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## HIGHLIGHTS OF ROMANIA'S CONTRIBUTIONS TO THE EU AGRICULTURAL SECTOR, ON THE BRINK OF THE NEW CAP

### ABSTRACT

The research focused on Romania's contributions to EU-27 agriculture compared to the Member States, on the brink of the new CAP reform, from the perspective of the main statistical and synthetic indicators: 5% (7.8 billion Euros) share in EU's gross value added, in 2013, due to a share of crop output of 6% and animal output of 2.4%; small shares both in exports and imports – the Romanian agri-food exports to the EU had small market shares, although an increasing trend was noticed in 2001-2013; the highest market share value of the period was in 2013, i.e. 1.2%. Romania's agri-food trade balance had significant deficits, on the average -1.1 billion Euro in 2001-2006 and widened to a historical value of -1.9 billion Euro in 2007-2009; it continued with a balancing tendency up to the year 2013, which marked a positive trade balance of 343 million Euro, unique performance obtained in the last quarter of the century.

**Key words:** agri-food sector, agricultural output value, trade balance.

**JEL Classification:** Q17, O12, F15.

### 1. INTRODUCTION

The state of economy is a decisive factor to influence the overall resources available for a country budget, which in terms of EU contributes to shape the pressures on the share of the CAP resources in the next multi-annual financing framework.

The international dimension of agricultural policy is part and parcel of the Common Agricultural Policy (CAP). Withal, the EU is one of the most important and active members of the World Trade Organization, it plays a constructive role in devising innovative and forward-looking common rules for global trade, including agriculture, and helps to maintain a free, fair and open worldwide trading system (EC, 2014).

Farming and food production are essential elements of the Romanian economy and society, as they also are in all Member States. In this context, the analysis on the state of agriculture on the brink of the new CAP reform post-2013 is one of the studies grounding the political framework that aims an effective reform adapted to meet the challenges ahead by being more efficient and contributing to a more competitive and sustainable EU agriculture.

The main objectives of the agricultural policy of the EU, to ensure a decent standard of living for farmers, to provide a stable and safe food supply chain at affordable prices for consumers, and to ensure the development of rural areas throughout the EU, are further pursued in the 2013 reform of the CAP when focused on the sustainable management of resources. Each of these objectives is to a certain extent represented by the statistics used in this article.

## 2. MATERIAL AND METHOD

The research study used the methods of statistical and comparative analysis and synthesis of the results indicated by qualitative and quantitative evaluations of relevant structural sectoral indicators and of economic performance, aiming at identifying Romania's main contributions to the EU agriculture on the brink of the new CAP designed in 2013, related to the member states.

The main statistical indicators related to agriculture resources were analyzed, namely utilized agricultural area (UAA), livestock units (LSU), labour input and synthetic indicators specific to the agricultural sector, including the gross value added (GVA) in the primary sector of the economy, agricultural output and agri-food foreign trade flows.

