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The role of small farms in Romania and their future in the face of challenges of the CAP post 2013

Rola małych gospodarstw rolnych w Rumunii i ich przyszłość wobec wyzwań WPR po roku 2013

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Abstract. Small-sized farms have a significant share in Romania's agriculture, as a result of the specificity of land restitution to former owners in the early 1990s. Although the total number of agricultural holdings in Romania was down by almost half a million in the last decade, from 4.48 million according to the 2002 census to 3.85 million according to the 2010 census, it remains one of the highest in the EU countries and reveals the social, subsistence character of a large part of agricultural holdings. As an average of the years 2007–2010, out of the 4 million holdings, only about one million were eligible for direct payments (those larger than one hectare). Out of these, more than 90% were holdings with less than 10 ha, owning about one-third of the areas for which direct payments were received. The paper attempts to evaluate the situation of small farm sector restructuring after applying Measure 141 referring to the support to semi-subsistence farms from NRDP 2007–2013 and the Life Annuity national scheme. At the same time, starting from the Commission's proposal for the post-2013 period on the support to small farms under the form of a lump sum payment ranging from 500 to 1000 EUR, a series of calculation variants are made in order to see whether this measure would be financially attractive for small-sized farms in Romania. The main conclusion of the study could be that the process of small farm consolidation and their integration into the market economy structures would be quite slow, due to the extremely large number of small farms and to their safety net role for the extremely poor rural population, whose survival depends on the operation of the small plots of land under their ownership.

Key words: small-sized farms, Romania, direct payments

Streszczenie. Drobne gospodarstwa rolne mają znaczący udział w rolnictwie Rumunii, co jest wynikiem zwrotu gruntów ich poprzednim właścicielom na początku lat 90. XX wieku. Mimo że w ostatnim dziesięcioleciu całkowita liczba gospodarstw w Rumunii zmniejszyła się o niemal pół miliona – z 4,48 mln według spisu powszechnego ludności z 2002 r. do

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3,85 mln według spisu z 2010 r. – to nadal należy do najwyższych w krajach Unii Europejskiej, co wskazuje na społeczny, samozaopatrzeniowy charakter znacznej części gospodarstw rolnych. W latach 2007–2010 spośród 4 mln gospodarstw średnio tylko 1 mln mógł ubiegać się o dopłaty bezpośrednie (te o powierzchni przekraczającej 1 ha). Spośród wymienionych, 90% stanowiły gospodarstwa o powierzchni poniżej 10 ha, posiadające ok. 1/3 terenów, którym przyznano dopłaty bezpośrednie. W artykule podjęto próbę oceny sytuacji sektora drobnych gospodarstw rolnych, przekształcanych po wdrożeniu Działania 141 odnoszącego się do wspierania gospodarstw niskotowarowych Programu Rozwoju Obszarów Wiejskich na lata 2007–2013 oraz krajowego Programu Rent i Emerytur. Jednocześnie wykonano serię obliczeń w różnych wariantach, począwszy od wniosku Komisji w sprawie wsparcia dla małych gospodarstw rolnych w formie zryczałtowanej dopłaty od 500 do 1000 EUR w okresie po 2013 r., tak aby ustalić, czy tego typu działania będą atrakcyjne finansowo dla małych gospodarstw rolnych w Rumunii. Głównym wnioskiem z badań jest to, że proces konsolidacji małych gospodarstw rolnych i ich włączania w struktury gospodarki rynkowej będzie przebiegać raczej powoli ze względu na bardzo dużą liczbę gospodarstw i ich rolę jako parasola ochronnego dla szczególnie ubogiej ludności wiejskiej, której przetrwanie zależy od eksploatacji małej działki w ramach prawa własności.

Słowa kluczowe: drobne gospodarstwa rolne, Rumunia, dopłaty bezpośrednie

Introduction

Small-sized farms have a significant share in Romania's agriculture, as a result of the specificity of land restitution to former owners in the early 1990s. The most important characteristic was the limitation of restored land area to 10 ha per family; this situation was corrected only in the years 2000 and 2005. The total area restored to the 3.8 million beneficiaries of Law 18/1991 (land restitution law) was 9.3 million ha. On the other hand, this law, by the modality it regulated the legal circulation of land, practically blocked the land transactions until 1997. In the year 1998, the agricultural land market was liberalised while maintaining certain conditions (for instance, an upper limit of 100 ha imposed to the land areas under ownership), and in 2005 this was fully liberalised for the Romanian citizens.

Although the total number of agricultural holdings in Romania was down by almost half a million in the last decade, from 4.48 million registered by the 2002 census to 3.85 million according to the 2010 census (Table 1), it remains one of the highest in the EU countries and reveals the social, subsistence character of a large part of agricultural holdings.

The 2010 Census reveals a picture of the Romanian agriculture under a too slow restructuring process. The average agricultural area of a holding was 3.4 ha, non-specific for a country with a significant size of agricultural land area. The result of the too slow transformations of the farming sector is highlighted by the fact that about one-third of the registered holdings in the European Union in 2010 are found in Romania. Of course, a significant part of these are merely subsistence holdings: about 75% of the registered holdings utilise an agricultural area smaller than 2 ha (however, the area of all these 2.8 million holdings represents 13% of the total utilised agricultural area at national level).

