

Market oriented measures for semi-subsistence farms

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ABSTRACT

The aim of the measures in Axis 1 in the National Rural Development Programme 2007-2013 was the market orientation of semi-subsistence farms.

This was possible by using measures 111, 141, 142, 143. Beneficiaries could simultaneously access all these measures in order to achieve a competitive market. By accessing the semi-subsistence measures, the beneficiaries could modernize and restructure small farms and could also make technical investments in the agricultural holdings they own in order to sell to the market.

The level of access was pretty low compared to what it was proposed in the National Rural Development Programme 2007-2013, but despite the low degree of absorption there were some satisfactory results for semi-subsistence farms.

In this research I did a secondary analysis of data to provide information about the current situation of accessing measures under Axis 1 and the importance of semi-subsistence farms and markets for the Romanian economy. The results could help make a better future planning and respond to the needs traced by analyzing the measures of market orientation of semi-subsistence farms.

Keywords: semi-subsistence farms, National Rural Development Programme 2007-2013, market, measures, economy, investments

INTRODUCTION

After Romania joined the European Union, the field of agriculture needed to implement a substantial National Rural Development Programme. This first program was destined for the development period 2007-2013. NRDP 2007-2013 was implemented in a period of significant change for agriculture and rural areas. Under these conditions, Romania has taken the first steps towards the EU market. Another important role of the agricultural sector of Romania was the economic growth of the country within the EU, which has brought both opportunities and threats upon this very important sector in the Romanian economy.

In terms of the market orientation of small farms in Romania, these were supported through the National Rural Development Programme which was divided into axes. Among these, Axis 1 is addressing farms with a certain desideratum towards market orientation. Among its objectives we can mention the significant improvements in the agriculture and forestry sectors, in order to enable them to compete with the foreign market open trading environment. This Axis would

enable to implement better agricultural workforce, an improved age structure of semi-subsistence farms, a modern commercial agriculture, increasing the added value of products, market penetration of semi-subsistence farms.

Among Axis 1 measures, measure 141 directly addresses the semi-subsistence farms. This is complemented by other measures, namely measures 111, 142 and 143. This complementarity was intended so that beneficiaries can access simultaneously the measure 141 and the measures mentioned above in order to benefit of a faster market access.

METHODOLOGY

This paper is an analysis of the measures under Axis 1 of the PNDR 2007-2013. It shows how they have helped the market orientation of semi-subsistence farms. This research is mainly based on data acquired from the Ministry of Agriculture and Rural Development and the National Institute of Statistics of Romania, but also on other national and international databases. We also conducted interviews with staff from the ministry. With the data collected, we chose to conduct an analysis that provides some explanation of the measures of the PNDR 2007-2013 and how they helped to achieve the objectives in the National Program of Rural Dezvoltaer 2007-2013, especially as they influenced the market orientation of semi-subsistence through the objectives found in the measures.

RESULTS

Measures analysis of 141

In Romania, the agricultural production is based on small, semi-subsistence and large farms. So far the measures taken in agriculture have not been sufficient to make the sector competitive on the market. Presently, their opening on the market is reduced, both in terms of inputs and outputs. According to the situation published by the Ministry of Agriculture, 88.846 applications were submitted for projects under measure 141 in NRDP 2007- 2013, with a public funding of 666.3 million euros, out of which 59.450 were contracted, projects with a total public worth of 448.4 million euro, until October 10th 2013 for "Supporting semi-subsistence farms". This support was given to the farmers who have a holding between 2-8 ESU, in order to guide these farms more towards the market, in order to turn them into commercial farms.

Within these semi-subsistence farms, the percentage of businesses is relatively low (0.5 to 2.1%). The advantage of these semi-subsistence farms is that they manage a segment of relatively homogeneous farms with an average of 5 ha for holdings with an economic dimension of ESU 2-4, respectively with an average of 9.3 ha for holdings with an economic dimension of 4-8 ESU. The overall objective of Measure 141 aims to increase competitiveness of these holdings, in order to solve the problems of transition, given the fact that agriculture is exposed to the competitive pressures of the single market.