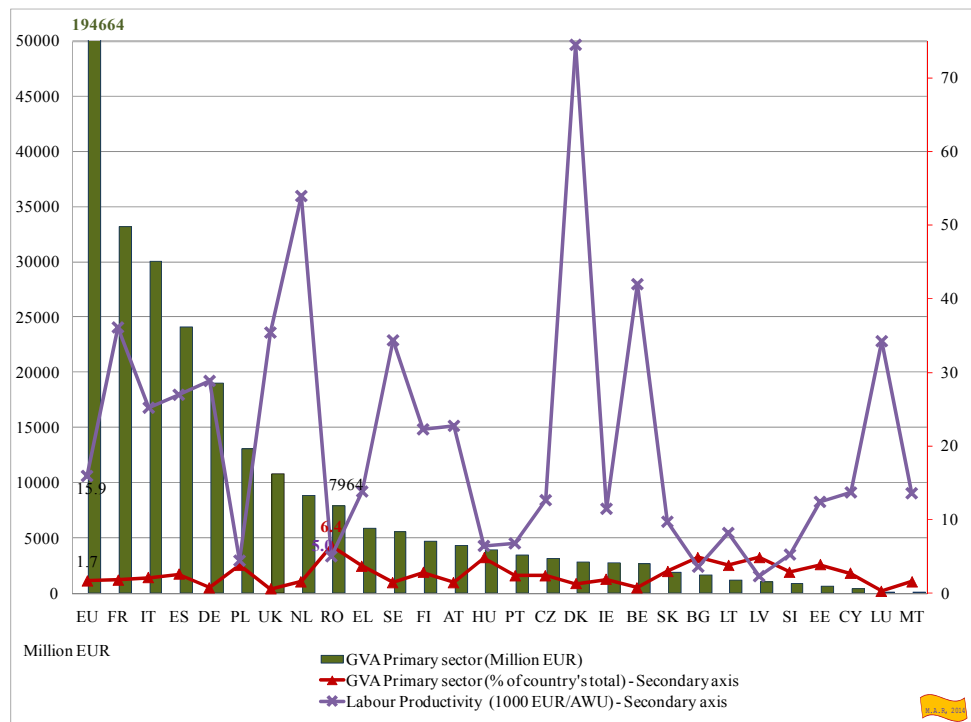
The working material was supplied by the online database of the European Commission, Eurostat, corresponding to the time period 2001-2013, within the limit of data availability provided by the agricultural census and country reports, as well as from the National Institute of Statistics for trade data related to Romania.

## 3. RESULTS AND DISCUSSIONS

Within a geographical, administrative and socio-economic predominantly rural space, agriculture was and continues to be a sector of first importance in Romania. Yet, the performances have not risen to the level of the natural potential and of the opportunities and expectations of the population related to the financial support supplied by CAP.

The contribution of the primary sector (agriculture, forestry and fisheries) of the Romanian economy in the gross value added (GVA) had a downward trend, falling from 12% in the early 2000s to 6.7% in 2010 (MADR, 2013) and 6.4% in 2013, reaching a minimum historical value. The share of the agricultural sector remains, however, almost 4 times higher than the EU-27 average, 1.7% (Figure 1).

Romania avails of a significant part of resources for agricultural activity, representing, as shares in EU-27, 32% of the agricultural holdings, 7.7% of the utilized agricultural area, 4% of the livestock units and 16.5% of the labour input full-time equivalent employed in agriculture, expressed by annual work units (AWU), yet the least standard output per farm can be also underlined (Table 1).



Source: Processing of Eurostat data [aact\_eaa01].

Figure 1. GVA in the primary sector in EU-27 and shares in country's economy, by Member States, in 2013.

From Table 1, contrasts in the land structure across the EU can be noticed, i.e. half of the holdings (6 million) of very small sizes (less than 2 ha) farmed 2.5% of total UAA, according to the 2010 agricultural census, while 2.7% of all holdings of very large size (over 100 hectares) farmed half of the total land in EU (50.2%).

There are roughly 3 categories of countries in the EU: 8 countries with small farms, up to 10 ha, 10 countries with large farm sizes over the EU average of 34.4 ha and the remaining 9 countries with farm sizes from 11 to 32 ha per farm.

It strikes that nearly one third (or 3.9 million) of all agricultural holdings are found in Romania, out of which three quarters are very small-sized, under 2 hectares. In this category we can also find Malta (0.9 ha/farm), Cyprus (2.3 ha/farm), Greece (5 ha/farm), Slovenia (6.4 ha/farm), Hungary (9.3 ha/farm), Poland (9.6 ha/farm) and Italy (10.7 ha/farm).