Table 1. Evolution of agricultural holdings in Romania in the last decade

Item	2002	2005	2007	2010
Number of holdings (thousand)	4 485	4 256	3 931	3 856
Utilised agricultural area (thousand ha)	13 931	13 907	13 753	13 298

Source: Romanian Agricultural Census 2002 and 2010, Farm Structure Survey 2005 and 2007, National Institute of Statistics, Bucharest

At present, Romania does not have a clear definition of 'small farm', but for the purpose of this analysis we can take into consideration the holdings under 5 ha and even those under 10 ha. The 3.5 million holdings under 5 ha accounted for 93% of the total number of holdings, and they operated almost 30% of the utilised agricultural area at national level. About 98% of holdings were under the 10 ha threshold, with about 39% of utilised area. The small holdings are obviously non-legal entities. In the year 2010, there were about 30 thousand legal entity holdings in Romania, with an average area of 190 ha each. By contrast, the 3.8 million non-legal entity holdings had an average area of 1.9 ha.

The role of small farms

If we leave aside the 3 million subsistence holdings of Romania, the interest in increasing small farm competitiveness presupposes to focus on the 866 thousand holdings with an economic size over 1 ESU (according to the data from 2007). The integration of these holdings into the market represented and continues to represent a challenge, as long as 64% of these mainly produced for self-consumption, and 35% mainly for direct sales.

The main function of small (subsistence and semi-subsistence) farms is to ensure a certain social protection for the rural people who worked on former cooperative farms and whose pensions are not sufficient for a decent living. However, these small holdings cannot lead to the increase in professional farmers' welfare, many of them being also dependent on the agricultural services performed by the owners of agricultural equipment.

Although marginalised by the national and European agricultural policies (Ghib and Ciolos-Villemin 2009), the small farms have a social buffer, which enabled Romania to go through the difficult period of the 1990s without social disturbances, when dis-industrialisation resulted in premature unemployment that found an attenuation in the subsistence farming practice. In addition, these farms contribute to Romania's food security, if we take into consideration the high share of self-consumption on the rural holdings. Another benefit, this time from the territorial point of view, is represented by the presence of these farms mainly in the hilly and mountain areas, being the main players of local economy in these areas. In the present conjuncture of the prolonged economic crisis, the economic behaviour of small farms can also be taken into consideration as those farms, although having a lower productivity, ensure a stable production, due to production diversification. Thus, while very large-sized farms from Romania are generally specialised in the production of small grains and oil crops, very small farms feature a strong diversification: they mainly cultivate maize (as a grain crop), used in people's food and also for feeding animals, and also a multitude of crops that are used as food for people, such as beans, potatoes, pumpkins, vegetables, fruit. At the same time, most small farms also raise animals: 1–2 dairy cows, poultry, several sheep or goats. Thus, in the countryside, people's food mainly comes from the production of small peasant household farms. These products are no longer marketed, but they are used as self-consumption. Thus, according to the Family Budget Survey of 2009, about 66% of the total food consumption expenses on rural households are represented by the value of self-consumption. Practically, on these households, only the foodstuffs that cannot be produced by a given household, i.e. sugar, oil, certain alcoholic and non-alcoholic beverages, are bought. That is why it is considered that small farms have an important social role in Romania, although they represent a constraint to the development of high productivity agriculture; however, they represent an important factor in ensuring food security for the population, mainly in rural areas where about 45% of the country's population live (Alexandri 2002).

Support to small farms

Although throughout the European Union (EU) the 2007 Farm Structure Survey revealed that there were 13.7 million holdings, the CAP direct payments (2009 data) were received by only 7.8 million beneficiaries. The difference is made by subsistence farms, which generally are of no real interest to the Common Agricultural Policy. A more rigorous delimitation of subsistence farms, made by Eurostat using the economic size of holdings, considers that the subsistence farms are those with an economic size less than 1 ESU. However, in the EU as a whole these farms (about 6.3 million) account for 47% of the agricultural holdings, 23% of the labour force employed in agriculture, and 7% of the agricultural area. In Romania, the respective shares of the subsistence farms are much higher: 78% of the total holdings, 57% of the labour force, and 31% of the agricultural area.

Pillar I (SAPS)

For providing the direct payments to farmers, Romania opted for the simplified Single Area Payment Scheme (SAPS), with the lower limit of holding of 1 ha, and the lower limit of parcels on a holding of 0.3 ha. Thus, the total number of direct payments beneficiaries exceeded 1 million in each year of the period 2007–2010, but more than 80% of beneficiaries were farmers with less than 5 ha (Table 2), who owned about 20% of the agricultural area eligible for direct payments.

