

IMPACT OF INVESTMENTS OVER THE ROMANIAN AGRICULTURAL SECTOR

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Abstract

The paper represents an analysis of the evolution of the investments from the agricultural sector in the period 2006 – 2008, a period that represented the end of the SAPARD in Romania and begging of NRDP, when important amounts of European funds have been accessed by this sector. The investments represent an important indicator to present the effort made by the agricultural exploitation and in order to measure the impact of these investments it has been chosen the turnover as effect indicator. From the analysis, it is shown that only some regions have recorded increases of the turnover in comparison with the investments made because it started the financial crisis and the agricultural sector has been affected like all the other sectors of the economy.

Key words

investment, turnover, agriculture, rural development

Introduction

The importance of agriculture for the Romanian economy is given by high agricultural potential which has represented by the agricultural area of Romania, totaling 14.8 mil. Ha, representing 8.2% of total EU (6th place after France, Spain, Germany, United Britain and Poland) and large rural population (44% of the population lives in rural areas). Also, Romania's arable land is 0.41 ha / capita compared to the EU average of 0.21 ha / capita. Although it has a high agricultural potential, however Romania's performance in this sector are well below the EU average, due to: low productivity; excessive land fragmentation; the poor state of rural infrastructure; aging; high tax evasion; large areas of land uncultivated; absorption of European funds etc. The agricultural sector accounts for a significant share in the GDP and GVA in the Romanian economy, however the use of agricultural production in the industry is quite low. In order to increase the competitiveness of Romanian agro-food sector, funds should be allocated and created a series of financial instruments enabling investment in processing and marketing activities of agricultural products.

Over time, both the Romanian government and the European Union stimulated the agricultural production by a series of financial instruments such as: the single area payment scheme, the complementary national direct payments for crops and livestock, reducing of taxis, animal welfare subsidy, subsidizing insurance premiums, interest on loans etc. A very important element in stimulating investment in the agro-food industry is subsidizing interest on loans because they underlie accessing European funds for rural development by providing co-financing part. The sector also faces problems caused by climatic factor addicts, so creating instruments to cover these risks is very important, more so as the share of loans to the agricultural sector is only 4% of total loans as due to the high risk associated with such activities.

Compared with other sectors, the investments in agriculture have a number of particularities, such as (Blidaru, 1999):

- The labour force involved in the investment projects involves more persons than projects in industry, while investments in fixed capital have a lower weight.
- Diversity interdependence between production activities and sub-branches gives a complex character for the calculation of investment and efficiency calculations.
- The wide variety of investments makes necessary the use of specific indicators of investment efficiency calculation and analysis of agriculture as a consequence of very diversified which are obtained, such as:
 - Increasing the productive quality of soil by eliminating potential causes that generates the reducing them;
 - Improving the climatic characteristics of productive agricultural perimeters on which some natural factors harmful acts;
 - Increased agricultural production and farm income thereby.

1. Economic performance from the Romanian agricultural sector

The economic performance of enterprises in the agro-food sector was estimated through an indicator of economic and financial results or turnover. This is one of the most important indicators of economic viability is assessed by the volume of business activity.

Table no.1 Number of enterprises from the Romanian agricultural sector

Regions	2006	2007	2008	Differences	
	Number	Number	Number	Absolute	Relative
TOTAL	12911	13714	13941	1030	107.98
NORTH-WEST	1638	1809	1824	186	111.36
CENTER	1726	1803	1803	77	104.46
NORTH-EAST	1650	1788	1903	253	115.33
SOUTH-EST	2100	2259	2298	198	109.43
SOUTH-MUNTENIA	2252	2340	2386	134	105.95
BUCHAREST - ILFOV	750	828	839	89	111.87
SOUTH-WEST	1066	1064	1055	-11	98.97
WEST	1729	1823	1833	104	106.02

Source: author`s calculation, TEMPO ONLINE, National Institute of Statistics

The analysis of table 1 shows that most businesses from the Romanian agricultural sector (47% of the total) are concentrated in developing regions with the greatest agricultural potential, namely South-Muntenia, South-East and North-East. These regions have the highest agricultural land. North East has a predominantly agrarian character and known and the largest increase in the number of enterprises in this sector in the period 2006 - 2008 (+ 15.33%).