Although a decreasing trend was noticed in the period 2007-2012, Romania together with Poland are the two countries with the largest number of employees in the primary sector (2.7 and 1.8 million people respectively), accounting for almost half (49%) of total employment in the primary sector in the EU in 2013. Romania, Bulgaria, Poland, Greece and Portugal had the highest shares of employment in the

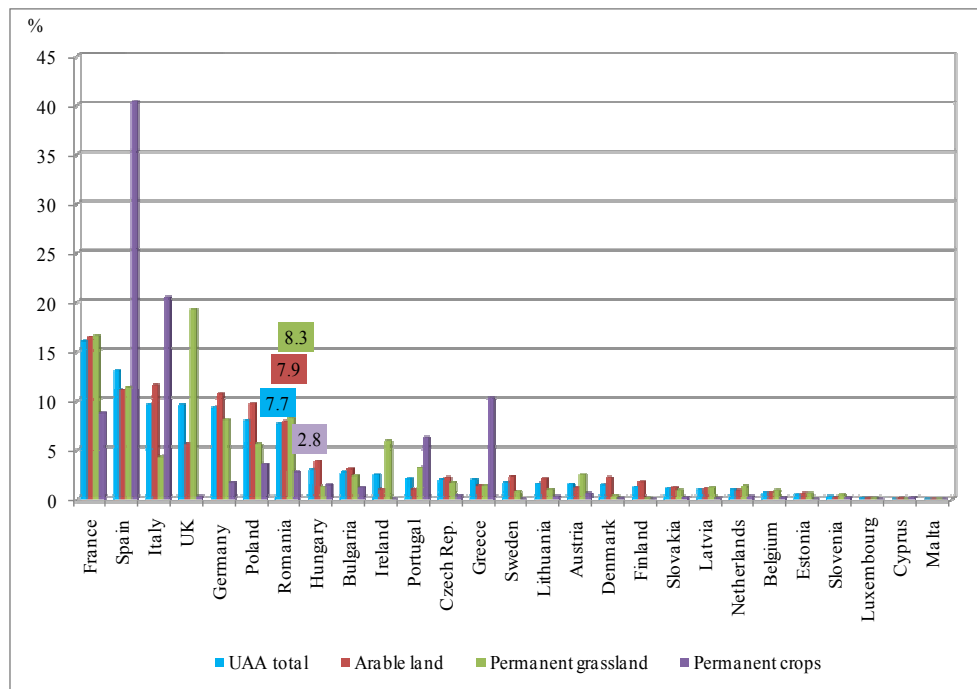
primary sector in the EU (from 30% in Romania to 10.5% in Portugal), whereas the lowest rates (up to and equal to 1.5%) were noticed in Luxembourg, Belgium, the United Kingdom and Germany.

*Table 1*  
Structural indicators of agriculture in EU-27: Romania compared to Member States

Country	No. of farms (1,000)	UAA (million ha)	Livestock units (1,000 LSU)	Labour force (1,000 AWU full-time equivalent)	Average size of farm (ha/farm)	Standard output per farm (1,000 EUR/farm)
Belgium	43	1.3	3,799	62	31.2	169
Bulgaria	370	5.0	1,149	407	13.5	7
Czech Rep.	23	3.5	1,722	108	154.0	169
Denmark	42	2.7	4,919	52	63.3	200
Germany	299	16.7	17,793	546	55.8	139
Estonia	20	1.0	306	25	49.3	30
Ireland	140	4.5	5,787	165	32.0	31
Greece	723	3.7	2,407	430	5.1	10
Spain	990	23.6	14,831	889	23.9	35
France	516	29.0	22,674	780	56.1	98
Italy	1,621	17.3	9,912	954	10.7	31
Cyprus	39	0.1	201	19	2.3	12
Latvia	83	1.9	475	85	22.4	9
Lithuania	200	2.9	900	147	14.5	8
Luxembourg	2	0.1	168	4	59.6	122
Hungary	577	5.3	2,484	423	9.3	9
Malta	13	0.0	42	5	0.9	8
Netherlands	72	1.8	6,712	162	25.5	262
Austria	150	2.9	2,517	114	19.1	39
Poland	1,507	14.4	10,377	1,897	9.6	13
Portugal	305	3.7	2,206	363	12.2	15
Romania	3,859	13.9	5,444	1,610	3.6	3
Slovenia	75	0.5	518	77	6.4	12
Slovakia	24	1.9	668	56	78.8	71
Finland	64	2.3	1,121	60	35.4	48
Sweden	71	3.0	1,752	57	42.6	53
UK	187	17.3	13,308	266	92.4	105
EU-27,total	12,015	180.3	134,192	9,761	34.4	63

Source: Processing of data from Eurostat (online data code: ef\_kvftaa), from the Agricultural Census 2010.