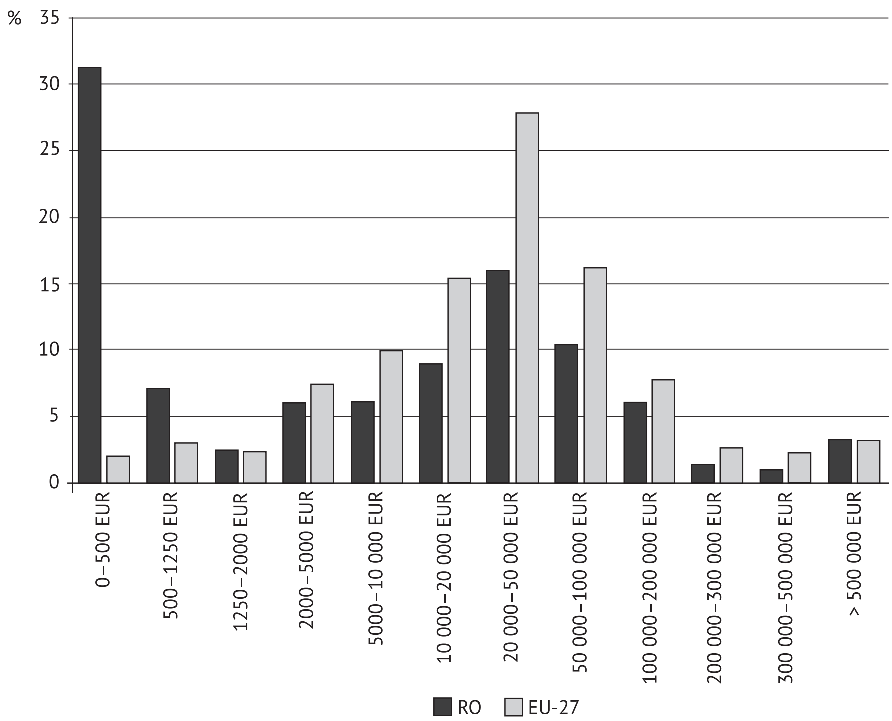
An analysis of the beneficiaries and corresponding eligible areas for area payments (from EU funds), starting from the detailed data of 2009 payments per Member State, reveals the extremely peculiar situation of Romania from the perspective of beneficiaries' distribution, where a huge number of farmers (almost 1 million) received less than 500 EUR direct payments from EU funds.

Table 2. Number of small farmers – beneficiaries of direct payments (SAPS), per payment application year

Item	2007	2008	2009	2010
Number of farmers with 1–5 ha	1 000 096	915 897	857 101	879 380
Number of farmers with 5–10 ha	162 039	141 603	134 442	137 316
Total number of farmers benefiting from SAPS scheme	1 236 844	1 130 964	1 057 947	1 092 672

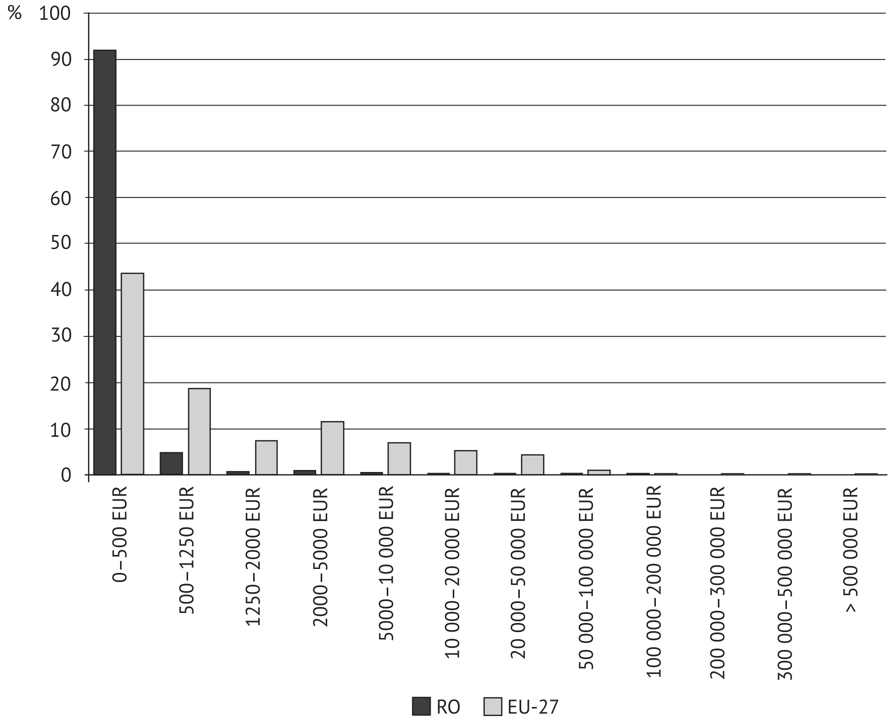
Source: Agency of Payments and Intervention in Agriculture (APIA)

From Figures 1 and 2 one can notice the differences in the distribution of direct payments and of beneficiaries between Romania and the EU-27 average. In the former, more than 90% of beneficiaries, who get payments under 500 EUR, receive about one-third of the total value of payments. In absolute figures, the number of the Romanian beneficiaries of direct payments who receive less than 500 EUR is 993 thousand, this being the most numerous category, followed at a great distance by the beneficiaries of payments ranging from 500 to 1250 EUR, totalling 53 thousand farmers.



