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## THE SEMI-SUBSISTENCE FARMS IN THE COMMON AGRICULTURAL POLICY CONTEXT

### ABSTRACT

The purpose of the present study is to evaluate the semi-subsistence farm development potential in Romania. The approach is based on case studies on the agricultural holdings that completed files to access the specific development funds. From the methodological point of view, several stages were completed: identification of factors limiting the access to finance, evaluation of the economic impact upon the semi-subsistence farm activity, from the perspective of the current activity of farm and of the commitments assumed in the business plan.

**Key words:** CAP, farm, semi-subsistence, impact.

**JEL Classification:** Q12, Q18.

### 1. INTRODUCTION

The agricultural activity has a special character, determined by the social structure of agriculture, by the structural and natural disparities among the different rural areas of Europe.

### 2. STATE OF KNOWLEDGE

The semi-subsistence agriculture comprises a heterogeneous group of titulars, with different motivations and different degrees of engagement to agriculture. The specialty literature differentiates three categories of semi-subsistence farmers: (i) farmers for whom semi-subsistence is a coping strategy; (ii) part-time farmers, with other gainful activities; (iii) semi-subsistence farmers by choice, sometimes known as hobby farmers (Davidova, 2011).

In general, three criteria are used for the definition of a semi-subsistence farm, namely: the physical size, the economic size and the market participation. As the physical size cannot reveal the degree of resources concentration, the classification in the European statistics utilizes the economic size thresholds. For the rural development programs, the definition is approached by the EC Council Regulation no. 1698/2005, starting from the market participation criterion. Within

the rural development programs, each Member State has the latitude to establish the economic size of the semi-subsistence farms that will be the object of the public support.

### 3. MATERIAL AND METHOD

Within the NPRD, the semi-subsistence farms with real restructuring possibilities were defined as those ranging from 2 to 8 ESU, 350 thousand farms in total, about  $\frac{1}{4}$  of these being estimated as potential beneficiaries of funding. The segment of semi-subsistence farms is described as being a relatively homogeneous group, averaging 4.9 ha for the group 2–4 ESU and 9.4 ha for the group 4–8 ESU. From the analysis of incomes of these farms, it was concluded that a farm from the category 2–4.3 ESU can cover the self-consumption needs of a household with 1–3 members on the average. MARD calculations indicate that a farm will sell part of its production if it succeeds to increase its size by 2 up to 4 ESU. These results led to the establishment of the conditions for their access to finance and of the farm development objectives under Measure 141 “Support to semi-subsistence farms”. The measure aims to support the semi-subsistence farm development and restructuring. The non-refundable financing principle means to **grant an annual fixed amount of 1,500 euro/year**, for a 5 year-period.

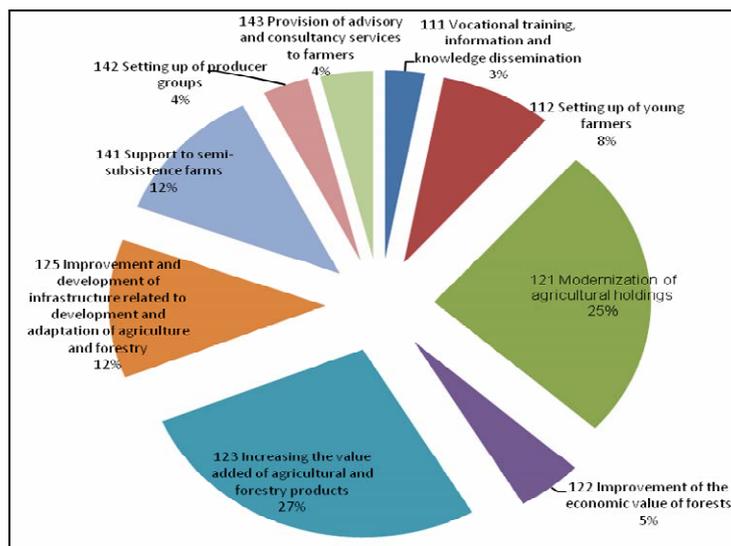
The investigated farms are located in the counties from the southern part of the country; they are family farms, with a low economic power, and they practice agriculture in order to cover their consumption needs and to obtain extra incomes. The case studies on the farms that completed a file for accessing Measure 141 provide support for the identification of the restrictive factors that limit the access to finance and for the analysis of the financing impact upon their real development possibilities. The economic impact upon the semi-subsistence farm activity was assessed from the perspective of the specific funds effects.