The desideratum for measure 141 was that the farmer will cope with the restructuring and the transition period towards the market. This must be done through the sustainable use of inputs, improving management through diversification of agricultural production and the transition from an obsolete to an advanced technology, in order to adapt to market demands. Thus, it hopes to increase revenues while lowering production costs.

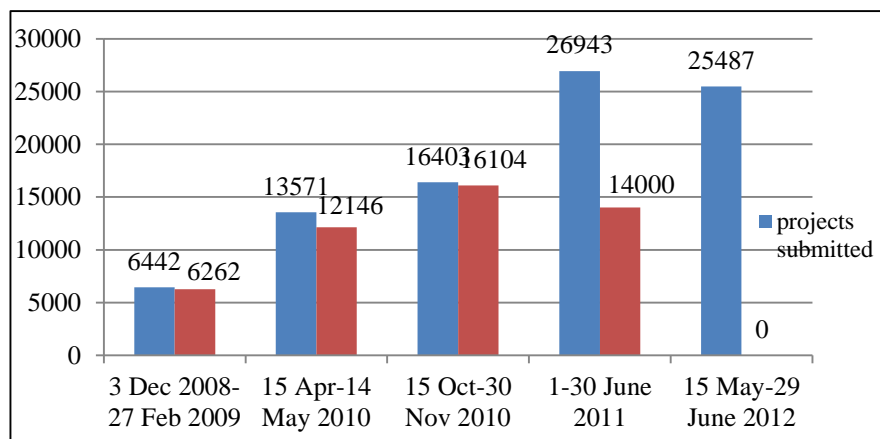
The business plan for this measure needs to focus on selling farm production and increasing the number of ESU, not on making investments, which are the ones that will be a basis for the orientation change of the farm. The main goal of the business plan will be to identify opportunities for improvement of production coming from the farm.

Specific agricultural activities of subsistence farms are plant crop and animal husbandry based on specific traditions of rural areas in Romania. The production structure of these farms is very diverse, determined by the daily needs of the household, and the very poor technical equipment of these farms. This leads to a necessary change in the production system and directly to an increase in financial expenses that some farmers cannot afford.

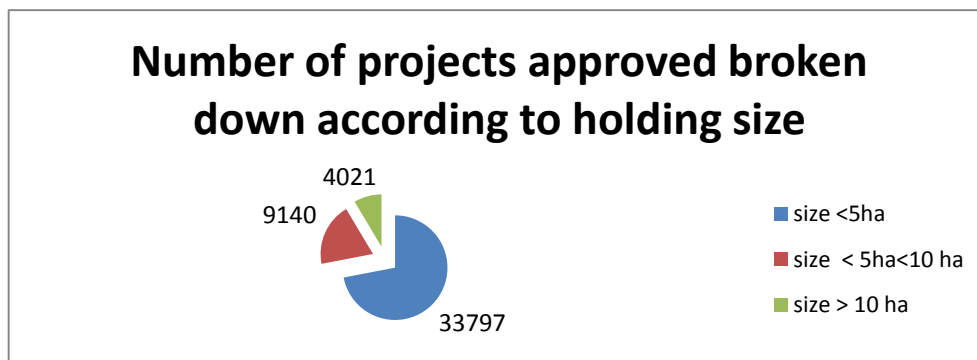
Within this measure, by the end of 2012, there were 5 calls for applications, through which over 88.846 projects were submitted as mentioned at the beginning of the article. Following the meeting of the Selection Committee, 48.512 projects were selected out of all applications submitted, out of which 46.958 were contracted projects.