Source: EC, Indicative figures on the distribution of aid (financial year 2009)

Fig. 1. Distribution of the total value of direct payments in Romania and EU-27 (%) by category of payments



Source: EC, Indicative figures on the distribution of aid (financial year 2009)

Fig. 2. Distribution of the number of direct payments beneficiaries in Romania and E-27 (%) by category of payments

Pillar II

Among the measures under Axis 1 of the National Rural Development Programme for the period 2007–2013, two transitory measures are found, introduced in the special rural development regulation for the New Member States who joined the European Union in 2004 and 2007. These are the measures 141 "Support for semi-subsistence farms" and 142 "Setting-up of producer groups", meant to speed up the integration of lower--sized farms into the market, resulting from the restructuring of agricultural sectors in the former socialist countries. By Measure 141, support is provided to semi-subsistence farms to get restructured individually, on the basis of a development plan that presupposes a better integration into the market, while 142 provides support for a collective activity of integration through the common marketing of products. The two evolution paths can remain separate, but they can also be combined: theoretically, it is desired that the beneficiaries of support for the semi-subsistence farms are members of a producer group, and thus their opportunities for a stable presence on the market increase.

Measure 141 provides support to the agricultural holdings whose production mainly goes to self-consumption, which also sell part of their production, in order to have their production restructured in the sense of a higher integration into the market. The eligibility conditions for Measure 141 are linked to the beneficiary's status (natural person up to 62 years old, who must become a certified natural person until signing up the funding decision) and to the holding characteristics: a holding registered in the Agricultural Registry, with an economic size ranging from 2 to 8 ESU, which sells part of the obtained agricultural products. This adds to submitting a business plan of a 5-year period (period for which the support is received). A 20% increase in the marketed production after the first 3 years, and an increase by 3 ESU in the economic farm size, eventually as a result of certain investments, must result from the business plan.

A relevant issue for the difficulty in the identification of a viable formula of Measure 141 implementation, which should have positive effects in the long run, is represented by the obligation of beneficiaries' registration as certified natural persons. It is clear that this registration offers a possibility of proving with invoices the increase in marketed production, but the commercial behaviour imposed on these (minority) farms is in contradiction with the prevailing current practices of a non-formalised economy, and the 1500 EUR/year support might not compensate for the difficulties that the certified natural persons might face when selling their production.

However, Measure 141 is a measure that is in great demand: the number of its beneficiaries increased from about 16 thousand in late 2010 to about 46 thousand in June 2012 (Table 3). Out of the beneficiaries in 2010, 76% were holdings under 5 ha, 15% holdings with 5–10 ha, and 9% holdings over 10 ha, which indicates that small farmers are interested in their integration into the market.

Table 3. Cumulative situation of projects submitted for support through the transitory measures (June 2012)

Measure code	Number of submitted projects	Number of selected projects	Number of contracted projects	Value of contracts (million EUR)	Effected payments (million EUR)
141	64 722	48 512	46 070	345.5	97.2
142	40	40	34	5.0	0.7

Source: Management Authority NRDP

The Life Annuity scheme

The Agricultural Life Annuity is a national scheme, funded from the state budget, which was introduced in the year 2005 for the agricultural land concentration purpose, as it is explicitly stated in the law, having in view Romania's agriculture modernisation by the establishment of efficient holdings. Actually, the natural persons aged over 62 years who owned agricultural land areas up to 10 hectares (land areas that were not the object of sale/purchase transactions after 1990), could receive until the end of their lives a sum of money guaranteed by the state, if they sold or leased out the land under their ownership. In the case of sale, the amount received annually was the equivalent of 100 EUR for each hectare, and in the case of land lease, 50 EUR. When the respective person entered this scheme (and became a renter), he/she could have under ownership only 0.5 ha agricultural land, in other words, he/she quitted the agricultural activity.

The amounts due to these agricultural renters were paid from the state budget through a national office organised within the State Domain Agency, which had offices in each county; these offices were also in charge of keeping records of renters and checking up the files. The first files for receiving life annuity were submitted in late 2005, and by the end of 2009, when the receipt of files was stopped, the number of beneficiaries had reached about 90 thousand persons. As a scheme introduced in the pre-accession period, the Life Annuity scheme benefitted from the possibility of continuation for a period of three years from Romania's accession to the EU, without the obligation to get it in line with the EU legislation on state aid. After the three years, the scheme was stopped, which meant that no new files for new agricultural renters were received, but the payments for the already registered persons at that moment continued to be received, and they will be received until the current beneficiaries' death.

The Life Annuity scheme, by the land area that was ceded by its beneficiaries, totalling 82 436 ha sold land and 247 184 ha leased out land, contributed to the adjustment of farm structure (a decrease in the number of holdings from 1 to 10 hectares in size), as well as to updating the cadastre and formalising the land lease, by concluding contracts and their registration. Thus, the Life Annuity scheme proved to be a simple and robust measure, adapted to the Romanian agriculture situation. Taking into consideration the fact that the scheme still targets over 500 thousand beneficiaries of direct payments, owners of about 2 million ha (see Table 4), its continuation – under the form of a mechanism funded according to the state aid legislation – can contribute to farm structure adjustment, while also having a social role.

