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## AGRICULTURAL POLICY IN CENTRAL AND EASTERN EUROPEAN COUNTRIES

### ABSTRACT

In the period of transition, the Central and Eastern European Countries went through an intensive process of disorganization and distribution of products.

The dual character of agriculture in these countries (very small units on one side) requires different approaches from the structural point of view in order to develop a competitive agricultural sector that could advantageously get integrated into the EU agricultural structures.

**Key words:** Central and Eastern European Countries, agricultural markets, crisis period.

**JEL Classification:** Q13.

### 1. INTRODUCTION

The Central and Eastern European Countries, being in a difficult and long period of transition from the centralized economy to the market economy, have an important economic and human potential and make efforts to harmonize their economic systems with those of the developed countries, especially with the EU, through measures related to market formation and liberalization.

The adjustment of the agrarian structures to the market exigencies of the competitive market takes place within this frame. Most of the Central and Eastern European Countries need important investments to modernize and reorganize their agricultural production and upstream sectors.

### 2. METHOD AND MATERIAL

In order to compile the paper, the author used documentation and consultation of statistical data. Therefore, various data sources, including statistical reports, statistical breviary and forms, were utilized.

The research method used a comparative analysis of indices gathered during a specific period of time (transition period) against a fixed index base extracted from the EU statistical documents pertaining to the same period of transition.

### 3. RESULTS AND DISCUSSIONS

The administration of agricultural markets, together with the adjustment of property structures and economic organization, to meet the requirements of a disciplined and functional market, need a new agricultural strategy to guide and drive them nearer the EU structures, whose members they aspire to become in a particular period of time.

The European Union is a great economic and commercial force and the largest solvent market in the world.

The enlargement of EU towards Eastern Europe is a historical and economic decision of great proportions, which will create a new European architecture and more economical and political stability.

*Table 1*  
Agricultural potential indicators in the Central and Eastern European Countries (CEECs)

Country	Population (million)	Total area (thou. ha)	Agricultural area		Arable area		
			(mil. ha)	% arable	mil. ha	% arable	ha /inhabitant
<b>Bulgaria</b>	8.5	11.1	6.2	55	4.0	64.5	0.48
<b>Czech Republic</b>	10.3	7.9	4.3	54	3.2	74.4	0.31
<b>Estonia</b>	1.6	4.5	1.4	31	1.0	71.4	0.63
<b>Latvia</b>	2.6	6.5	2.5	39	1.7	68.0	0.65
<b>Lithuania</b>	3.8	6.5	3.5	54	2.3	35.4	0.62
<b>Poland</b>	38.5	31.3	18.6	59	14.3	76.9	0.37
<b>Romania</b>	22.7	23.8	14.7	62.0	97	63.3	0.43
<b>Slovakia</b>	5.3	4.9	2.4	59	1.5	62.5	0.28
<b>Slovenia</b>	1.9	2.0	0.9	43	0.2	22.2	0.13
<b>Hungary</b>	10.3	9.3	6.1	66	4.7	77.0	0.46
<b>Total CEEC</b>	<b>105.8</b>	<b>107.8</b>	<b>60.6</b>	<b>56</b>	<b>42.3</b>	<b>69.8</b>	<b>0.40</b>
<b>EU - 15</b>	<b>369.7</b>	<b>323.4</b>	<b>138.1</b>	<b>43</b>	<b>77.1</b>	<b>55.8</b>	<b>0.21</b>

We need to mention that in the last 10–12 years, agriculture in most Central and Eastern European Countries (CEECs) went through a crisis period that affected all the segments of the agricultural and rural system:

- 1) property relations;
- 2) organizational structures;
- 3) property structures;
- 4) conversion of efficiency and levels of production;
- 5) agricultural units management;
- 6) decline and poverty in the rural area.

Agriculture is an important sector in the CEEC economy and will play an essential role in the formation of modern agri-food economy. Agriculture is considered a priority branch, not so much for its contribution to the wealth of the countries from the area, but mainly for the social protection of a very important segment of the population.

Compared to the EU countries, where the number of the employees in agriculture was under 5% in the last 3–4 years, currently in Bulgaria it is under 25%, in Romania over 36% and in Croatia it draws closer (positively) to 10%. It must be outlined that in most countries from the investigated area, subsistence agriculture is still in use and subsistence agriculture cannot be the object of agrarian policies. The author highlights that the phenomena taking place in the area nowadays in agriculture and the rural area in most countries, is characteristic to the EU countries in the 1960s. Even though these countries display their differences at economic, structural and evolution levels, they also have numerous common elements in the process of adaptation to EU exigencies.

**Demographically**, the CEECs maintain an imperative potential for future developments in Europe, with about 105 million inhabitants, accounting for 28% of the EU population.

The **Gross Domestic Product (GDP)** per capita in six countries (Poland, Hungary, Czech Republic, Slovakia, Estonia) representing 18% of the EU level and only 8% in the other five (Romania, Bulgaria, Slovakia, Lithuania, Latvia) highlights the existence of important discrepancies

The most agriculture-dependent economies prevail in the most rural countries such as Romania, Bulgaria and the Baltic countries.

In all the candidate countries for accession to the EU, the weight of agriculture in GDP and the employed population have been in slow decrease since 1989. **The potential of active manpower engaged in the agricultural industry of CEECs is nearly 10 million people, compared to about 7 million in EU**, which represents an important resource that can secure the economic diversification of rural areas in the next years.

In Germany, the share of agriculture in GDP is slightly under 1%. This is one of the reasons why some politicians from EU, including Germany, consider that it is not necessary to invest more in supporting the agriculture of the most developed countries.