Figure 2 indicates that Romania has a forefront position as regards the contribution of UAA in the EU, by the structure of natural land, with shares of 8.3% in permanent grassland which contribute to increased potential for grazing, as well a share of 7.9% of arable area in 2013, ranking the sixth among the member states, after France, Spain, Italy, Germany and Poland.



Source: calculations based on Eurostat data.

Figure 2. Structure of UAA in EU-27: Romania's share vs. Member States, in 2013.

Even though the GVA of almost 8 billion EUR placed Romania in the top ten EU member states, after France, Italy, Spain, Germany, Poland, UK and the Netherlands, the labour productivity of the sector remains modest, i.e. 5 thousand EUR per AWU in 2013 (Figure 1).

The evaluation based on Eurostat statistics indicate a share of 4%, amounting to 7 billion EUR, of the Romanian agriculture in the average gross value added (GVA) obtained in the period 2001-2013 in EU-27 agriculture.

This performance resulted on the basis of increasing the share of the value of crop production from 3.9% in 2001 to 5.7% of the EU-27, obtained in 2012. At the same time, the share of the value of animal production decreased from 2.7% to 2.3% (Table 2).

Nevertheless, the major contribution of Romania's agriculture in the economy of the EU and that of the share of employment in agriculture, are indicators of a divergent gap between Romania and the agricultural sector development level in the greatest part of member states.

Table 2

CROP OUTPUT			ANIMAL OUTPUT			AGRICULTURAL OUTPUT		
GEO/TIME	2001	2013	GEO/TIME	2001	2013	GEO/TIME	2001	2013
France	20.45	18.95	France	17.26	15.81	France	19.12	17.78
Italy	15.70	13.60	Germany	14.94	14.52	Germany	13.58	13.34
Germany	12.72	12.70	Italy	10.25	10.14	Italy	13.72	12.76
Spain	12.83	12.27	UK	9.11	9.84	Spain	11.32	10.66
Netherlands	5.72	6.24	Spain	10.24	9.56	UK	7.03	7.13
Romania	3.86	5.67	Netherlands	6.17	6.82	Netherlands	6.23	6.82
Poland	4.11	5.55	Poland	5.01	6.57	Poland	4.44	5.83
UK	5.30	5.09	Denmark	3.79	4.04	Romania	3.24	4.04
Greece	4.66	3.18	Ireland	3.05	3.14	Denmark	2.73	2.74
Hungary	1.54	2.13	Belgium	2.87	2.84	Greece	3.40	2.44
Belgium	1.81	1.76	Romania	2.71	2.33	Belgium	2.20	2.14
Portugal	2.17	1.72	Austria	1.95	2.08	Ireland	1.84	1.90
Denmark	1.87	1.71	Sweden	1.63	1.75	Hungary	1.68	1.89
Czech Rep.	0.93	1.36	Portugal	1.70	1.63	Austria	1.66	1.66
Austria	1.43	1.36	Finland	1.56	1.60	Portugal	1.91	1.64
Sweden	1.18	1.30	Hungary	1.80	1.59	Sweden	1.36	1.51
Bulgaria	0.87	1.25	Greece	1.93	1.56	Czech Rep.	0.98	1.20
Ireland	0.82	0.91	Czech Rep.	1.11	1.08	Finland	1.09	1.16
Finland	0.76	0.88	Bulgaria	1.07	0.69	Bulgaria	0.98	1.02
Lithuania	0.33	0.75	Lithuania	0.40	0.59	Lithuania	0.35	0.66
Slovakia	0.38	0.56	Slovakia	0.51	0.57	Slovakia	0.44	0.57
Latvia	0.13	0.31	Slovenia	0.38	0.32	Latvia	0.16	0.30
Slovenia	0.25	0.27	Latvia	0.20	0.30	Slovenia	0.30	0.28
Estonia	0.09	0.18	Estonia	0.17	0.27	Estonia	0.12	0.22
Cyprus	0.00	0.17	Cyprus	0.00	0.20	Cyprus	0.00	0.17
Luxembourg	0.05	0.11	Luxembourg	0.12	0.12	Luxembourg	0.08	0.11
Malta	0.03	0.02	Malta	0.06	0.04	Malta	0.04	0.03