Table 4. Land area owned by individual farmers and their number, by age category (year 2010)

Item	< 30 years	30–40 years	40–50 years	50–60 years	60–70 years	> 70 years
Number of farmers (thousand persons)	10.2	74.4	141.3	231.8	292.6	351.4
Agricultural area (thousand ha)	92.9	524	909.7	1154.6	1175.4	1134.1

Source: APIA

The future of small farms in the post-2013 period

Among the issues focused on by the European Commission's Communication of 2010 on the Common Agricultural Policy towards 2020 (EC 2010), the small farm issue can also be found, for which a simple scheme was proposed, specific only to small farmers, which should replace the current system of direct payments to these farms in order to improve their competitiveness and increase their contribution to maintaining the vitality of rural areas, while reducing bureaucracy. The proposal was welcome at European level by the representatives of different organisations, from farmers' associations to think-tanks and national governments. The Ministry of Agriculture and Rural Development from Romania expressed more than once (also in Romania's Position on the Future Common Agricultural Policy after 2013) its support for introducing a support scheme dedicated to small-sized farms.

European Commission's proposal on the support to small farms in the next financial programming period 2014–2020

We shall next present some results concerning the effects of the application of this proposal (Giurca et al. 2011), contained in a study elaborated within the European Institute of Romania.

As we have mentioned, the Commission's proposal on the small farm scheme envisages the replacement of the payments per hectare by an annual lump sum per farm, and the simplification of conditionalities with regard to the respect of good agricultural practices for receiving direct payments in the future CAP. The farmers willing to participate in this scheme should submit their applications by 15 October 2014. The main provisions of the small farm proposal refer to the sum to be paid, namely:

- the sum should not exceed 15% of the average value of payments per farm at national level,

or

- the sum should correspond to the direct payment per hectare multiplied by the number of hectares, which can be maximum 3 ha.

Also, the sum to be paid cannot be under 500 EUR per farm and cannot exceed 1000 EUR per farm.

The amount for small farms will be deducted from the total ceiling allocated for direct payments to each Member State. The total amount that can be spent on the small farms scheme should not exceed 10% of the national ceiling for direct payments, but certain information exists that this percentage could be increased in the case of countries with a significant number of small farms, like Romania.

What would be Romania's options in the case of this scheme?

If we have in view the first criterion of appurtenance to the scheme (15% of the average value per farm at national level), we can notice that in Romania in the year 2017 the average payments per farm, at national level, would be those from Table 5 below. The data on the farm structure have been extracted from the Agency of Payments and Intervention in Agriculture (APIA) database for 2010.

The very different level of payments per hectare across countries in the present period gets higher if we investigate the payments received at farm level, mainly in the case of countries with fragmented agrarian structures.

Table 5. Estimated payments per hectare and per farm in Romania in the year 2017

Item	UM	Status quo (current legislation)	COM proposals, 2017 (Annex II)
Eligible area (2010)	hectares	9 611 790	9 611 790
Number of farms (2010)		1 115 756	1 115 756
National ceiling	thousand EUR	1 780 410.0	1 939 357
EUR/ha		185.2	201.8
EUR/farm		1595.7	1739.2
15% of payment per farm		239.4	260.7

Source: Based on the Proposal for a Regulation of the European Parliament and Council for establishing rules for direct payments to farmers through support schemes under the Common Agricultural Policy, Annex II, National ceilings mentioned under Article 6 and Regulation 73/2009

In the year 2009, according to the Commission's data, the average payment per farm in Romania was at the lowest level among the EU-27 countries. In the year 2009, the maximum level of payment per farm was 20 950 EUR in Spain, and the minimum level was 493 EUR, in Romania.

The payment per farm in the year 2017, if the payment ceiling for Romania were 1 939 357.0 thousand EUR, would be about 1739 EUR/farm, and 15% of this amount is about 260.7 EUR/farm, hence less than 500 EUR/farm, which is the minimum amount provided for in the scheme.

However, according to the Commission's proposal, the minimum level of a single farm payment should not be lower than 500 EUR/farm. And again we have the problem of the category of farms that could join this scheme. Rationally we think that the farms that would accept the scheme would be those that following the option for a payment of 500 EUR/farm would get more money than in the case of receiving the direct payments per hectare.

As a result, we consider that the second criterion, namely, granting an amount of minimum 500 EUR/farm to the farms with 1–3 hectares, would be more favourable for our country. According to the APIA data for 2010, about 650 thousand farms would fall into this category, and the area operated by these would total 1198 thousand ha.

Several variants of payments to small farms are presented below:

- Variant 1 (reference variant, V1): the scheme for small payments is not applied and the small farms receive payments per hectare according to the national ceiling for the year 2017;
- Variant 2 (V2): all farms from the segment 1–3 ha adopt the payment per farm of 500 EUR;
- Variant 3 (V3): 75% of farms receive 500 EUR per farm and 25% receive payments per hectare corresponding to the year 2017;

– Variant 4 (V4): farms from the segment 1–2.5 ha receive the payment per farm of 500 EUR and those from the segment 2.5–3 ha opt for the payment per hectare.

Variants **V1** and **V2** are presented in Table 6. The estimations are based on the following assumptions: under Variant 1, small farms of 1 to 3 ha do not participate in the scheme and they receive the payment per hectare, and under Variant 2, all the small farms participate in the scheme (100%) and receive 500 EUR per farm.