In France, Spain, Portugal and even Greece, things are different. But if these very developed countries continue to invest, especially in the primary agriculture, they do it not so much to achieve great production, but for the ecological aesthetics of each of these countries, for tourism and local comfort purposes, mainly for the protection of environment and natural resources.

At present, the natural potential of CEEC agriculture is not completely capitalized, the degree of endowment with capital is low and the agricultural production has not recovered yet.

Even though there are plenty human resources, the qualification level is low, the agricultural efficiency is minimal and the quality of products does not meet higher requirements yet.

The farmers are subject to continuous pressure on the market because of prices lower than costs.

The lack of efficient financing and management determines the high costs of agricultural products.

Furthermore, the prices received by manufacturers are inferior to those in the developed countries. While losses in agriculture increased, the financial blocking decreased the investment capacity. Moreover, bank interests remain high.

The rural area is strongly dependent on agriculture, whose technical endowment is low. Modern infrastructures are deficient, transports and communications operate with difficulty and the access of population to services and school is still limited. The social services are precarious and unemployment generates great pressures, determining migration waves towards others countries in order to find jobs.

CEEC agriculture has large land areas and a high level of arable land area per inhabitant (Romania 0.4 ha/inhabitant, Hungary 0.46 ha/inhabitant, Poland 0.37 ha/inhabitant, Czech Republic 0.31 ha/inhabitant, Slovakia 0.28 ha/inhabitant).

In the transition period, the arable land areas remained relatively stable in some countries while in others they had the tendency to decrease. Most of the arable land is cultivated with cereals (about 60% compared to 50% in EU). Industrial crops, especially sugar beet, linseed and hemp, lose ground in most CEEC countries.

Unlike the crop production sector, the livestock sector followed a sharp regression in all CEEC countries. For instance, in 1989, the cattle represented about 36% compared to EU and 20–21% in 2000, the swine herds 32% and 20–21% respectively.

The agricultural production in the CEECs experienced a strong deterioration in the transition period, especially the livestock production.

Compared to 1989, the total production of cereals in CEECs decreased in the transition period due to a lower efficiency per hectare. Short-term forecasts indicate a slow increase. The cereals balance was negative.

The profit per ha, the yields in cattle, the production, consumption and milk balance were and still remain much lower compared to the EU level.

In the pre-transition period (before 1989), in most CEECs, the co-operative forms of organization and the state agricultural enterprises were dominant in agriculture. Apart from Poland and Slovenia, where the private sector prevailed, the individual sector in other countries was very limited.

In the process of de-collectivization of agriculture and re-establishment of private property, different types of economic organization were formed (or are being formed). In some countries (Hungary, Czech Republic, Slovakia), an important number of private production co-operatives and agricultural companies remained in place. In most countries, the state enterprises became private or are becoming private. In Romania, this process is slow and Bulgaria decided to liquidate the system of agro-industrial complexes under the state management system.

The farm size differs from one country to another. What is common to all CEECs is that the agricultural units are small and dominant as regards their number and weight.

The average area per agricultural unit in CEECs is almost three times smaller than in EU.

CEECs have approx. 9.5 millions agricultural units, while EU just fewer than 7 millions units.

The average size of a unit in CEECs represents only 37.5% of the average size of an EU unit.

Disparities between CEEC and EU regarding the size of agricultural units, in addition to the lack of products balancing, creates a series of difficulties for the implementation of a unanimous agricultural strategy in the short or even long run.

In the period 2000–2006, the CEEC countries, candidate to accession to EU, which are still in transition, went through a new stage as part of the process of agricultural reform towards the implementation of the *Acquis Communautaire* in order to approach the EU structures, these also being under continuous development and improvement.

Agenda 2000 has as objective the modernization of the Union guidelines and the preparation of its enlargement as a perspective. For this reason, new instruments were created to finance the structural programs and the rural development programs of CEEC; to these, we will refer largely in subchapter 11.5.

The 2000–2006 stage priorities to promote the CEEC countries are:

- investments in agricultural units aiming at modernization (one priority);
- development of agro-processing sectors and agricultural products marketing;
- improvement of veterinary and phyto-sanitary controls;
- promotion and diversification of economic activities in rural areas.

The European Commission requires the European countries to market economy through implementation of the *Acquis Communautaire* in five years.

It is imperative to mention, that in such a short time it is difficult to transpose the common directives in the national legislation of the candidate countries because of the diversity of situations and their exigencies. As regard the single market, there are about 280–290 Community directives that impose the high standards to which national legislations of candidate countries need to get harmonized.

The main EU aiding instruments contributing to the agricultural sector in the candidate countries are the following:

- PHARE Program (EU assistance program for CEECs) supports the economic reorganization process and democracy consolidation in EU through financial assistance for the countries that completed the “European agreements” and want to become part of this area. Through this program implementation, EU has provided support to the CEECs since 1990. The PHARE program was the main source of financial assistance for CEECs in the period 1995–1999.
- ISPA program (investments financing the transports and environment)
- SAPARD program (Special Assistance Program for Agriculture and Rural Development in CEECs).
- BERD credits, World Bank etc. European Commission sustains CEECs by supporting the two institutions which facilitate the co-financing of projects that are part of the priorities of the pre-accession process.

#### 4. CONCLUSIONS

CEECs face three categories of difficulties:

1. The lack of capital necessary to modernize agriculture and rural development and of bank infrastructures in order to facilitate the access of agricultural producers to investments.

2. The existence of inefficient agricultural structures and internal market contraction.

3. Lack of organizational structures appropriated to the sector upstream agriculture.

The dual character of agriculture in these countries (very small units on one side) requires different approaches from the structural point of view in order to develop a competitive agricultural sector that could advantageously get integrated into the agricultural structures of EU.

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