Structure and changes of Agricultural Output in EU-27 by Member States shares, 2001-2013.

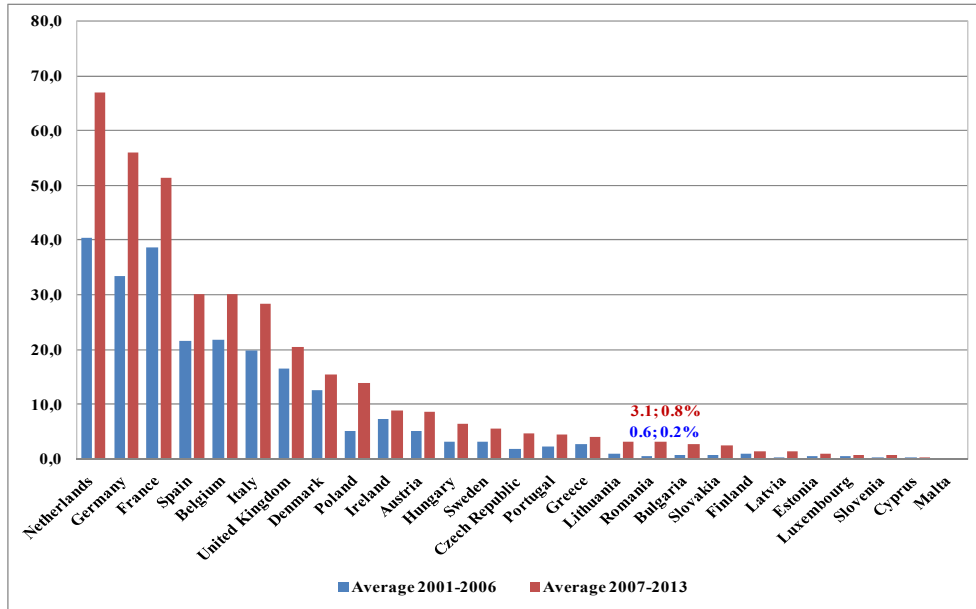
Note: Data in columns are sorted by largest to smallest values in the year 2013.

Source: M.A. Rusali, calculations based on Eurostat [aact\_eaa01].

Cumulatively, Romania's contribution to total agricultural output in EU-27, in the year 2013 was 3% in crop production and 1% in animal production respectively.

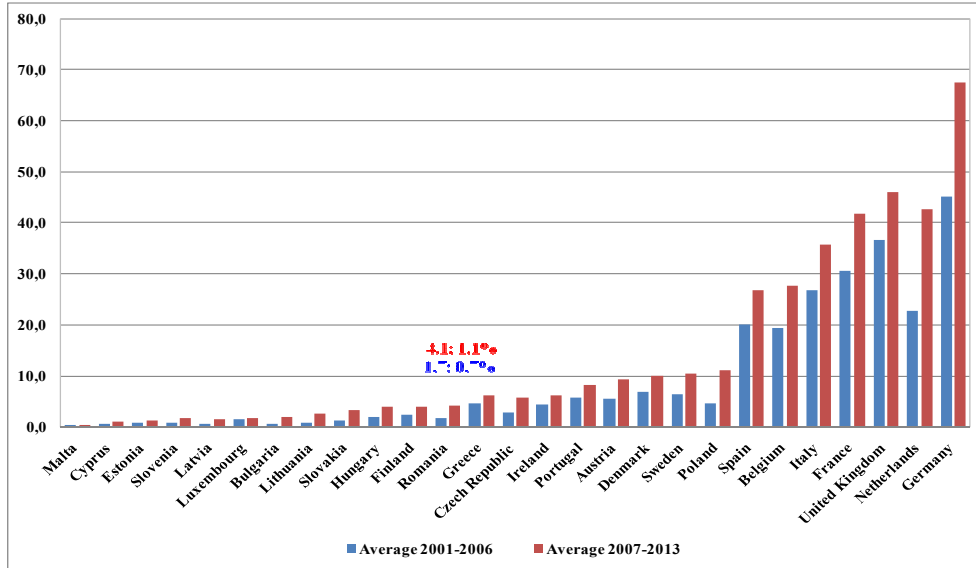
In the period 2001-2013, the trade flows had an increasing tendency, mainly in the case of export value. It is worth mentioning that in the post-accession period small contributions were noticed in total EU-27 as regards the share of exports (Figure 3), i.e. 0.8% and the share of agri-food imports, 1% (Figure 4).