Table no. 2 The turnover from the Romanian agricultural sector

Regions	2006	2007	2008	Differences	
	Mil. RON			Absolute	Relative
TOTAL	7912	9070	12462	4550	157.51
NORTH-WEST	618	848	1063	445	172.01
CENTER	608	752	1002	394	164.80

Regions	2006	2007	2008	Differences	
	Mil. RON			Absolute	Relative
NORTH-EAST	705	888	1547	842	219.43
SOUTH-EST	1570	1790	2412	842	153.63
SOUTH-MUNTENIA	1614	2165	3116	1502	193.06
BUCHAREST - ILFOV	1353	893	999	-354	73.84
SOUTH-WEST	355	478	818	463	230.42
WEST	1089	1256	1505	416	138.20

Source: author`s calculation, TEMPO ONLINE, National Institute of Statistics

The turnover represents one of the most important indicators of economic and financial results that measure the volume of business activity. In the Romanian agricultural sector, turnover has risen significantly (+ 57%) in the period 2006 - 2008. Analysing it`s evolution by regions, it appears that South region has the highest turnover, accounting for 25% of the country, being the region with the greatest agricultural potential in terms of arable land. Although Southwest region recorded the lowest values of turnover in each of the three years, it has the highest increase (+ 130%) of the analyzed indicator, followed by the Northeast (+ 119%). The lower turnover is generated by the low number of businesses in these regions, the predominant agriculture subsistence and semi-subsistence. The only region that recorded a decrease in turnover in the agricultural sector is the Bucharest-Ilfov region because businesses have turned to other sectors.

Table no. 3 Evolution of the turnover from the Romanian agricultural enterprises

	2006	2007	2008	Diferences	
	Mil. RON/enterprise			Absolute	Relative
TOTAL	0.61	0.66	0.89	0.28	145.87
NORTH-WEST	0.38	0.47	0.58	0.21	154.47
CENTER	0.35	0.42	0.56	0.20	157.76
NORTH-EAST	0.43	0.50	0.81	0.39	190.26
SOUTH-EST	0.75	0.79	1.05	0.30	140.39
SOUTH-MUNTENIA	0.72	0.93	1.31	0.59	182.22
BUCHAREST - ILFOV	1.80	1.08	1.19	-0.61	66.00
SOUTH-WEST	0.33	0.45	0.78	0.44	232.83
WEST	0.63	0.69	0.82	0.19	130.36

Source: author`s calculation, TEMPO ONLINE, National Institute of Statistics

2. The gross investments in the Romanian agricultural sector during 2006-2008

As defined by the National Institute of Statistics, gross investment in tangible goods represent value of investments made during the reference period in all tangible goods, meaning those bought from third parties or produced on own account (production of tangible assets) and whose duration of use is greater than 1 year. Reduced allocations do not provide technical and technological modernization needs of agriculture being lower than contribution of agriculture to the national economy and do not ensure the reducing of

disparities in productivity comparative with other member states of the European Union (Toma, 2009).

Table no. 4 Gross investments from the Romanian agricultural sector

	2006	2007	2008	Diferences	
	Mil. RON			Absolute	Relative
TOTAL	2458	4520	4159	1701	169.20
NORTH-WEST	169	271	239	70	141.42
CENTER	160	270	274	114	171.25
NORTH-EAST	216	327	367	151	169.91
SOUTH-EST	408	516	649	241	159.07
SOUTH-MUNTENIA	427	590	826	399	193.44
BUCHAREST - ILFOV	266	1014	387	121	145.49
SOUTH-WEST	130	176	286	156	220.00
WEST	682	1356	1131	449	165.84

Source: author`s calculation, TEMPO ONLINE, National Institute of Statistics

Investments in the agro-food sector in Romania were encouraged by allocating EU funds both in the pre-accession period and especially in the post-accession period. In the pre-accession period, Romania implemented the SAPARD program, having received about 3.5 billion. Euro, the most important allocation being for the measures aimed to investments in this sector. During the post-accession, Romania has implemented the RDP, having allocated 8,022 billion. Euro from the European Union to increase competitiveness, environment and diversification of activities in rural areas. The agro-food sector in Romania shows large differences in competitiveness compared to other Member States of the European Union, of the main causes are:

- The existence of psychological barriers in implementing associative forms, although there were a number of financial instruments to encourage them;
- Lack of fixed capital and poor technical equipment of farms;
- Low interest credit units for the sector that caused a delay in accessing European funds.