The total amount of direct payments per hectare to the farms of 1–3 ha accounts for 12.4% of the national ceiling for direct payments if the farms do not participate in the scheme (V1), and for 16.7% of the national ceiling if the participation rate is 100% and the payment is 500 EUR/farm (V2).

Hence, we can mention that even in the situation when only direct payments per hectare are received and no payments per farm are granted, the percentage of the payments to small farms exceeds 10%, which is the limit proposed by the Commission.

Overall, by participating in this scheme, small farms would gain extra 83 million EUR, at a participation rate of 100%, which is an extreme variant. It is most probable, however, that many of these farms will not participate, namely, the farms from the category 2.5–3 ha, which would lose about 50 EUR/farm by participating in the scheme, as seen from Table 6, and also the farms with young farmers who want to extend their business. The total amount lost by the farms from the category 2.5–3 ha would be about 5.6 million EUR in the case they participate in the scheme.

Variant **V3** starts from the hypothesis that only a part of farms will participate in the scheme (75%), while the remaining 25% will normally receive the payments per hectare corresponding to the year 2017, namely 201.8 EUR/ha. Details regarding the financial allocation corresponding to this variant are presented in Table 7.

Under Variant V3, the total amount allocated to small farms increases, compared to the situation from Variant V1 (only payments per hectare) by about 62 million EUR, and the farmers from the size category 2.5–3 ha continue to lose, compared to the variant of applying direct payments per hectare. The share of the scheme application to small farms in the national ceiling is 12.5%.

Variant **V4**, provides that the farms from the categories 1–1.5 ha, 1.5–2 ha and 2–2.5 ha adopt the payment per farm (500 EUR), and the farms from the category 2.5–3 ha adopt the payment per hectare (201.8 EUR/ha). Details on this variant are presented in Table 8.

Under this variant, we can see that the farms from the category 2.5–3 ha do not lose money any longer, compared to the reference variant V1. In this variant, the share of the small farms scheme (farms that receive 500 EUR/farm) in the budgetary ceiling is 13.8%.

Table 9 and Figure 3 are a synthesis of the results from four investigated variants.

We can notice that small farms would get the largest amount of money in the situation when the segment 1–2.5 ha opts for the single farm payment (500 EUR), and the farms from the class 2.5–3 ha, for the payment per hectare. It is obvious that these simulations are only tentative as in the case of small farms there will also be other factors contributing to the decision to participate in the single farm payment scheme, with farmer's age being the most important factor.

Table 6. Comparison between the financial allocations necessary in two extreme cases: V1 – the scheme is not applied (participation rate 0%), and V2 – the scheme is applied and the participation rate is 100%

Size category	Number of farms	Hectares	Ha/farm	CAP reform – without small farms scheme (201.8 EUR/ha) V1		Scheme application (500 EUR/farm) V2	Difference V2 – V1 (thou. EUR)
				Total (thou. EUR)	EUR/farm	Total (thou. EUR)	
	(1)	**(2)**	**(3) = (2):(1)**	**(4) = (2) · 201.8 EUR**	**(5) = (4):(1)**	**(6) = (1) · 500 EUR**	**(7) = (6) – (4)**
1–1.5 ha	210 979	254 605.9	1.21	51 375.5	243.5	105 489.5	54 118.0
1.5–2 ha	175 015	301 037.2	1.72	60 739.8	347.1	87 507.5	26 767.7
2–2.5 ha	150 007	332 150.1	2.21	67 017.4	446.8	75 003.5	7 986.1
2.5–3 ha	114 020	310 271.5	2.72	62 603.0	549.1	57 010.0	–5 593.0
Total	650 021	119 8065	1.84	241 731.8	371.9	325 010.5	83 278.7

Source: Authors' evaluations based on APIA data, 2009

Table 7. Financial allocation when 75% of farms receive 500 EUR per farm and 25% receive payments per hectare corresponding to the year 2017 (Variant V3)

Size category	Number of farms	Hectares	Ha/farm	Application of 500 EUR/farm payment for 75% of farms (thou. EUR)	Application of direct payments per hectare (201.8 EUR/ha) for 25% of farms (thou. EUR)	Total V3 (thou. EUR)	Difference compared to V1 (thou. EUR)
	(1)	(2)	3 = (2):(1)	(4) = (1) · 0.75 · 500 EUR	(5) = (1) · 0.25 · (3) · 201.8 EUR	6 = (4) + (5)	
1–1.5 ha	210 979	254 605.9	1.21	79 117.1	12 842.8	91 960.0	40 588.5
1.5–2 ha	175 015	301 037.2	1.72	65 630.6	15 184.9	80 815.6	20 075.8
2–2.5 ha	150 007	332 150.1	2.21	56 252.6	16 754.4	73 007.0	5 989.5
2.5–3 ha	114 020	310 271.5	2.72	42 757.5	15 650.7	58 408.3	–4 194.8
Total	650 021	1 198 065	1.84	243 757.9	60 432.9	304 190.8	62 459.0

Source: Authors' evaluations based on APIA data, 2009

Table 8. Financial allocation when the farms of 1–2.5 ha opt for the single farm payment and those from the category 2.5–3 ha opt for the direct payment per hectare (Variant V4)