In 2013, the market share of Romanian exports to the EU amounted to 1.2%, which was the highest value in the investigated period.



Source: Processing of Eurostat data.

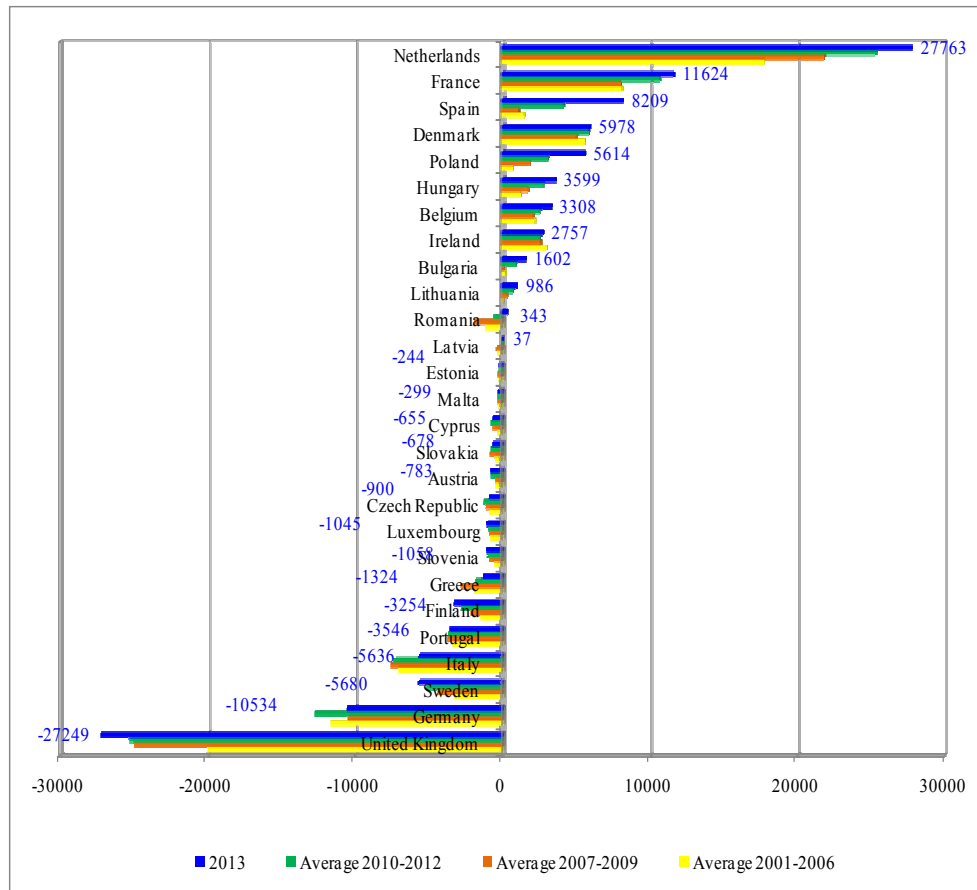
Figure 3. Agri-food exports in EU-27 (bil. EUR), comparing the averages of the periods 2001-2006 to 2007-2013.



