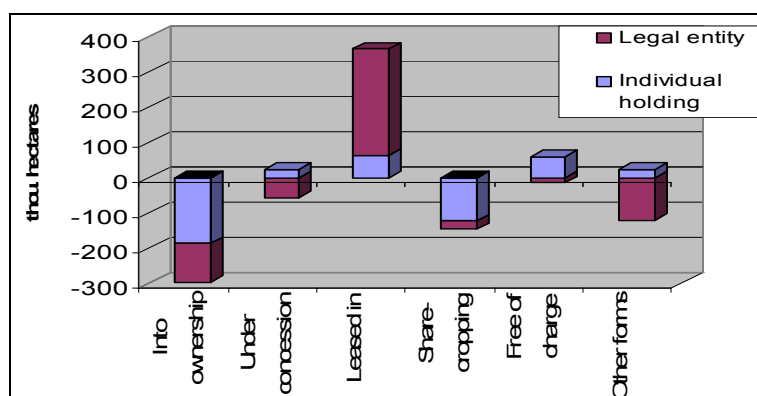
Table 6

Land tenure modalities, by individual holdings and legal entity farms

	2005 Survey		2007 Survey	
	Individual holdings	Legal entity farms	Individual holdings	Legal entity farms
Total UAA, thou ha, out of which %	9102.0	4804.7	8966.3	4786.7
Into ownership	86.3	52.3	85.5	50.2
Under concession	0.6	5.7	0.9	4.6
Leased in	5.8	29.5	6.6	35.9
Under share-cropping schemes	4.0	1.3	2.7	0.8
Utilized on a free of charge basis	1.8	0.7	2.4	0.4
Other modalities	1.5	10.5	1.8	8.1

Source: Farm Structure Survey 2005, National Institute of Statistics, 2006
Farm Structure Survey 2007, National Institute of Statistics, 2008

In Figure 6 we tried to highlight the changes referring to land tenure modalities of the operated areas, which have been produced in the two categories of farms, namely the individual holdings and the legal entity farms, in the period 2005–2007.



Source: Farm Structure Survey 2005, National Institute of Statistics, 2006.
Farm Structure Survey 2007, National Institute of Statistics, 2008.

Figure 6. The changes that occurred in the land tenure modalities of the utilized agricultural land in the period 2005–2007 by the legal status of farms.

The utilized agricultural areas into ownership decreased by 295 thousand hectares, out of which 63% in the case of individual holdings. We can consider that this decrease was represented by the set aside land areas or the non-utilized agricultural land into the ownership of small-sized farms, as we have seen above.

The leased in land areas increased by 366 thousand hectares, and 83% of this area is represented by the increase of the land areas leased in by the legal entities.

4. PRELIMINARY CONCLUSIONS

Here are a few conclusions that can be drawn:

- The land lease phenomenon increased mainly on the farms with over 100 hectares, which are mainly represented by the legal entities;
- The average size of farms increased both in the case of individual holdings and mainly in the case of legal entities;
- In the segment of small and medium-sized farms there are consolidation signals in the case of the latter (medium-sized farms) by ownership transfers;
- The concession and informal arrangements (land operated under share cropping schemes) decreased in importance;
- There are significant areas of non-utilized agricultural land, mainly in the case of farms less than 10 hectares; this is mainly due to the landowners who are too old or who live in the urban area, and are not interested in farming.

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