The chart below shows the status of the projects submitted and selected within Measure 141

Chart. The number of projects submitted and selected within Measure 141



Regarding the status of approved projects by physical dimension of the farm we can report that the highest percentage is in farms that have a size less than 5 ha, which represents approximately 72% (33.797 projects) of all projects that obtained funding through this measure. The amount of public funding allocated to this category was 254,299.500 thousand euros. For the category of farms that have a surface between 5 ha and 10 ha the approximate share is 19.5% (9,140 projects) of all projects that were funded with a value of 68.680,459 thousand euros, regarding the last category of farms with a size greater than 10 ha, a share of about 8.5% (4,021) of the total number of approved projects was registered, with a cumulative public valuation of 30.303 thousand euros. This data is shown in the chart below:



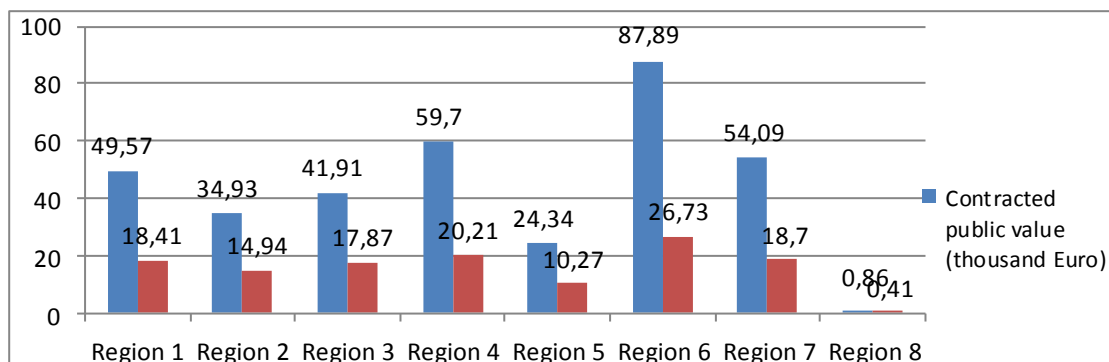
Another important aspect is the percentage obtained on additional indicators. They are made at a rate of over 100%. Out of all the supported semi-subsistence farms, a total of 13.082 of farms are managed by women, representing a rate of 171.75% out of the target of 7617. Another important additional indicator reached is the farms in the LFA which reached a rate of 126.56% out of the set target. All of the additional lists of indicators on farms applying for agriculture represents 146.63% out of the set target. This is important because the markets tend towards certified organic products or products processed under ecological conditions.

Nationwide the measure 141 - "Support for semi-subsistence farms" was widely available and accessed equally in 7 of the 8 development regions, except the region *Bucharest-Ilfov. Most projects have been selected in the North-West Region 6 Satu Mare with a percentage of 24.95%, followed by Region 4 South-West Oltenia, accounting for approximately 17% of the total approved projects.

Details regarding the regional distribution of the approved projects are presented in the table below:

Region	Number of projects approved-measure 141	Eligible non-refundable value – thousands EURO
1 North-East Iasi	6.609	49.569
2 South-East Constanta	4.656	34.927
3 South Muntenia Targoviste	5.487	41.908
4 South-West Oltenia Craiova	7.960	59.700
5 West Timisoara	3.245	24.339
6 North-West Satu Mare	11.717	87.888
7 Center Alba Iulia	7.169	54.086
8 Bucharest Ilfov	115	864
TOTAL	46.958	353.283

The amount of payments made by the end of 2012 amounted to 127,535 thousand euros, representing 108,126 thousand euros EAFRD contribution. In 2012, the total payments done amounted to 56,308 thousand Euro, respectively 51,200 thousand euros EAFRD contribution. Details of the distribution regarding contracted public value and carrying value of payments deducted after farm dimension are presented in the chart below:



Within the measure 141, after 5 years of implementation, the number of semi-subsistence farms that received support is 46.958 out of the 76.172 targeted, reaching a rate of 61.65% NRDP

execution. In terms of financial execution, the rate is 27.22%, out of the allocation of 468.484 Euro, 127.537 thousand euros were used.