Source: Processing of Eurostat data.

Figure 4. Agri-food imports in EU-27 (bil. EUR), comparing the averages of the periods 2001-2006 to 2007-2013.

At the same time, Romania's agri-food trade balance, having had significant deficits, of -1.1 billion EUR on the average in the period 2001-2006, and widened to -1.4 billion EUR in 2007-2013 (Figure 5), further evolved with a balancing tendency (Figure 6).



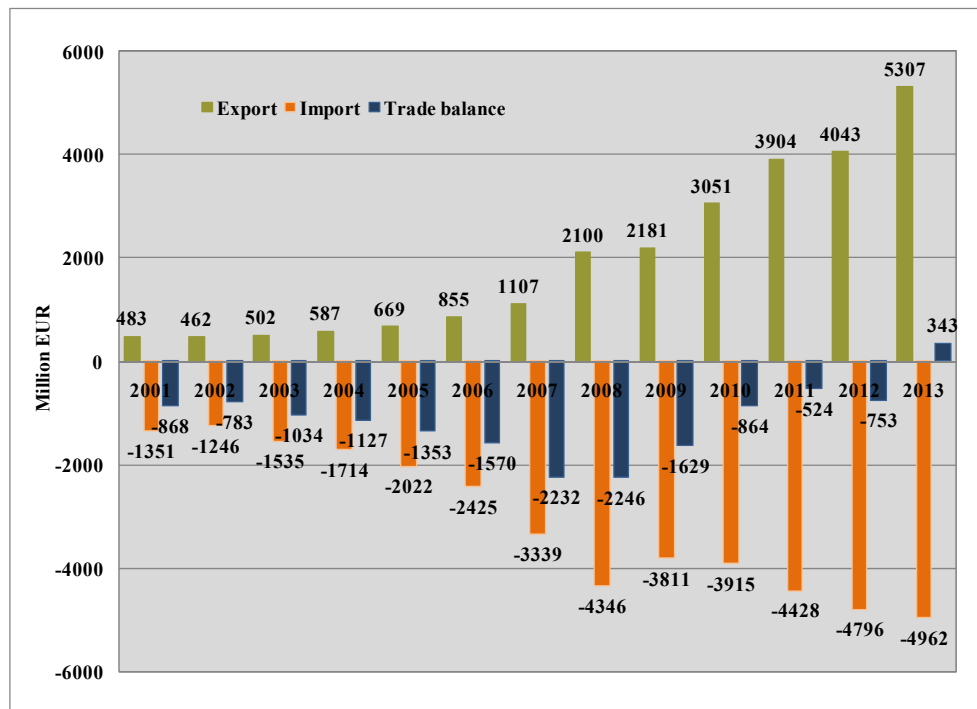
Source: Processing of Eurostat data.

Figure 5. Comparisons of the agri-food trade balance (million EUR) by EU-27 Member States, in the period 2001-2013.

In the period 2001-2013, Romania's total agri-food trade totaled 65 billion EUR, out of which 23% deficit, with exports increasing 11 times, while imports 4 times.

In 2013, the Romanian agri-food trade had a positive balance of 343 million EUR, a unique performance achieved in the last quarter century after the benchmark year 1989 when the agricultural sector supplied a net trade income of EUR 139 million.





Source: (NIS, 2014).

Figure 6. Evolution of Romania's agri-food exports, imports and trade balance in the period 2001-2013.

#### 4. CONCLUSIONS

The results indicate the need for greater focus on productivity and efficiency in the Romanian agriculture, so as to bridge up the gap between Romania and the other EU Member States and improve the external competitiveness on the medium and long term. For this purpose, it is necessary to diversify the economic activities in the rural areas by supporting local investment and job creation, as well as by the application of technical innovation and modernization of agriculture, so as to enhance the capacity of individual firms to absorb the financing opportunities provided by CAP and to become more market oriented.

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