Size category	Number of farms	Hectares	Ha/farm	Payment per farm (EUR/farm)	Total amount received (thou. EUR)	Difference compared to V1 (thou. EUR)
	(1)	(2)	3 = (2):(1)	(4)	(5) = (4) · (1)	
1–1.5 ha	210 979	254 605.9	1.21	500	105 489.5	54 118.0
1.5–2 ha	175 015	301 037.2	1.72	500	87 507.5	26 767.7
2–2.5 ha	150 007	332 150.1	2.21	500	75 003.5	7 986.1
2.5–3 ha	114 020	310 271.5	2.72	549 (= 2.72 ha · · 201.8 EUR/ha)	62 603.0	0
Total	650 021	1 198 065	1.84		330 603.5	88 871.8

Source: Authors' evaluations based on APIA data, 2009

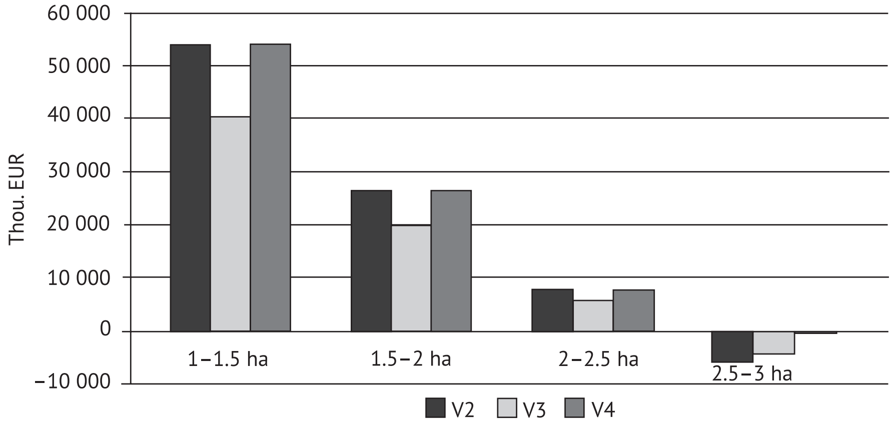
Table 9. Funds received by small farms under four investigated variants (thousand EUR)

Size category	V1 (reference)	V2	V3	V4
1–1.5 ha	51 371.5	105 489.5	91 960.0	105 489.5
1.5–2 ha	60 739.8	87 507.5	80 815.6	87 507.5
2–2.5 ha	67 017.4	75 003.5	73 007.0	75 003.5
2.5–3 ha	62 603.0	57 010.0	58 408.3	62 603.0
Total	241 731.8	325 010.5	304 190.8	330 603.5
% of national ceiling allocated to the payment of 500 EUR/small farm	12.5	16.8	12.6	13.8

Source: Authors' evaluations based on APIA data, 2009

Under Variant V4, the segment of farms 1–3 ha receive an extra amount of about 89 million EUR compared to Variant V1, and the farms from the category 2.5–3 ha do no longer lose money compared to Variant V1. We can also notice how profitable the participation in the small farms scheme (500 EUR/farm) is to small farms, particularly those from the classes 1–1.5 ha and 1.5–2 ha.

We consider that in the countries where the segment of small farms is significant, the percentage stipulated in the Commission's legislative proposal should be extended to 15%, as farms from larger size categories (4 or 5 ha) may also adopt this simplified formula, mainly in the situation of elderly farmers who cannot farm their land properly any longer. Romania should militate to obtain this and find allies among the Member States with similar structural problems.



Source: Authors' evaluations based on APIA data, 2009

Fig. 3. Variants V2, V3 and V4 compared to Variant V1 (reference) – thou. EUR

Getting out of the agricultural business, complementary measure to the small farmer scheme

In the period between the Commission's Communication and launching the Commission's Legislative Proposals referring to the CAP reform, the debates on this issue in Romania were animated by two reports (policy briefs) prepared by the Romanian Centre for European Policies. The first report took into consideration the opportunity of introducing a special support scheme for small farms, while the second report argued for the need to resume the Life Annuity scheme. Both documents insisted on defining certain coherent policies for getting out of the farming business, which should lead to the adjustment of Romania's agricultural structures, as far as possible with the help of the EU funds for agriculture and rural development.

In the report on small farms (Luca 2011), the essence of the proposal was represented by fully decoupling the direct payments received by the small farms from the area under ownership, in the sense in which the subsidies, once established at a reasonable level (1250 EUR per farm was the amount brought into discussion) through the farm registration in the simplified scheme, could be received by a respective farm until the end of the financing period (multi-annual financial framework, i.e. 2014–2020), no matter whether it continued the farming activity or decided to quit the farming sector. In the variant proposed by CRPE (Romanian Centre for Agricultural Policy), the farmers would get registered for receiving the subsidy only once, at the beginning of the European financial programming. The subsidy would be linked to the operated area (in most cases it is the area under ownership) only at the beginning, when the application is made. Thus, a farmer can sell the land and continue to receive the subsidy for seven years. In this way, the tendency to maintain the land under ownership, unfarmed, in order to receive the subsidy through yearly application, will no longer exist. It seems a minor change, yet it can induce a significant effect upon the agricultural land ownership structure in Romania and in other EU Member States with a fragmented agricultural structure. The effects upon the administrative costs should be quite spectacular in Romania, as long as the yearly submission of payment applications will be made only by the large-sized farms, and many of these are already using the on-line submission application (in the year 2010, 237 thousand applications have already been submitted on-line, covering 5.2 million hectares). Having in view the farm structure in Romania, it was expected that the proposal would get support both from the part of authorities and from the producers' representatives. However, the reactions were quite reserved: although it was considered interesting in principle, its operationalisation was regarded with scepticism.