### 4. RESULTS AND DISCUSSIONS

The rural development sector in Romania, for the period 2007–2013, is supported through the implementation of the National Rural Development Program (NRDP). The NRDP general, strategic and specific objectives are the result of a basic analysis linked to the general socio-economic context in the rural area. The NRDP objectives structure the answer to these needs according to the four priority axes of the European rural development policies:

- Axis 1 targets competitiveness increase in the agri-food and forestry sectors;
- Axis 2 targets the improvement of environment and rural area;
- Axis 3 targets rural economy diversification and the improvement of the quality of life in the rural area;
- Axis 4 targets the launching and functioning of local development initiatives.

44% of the public contribution is allocated to Axis 1, and under this the public funds are mainly directed to measures with impact upon the production and transformation processes (Measures 121 and 123). The measures affecting the agrarian structures, namely Measures 141, 142 and 112, have a lower budgetary financial share.



Source: Processing after NRDP, 2007–2013.

Figure 1. The funding structure of Axis 1 from the National Rural Development Plan.

The eligible beneficiaries of the non-refundable financial support granted through Measure 141 are the natural persons up to 62 years of age (who are not 62 yet at the moment of submitting the financing application), who carry out economic activities, mainly farming activities and whose agricultural farm:

- has an economic size ranging from 2 to 8 ESU;
- is located on the country's territory;
- is registered in the Unique Identification Register /Agricultural Register;
- sells part of the obtained agricultural production.

The specific objectives of Measure 141 consist of:

- Increase of the farm marketed production, so that the semi-subsistence farms should become economically viable;
- Production diversification according to the market needs and introduction of new products.

The score given per project can be different depending on five criteria:

1. Affiliation to an association form (15 points for the association, 20 points for the cooperative, producers' group);
2. Access to Measure 214 "Agro environmental payments" under NRDP (15 points);

3. Farmer's age – from 40 to 62 years old or under 40 years (0 or 30 points);
4. Farm location (0 or 5 points for less-favoured area);
5. Making an investment (25 points for an investment of minimum 4,500 RON from own funds or 30 points through Measure 121).

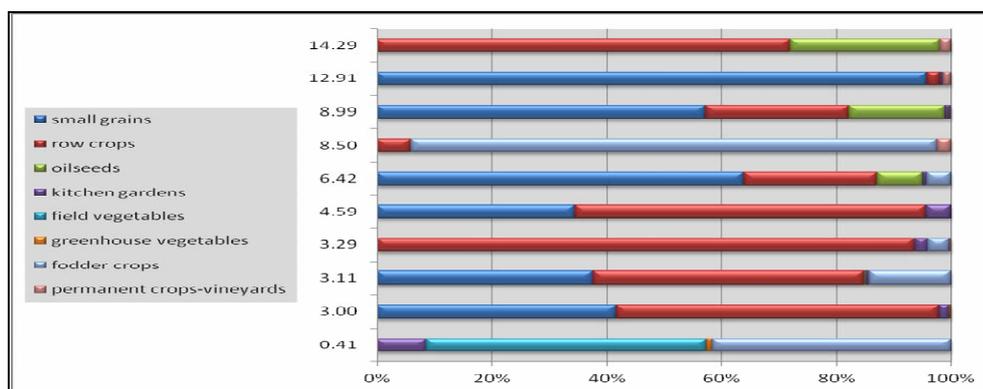
In the case studies, each project summed up 65 or 70 points, resulting from meeting three criteria: age under 40, the affiliation to an agricultural association and making an investment from own funds of minimum 4,500 RON, by the end of year 3. After a period of three years from receiving the support, the economic viability of the semi-subsistence farm will be proved by the 20% increase of the marketed output and by the farm size increase by minimum 3 ESU compared to the initial situation mentioned in the business plan.

Box 1. Obtaining the necessary justifying documents

| Necessary Documents  | Problems encountered   | Solving up  |
|--|--|---|
| Excerpt from the Agricultural Register issued by the Town Halls, with mentioning on each page "Conform to the original", sealed and signed up by the town hall representative. | The Agricultural Register is incomplete, e.g.: the terminology is not known, it does not contain totals, the column for animal movement is not filled in<br><br>The lack of a Xerox copier in the town hall<br>Some pages are not sealed | 1–2 travels for correction<br>1 travel to another locality for the AR copy<br><br>1 travel for reviewing    |
| One copy of the land ownership document /Excerpt from the Land Book / Certificate from the Land Fund Commission  | They do not have ownership documents   | They obtain fiscal attestation certificate  |
| Fiscal attestation certificate for natural persons regarding the local taxes and fees  | In 3 cases out of 10, there are mistakes with regard to total area or to the categories of use   | 1 travel for correction   |
| Excerpt drawn from the Unique Identification Register (print-screen),  | It was obtained after 5 days from filing in the Application to   | 2 travels   |
| Certificate from the Town Hall   | Non-correlation of data with the Agricultural Register   | 1–2 travels   |
| Certificate from the veterinary physician  | Non-correlation with the data declared at the town hall, mainly with regard to the animal gender: male/ female   | 1 travel for remediation  |
| Certificate from the association   | –  | 1 travel: 10–100 km   |
| Certificate on the selling of production   | Most farmers sell their production directly to consumers.<br>In the case of cereals, they did not have the special Form for printing, series, and numbering supplied by the National Company "National Printing House"                   | MARD comes back to the previous year's conditions, respectively to the Affidavit on the selling of products |

Drawing up the funding application file consisted in filling in a standard finance Application that was accompanied by the business Plan and the justifying documents. The obtaining of the necessary documents raised special problems, in terms of time and travel expenses for their remediation.