The need for investment in agro-food sector is demonstrated by the growing interest of farmers to access measures for the purchase of machinery, irrigation systems, upgrades etc. The main problem of implementation of investment measures was related to the co-financing from beneficiaries, most farms are forced to resort to loans. Credit units from Romania showed little interest in this sector of the financial crisis and the high degree of risk posed by agricultural activities.

Table nr.5 Gross investments/enterpris from the agricultural sector in the period

Regions	2006	2007	2008	Diferences	
	mil. RON			Absolute	Relative
TOTAL	0.19	0.33	0.30	0.11	156.70
NORTH-WEST	0.10	0.15	0.13	0.03	127.00
CENTER	0.09	0.15	0.15	0.06	163.94
NORTH-EAST	0.13	0.18	0.19	0.06	147.32

Regions	2006	2007	2008	Diferences	
	mil. RON			Absolute	Relative
SOUTH-EST	0.19	0.23	0.28	0.09	145.36
SOUTH-MUNTENIA	0.19	0.25	0.35	0.16	182.58
BUCHAREST ILFOV -	0.35	1.22	0.46	0.11	130.06
SOUTH-WEST	0.12	0.17	0.27	0.15	222.29
WEST	0.39	0.74	0.62	0.22	156.43

Source: author`s calculation, TEMPO ONLINE, National Institute of Statistics

The analysis of table 5 shows that the biggest investment is in Bucharest-Ilfov and West due to higher financial potential investors in this area and the capacity of these areas to attract foreign investors. In the analyzed period we find that all regions recorded increases in investment due to accessing European funds (end and beginning of the program SAPARD and RDP). The major boost investment in agriculture per unit recorded in the South-West and South-Muntenia.

Tabel nr.6 The rise of turnover based on the gross investment in agriculture

	2006	2007	2008	Diferences	
	RON			Absolute	Relative
TOTAL	3.22	2.01	3.00	-0.22	93.09
NORTH-WEST	3.66	3.13	4.45	0.79	121.63
CENTER	3.80	2.79	3.66	-0.14	96.24
NORTH-EAST	3.26	2.72	4.22	0.95	129.15
SOUTH-EST	3.85	3.47	3.72	-0.13	96.58
SOUTH-MUNTENIA	3.78	3.67	3.77	-0.01	99.80
BUCHAREST ILFOV -	5.09	0.88	2.58	-2.51	50.75
SOUTH-WEST	2.73	2.72	2.86	0.13	104.74
WEST	1.60	0.93	1.33	-0.27	83.34

Source: author`s calculation, TEMPO ONLINE, National Institute of Statistics

Turnover is a very important indicator for determining the position of the enterprise market and to achieve profitable activities. The investment is an important factor in influencing its size. Economic efficiency of investments in the agricultural sector is measured by the growth of turnover resulting from investments. In the period under review, it appears that companies in the agricultural sector in most regions saw declines in turnover relative to investments, except for North West, North East and South West. These decreases are the result of the financial crisis that has influenced and business enterprises in the agricultural sector.

Conclusions

The main problem of the agricultural sector in Romania is low competitiveness, showing important gaps compared to other European Union member states. To enhance the

competitiveness of the sector, were allocated significant amounts of EU funds for investments, both in the pre-accession period, during and especially after joining the EU. The period under review (2006-2008) presents aspects from both periods, the end of SAPARD program and beginning of NRDP implementation, which resulted in a significant increase in investment in the sector. Meanwhile, the financial crisis is starting period, with negative implications for profitability indicators in any sector of the national economy, including agriculture. The turnover in the agricultural sector increased, but compared to the investments it has decreased in most regions except North-West, South-West and North-East. Although Western and Bucharest-Ilfov region recorded the highest values of investments in a company, however they experienced important declines in sales relative to the amount invested. In order to encourage investment in the agricultural sector should be considered some development tools for risk management in order to increase interest for the lending units, such beneficiaries of EU funds could easier ensure the co-financing for investment projects.

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