The second report (Ghib and Luca 2011) reviews the main characteristics of the Life Annuity national scheme and compares it with similar measures applied in France, emphasising the complementarity between the Early Retirement measure – specific to the EU legislation – and the Life Annuity national scheme, proposing to resume it, possibly in a modified form, so that it can be funded from the EU rural development funds. The main argument was the size of the land areas under ownership of the target group of this measure (farmers over 65 years old): about 2 million ha are envisaged, owned by over 500 thousand potential beneficiaries.

Support to market integration, to be continued after 2014

In the Commission's Legislative Proposal, the only farm exit measure – included in the Rural Development Regulation (EC 2011b) – focuses on small farms, which are given the possibility to benefit from compensation if they give up farming the land in the period 2014–2020. This type of support – comparable in size with that received by small farmers through the specific scheme proposed in the Regulation for direct payments (EC 2011a) – can benefit any owner of a farm included in the small farm scheme, starting with the second year of the period until its end. The measure proposed by the Commission supports the concerns of Romania (and not only) for the adjustment of agricultural structures. It is expected that the effect of this farm exit measure should result in the diminution of the subsistence agriculture sector in Romania, mainly through the decrease in the number of subsistence farms receiving direct payments.

The European Commission's legislative proposal on the Rural Development Regulation for the period 2014–2020, through the proposed measures, provides certain opportunities for the continuation of the small farmers' market integration actions, under two of the six EU rural development priorities (these priorities replace the current axes). The measures are thus extended to all the Member States.

Thus, Measure 141 (semi-subsistence farms) is continued by the support for setting up enterprises for the development of small farms, under the Measure "Development of farms and enterprises", being one of the actions addressing the priority "Enhancing the competitiveness of all types of agriculture". For the operalisation of the small farm measure, it is important to define a small farm (by a minimum and maximum threshold), without overlapping in size with the farm where a small farmer sets up (this being larger in size), but both enterprises should be in the category micro-enterprise or small enterprise.

Another measure named "Setting up producers' groups", like the current Measure 142 (Producers' groups), will go into effect in 2014, responding to the priority "Promoting food chains organisation". The support to producers' groups will be received only by those groups that correspond to the definition of SMEs (small and medium enterprises). In other words, smaller groups get the support, yet without making compromises with regard to viability (a business plan is to be presented).

Conclusions

1. As a result of the agricultural land restitution process that began in the year 1991, Romania probably has the most fragmented agrarian structure in Europe, with Romanian farms representing about 30% of the total number of EU farms.
2. The farm consolidation process is extremely slow, with the average farm size increasing almost insignificantly in the last eight years, from 3.1 ha in 2002 to 3.4 ha in 2010.
3. The main support instrument for the restructuring of small-sized farms into commercial farms was Measure 141 from NRDP 2007–2013, supporting semi-subsistence farms (defined as having an economic size from 2 to 8 ESU), benefiting about 46 thousand farms, i.e. two-thirds of the proposed target, by June 2012.
4. The application of the Life Annuity national scheme (2005–2009) devoted to the elderly farmers who want to exit the farming activity was mildly successful. The land area released by the beneficiaries of the scheme totalled 82.4 thousand ha sold land and 247.2 thousand ha leased out land. It is considered that the continuation of this scheme in the post-2013 period would prove to be beneficial.
5. The Commission Proposal for the post-2013 period on the support to small farms under the form of a lump sum payment ranging from 500 to 1000 EUR seems to be beneficial for Romania. The segment for which this measure may become very attractive is the segment of farms with 1–3 hectares, consisting of about 650 thousand farms (58% of the farms eligible for direct payments) operating 1.2 million ha (12% of the eligible area). As shown by a recent Romanian study, if this scheme was applied, small farms would receive more money, and the administrative costs generated by the check-up and control procedures of the Payments Agency would be consistently lower. The problem that appears in Romania refers to the fact that if all the farms under 3 ha applied for this scheme, the payments allocated to them would reach 14–16% of the national ceiling for direct payments, which exceeds the 10% threshold proposed by the European Commission for small farms. There is a proposal to raise the 10% threshold proposed by the Commission for the payments allocated to small farms to 15% of the national ceiling for direct payments.
6. Introducing the scheme for small farms is particularly important for Romania as it represents a precondition for the application of the farm exit measure (included in the regulation proposal for rural development, Pillar II) by which the farms included in the scheme have the possibility to receive a compensation if they give up land operation in the period 2014–2020. The effect of this farm exit measure would be a decrease in the number of semi-subsistence farms that receive direct payments.

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