Measures analysis of 142

The second very important measure towards implementing semi-subsistence orientation to the market is the measure 142 "Setting up producer groups". It aims to increase the competitiveness of primary agricultural and forestry sectors. This measure intends a balanced development of relations between producers, processing and marketing sectors. Another point to be achieved by this measure is related to the adaptation of production in terms of quantity and quality to consumers' requests.

Measure 142 encourages the establishment and administrative operation of producer groups, to be recognized in accordance with the law. Thus, through these producer groups, production will be adjusted to market requirements. This measure also follows that products have value added growth, better economic management of resources and results, centralization of sales and wholesale distribution products.

During the implementation of this measure, payments amounted to 1,022.939 thousand euros, out of which 875,256 thousand euros represent EAFRD contribution. This amount of 1022.939 thousand euro was given to 35 groups of producers, representing 21.21% out of the target of 165, which represents 4.16% of the allocation of 24601.225 thousand euros.

The 35 projects that were approved for this measure point to agricultural industries types as shown in the table below:

Agricultural branch	Number of projects approved	Percentage (%)	Public value (thousands of EURO)
Field crops	18	51,43	3.3883,729
Milk and dairy products	8	22,86	494,896
Herbivores	3	8,57	125,987
Swine	2	5,71	769,447
Mix	1	2,86	131,371
Others	3	8,57	53,776

Measures analysis of 143

A very important semi-subsistence farms measure was the measure 143 "Providing farm advisory and extension services". Practically this measure enabled farmers to receive advice in preparing the business plan for their farms. The objective of these measure was to improve the competitiveness of the agricultural sector by improving the sustainable management of the holding by farmers, resulting in a performance increase.

In 2011, after the call of application of the Measure 141 that took place in the period 1st -30th July, 7498 eligible projects received free counseling through measure 143 and out of these a total of 5277 were selected.

Details regarding the regional distribution of the declared eligible and selected projects are presented in the table below:

REGION	Number of eligible projects prepared by measure 143	Number of eligible projects selected for financing – prepared by measure 143
North-East	1.795	1269
South-East	689	483
South +Bucharest-Ilfov	255	179
South -West	1446	1013
West	47	33
Nord-West	1880	1320
Centre	1386	980
TOTAL	7498	5277

In 2012 after the call for applications in the period May 15th -July 13th under Measure 141, a total of 10.234 projects have received consistent and free advice for accessing measure 141. The payments situation in 2012 is 3349.051 thousand euros (financial execution rate being 24.86% out of the allocation of 13474.071 thousand euros).

CONCLUSIONS:

The measures of market orientation for semi-subsistence farms in Romania have played an important role in trying to bring these farms at a competitive level on the market. Through the measures implemented, a high level of efficiency and market orientation was achieved, while creating the institutional environment for infrastructure development of products obtained and by improving the quality of professional and occupational diversification. Yet, despite these improvements, the training and the information of small farmers is still low. There are still some identified needs and necessities that are to be raised at EU standards.

In the future, it is necessary to decrease the number of semi-subsistence farms and there is the need to consolidate farms by increasing their physical size (stopping the fragmentation) and economic viability. Another need is to make technical investments in agricultural holdings that are producing for the market, but also to restructure small farms by reducing structural and competitive disadvantages that they face on the market.

Regarding the implemented measures mentioned above, it is stated that they have a rather small absorption, we conclude that steps should be taken at the implementation level. Farmers should benefit from improvements in terms of financing projects with European funds to better meet their needs.

We must turn our attention towards new categories of products which fit in the new market requirements, especially ecological and traditional requirements. If the improvement of the quality of raw materials used in food is reached also by meeting the quality standards of processed products, only then farmers will benefit from the competition on the market.

Regarding the associations, it should be noted that it is needed to set up and organize more groups of producers for the enhancement of the production. Also on this branch, measures should be taken in terms of the need to create opportunities for the joint use of agricultural production, by the organizations/groups of producers. If these things are accomplished, the adaptation of production to market demand and a recovery in production rates by individual traders of association/cooperatives of producers based on commercial contracts farm/stable will surely be reached.

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