The activity is crop or mixed production. The physical size ranges from 0.409 ha to 14.29 ha and the economic size from 2.122 ESU to 5.261 ESU. Generally, the agricultural area is into family ownership. The crop structure is relatively diversified, the number of crops ranging from three to seven.



Source: Processing of data from the case studies.

Figure 2. The crop structure on the investigated farms.

Cereals prevail in the crop structure on most farms:

- The small grains are present on 6 out of 10 farms, covering 34–96% of the farm area,

- The row crops are present on 9 out of 10 farms, (2–94%),

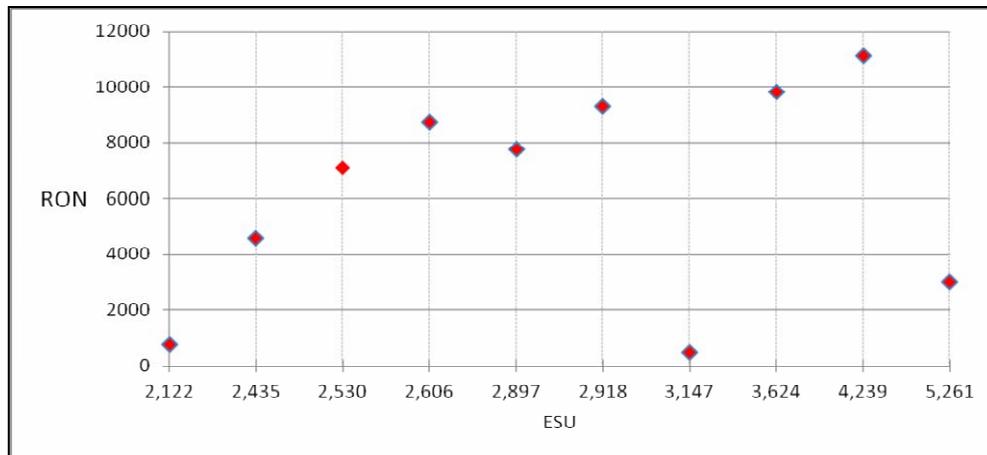
The oilseeds are present on 4 out of 10 farms, with shares ranging from 0.3 to 26%, higher shares in the area being found on the farms larger than 5 hectares.

The kitchen gardens (0.3–17%) supply the necessary vegetables on 8 out of 10 farms, sometimes a surplus for marketing.

Only one farm, with the size under 0.5 hectares, grows field vegetables, these covering 49% of the area, and the glasshouse vegetables are cultivated on 4 out of 10 farms, (0.1–1%).

The fodder crops are present on 5 out of 10 farms, with shares ranging from 4 to 92%.

For the crop production, the productions expenses/ha range from 1,219 RON to 9,477 RON/hectare, depending on the crop type. The net income /ha has a maximum value of 1,512 RON. Thus, a hectare of crops can ensure a net average wage per economy/year for the farmer. The net income per farm is quite heterogeneous, ranging from 500 to 11,122 RON.



Source: Processing of data from the case studies.

Figure 3. The economic size and the net income of the investigated farms.

Most farmers have opted for the improvement of cropping technologies in the crop production sector. The restructuring-development plan on the crop-growing farms resides in the change of crop structure by enlarging the area under vegetables in glasshouses and under field vegetables; the mixed farms are focused on the increase in the number of livestock and poultry heads, while ensuring the necessary animal feed from own farm.

## 5. CONCLUSIONS

Obtaining the justifying documents for drawing up the business plan proved to be quite a difficult action, in the absence of a real support that the specialized departments within the commune town halls should provide to farmers. Sometimes a lack of responsibility was noticed in relation to the way in which data from the Agricultural Register were managed.

The proposed investments can ensure a minimum diminution of costs, in the sense of not appealing to the services provided by third parties.

The support of 1,500 euro/farm/year can averagely cover 30% of the current farm expenses, providing a potential improvement of the crop technologies by procuring sufficient quantities of inputs.

The objectives of increasing the economic size of farms are extremely difficult to reach, and the support level cannot facilitate a sustainable development of the farm. It is expected that the objectives will be fulfilled by a relatively low percentage of farmers by the third project year.

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