

# USAGE CHARACTERISTICS OF FARMLAND IN AGRICULTURAL EXPLOITATIONS

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## **Abstract:**

*Subsistence agricultural exploitations are over two thirds of the total small sized farms in Romania, a number up to three times higher than other countries of the region, even though the number of small sized farms has diminished in recent years, according to the National Institute of Statistics. In this stage, the purpose of structural adjustment in agriculture is upgrading equipment while creating an economic size of exploitations which enables increasing production, reducing costs and ensures market competitiveness and efficiency. For the Romanian agriculture to go from subsistence to competitiveness, significant costs are needed for the concentration of property. Thus, land exploitation must be carried out on optimum-sized areas.*

**Key words:** *agricultural exploitation, economic efficiency, agricultural production*

**JEL classification:** *Q01*

Agriculture is an important strategic sector of national economy.

Agriculture functions on the grounds of the same objective economic laws as the other production sectors. Agricultural production however, has certain particularities that make it different from other sectors, which determines the complex nature of its economic processes. All activities – managerial, production, trade, financial – are highly dependent on knowing these particularities and their technical and economic consequences [1].

Romania has a significant agricultural potential residing in the favorable natural conditions for agricultural crops and animal breeds, as well as the necessary resources for covering the populations' consumption needs in terms of agricultural products.

For our country, agriculture is one of the most important resources for development. The main objectives and priorities aim at enhancing agricultural production and productivity in view of developing an open, competitive market [2].

In terms of land resources and their quality, Romania is among the top seven European countries. Thus, the average area per capita in Romania is 0.65 hectares of agricultural land, while the largest part of arable land falls into the I-III categories, in an international classification system of soil of five quality classes.

The level and structure of the agricultural land is determined by the way the agricultural area is divided into arable land, vineyard and orchard area, pastures and meadows area.

The agricultural exploitation is the basic economic component of agriculture, which by means of the specific activities in the production process, makes use of production factors in order to obtain agricultural production. Agricultural exploitations account for an economic dimension, legal and managerial ways of organization, activity sectors (vegetal, animal), as well as different specific activities (field crops, vegetables, greenhouses, vineyards, orchards, etc.) [3].

The organization form generally preferred by farmers is the agricultural exploitation. For an efficient exploitation of land, the Romanian Government grants facilities to owners organized in commercial agricultural exploitations and family

associations. Agricultural exploitations are complex organization forms of ownership exploiting land, animals and the other means of production integrated in a unitary system in view of efficiently providing services and obtaining agricultural products.

In Romania there is currently a wide structural variety of agricultural exploitations as a result of the disjointed application of the privatization law with the legislation regarding association in agricultural production, the legislation regarding the formation of land market, the legislation on leasing land and other rural property.

**Usage of the farmland in 2008 (thousands of hectares)**

Specification	Country total:	Out of which:	
		Private sector	Public + mixed sector
<b>Total agricultural</b>	14.702,3	13.979,6	722,7
<b>Arable</b>	9.415,1	9.021,1	394
<b>Vineyards and vineyard nurseries</b>	214,5	206,9	7,6
<b>Orchards and orchard nurseries</b>	207,3	196,0	11,3
<b>Natural grasslands</b>	4.865,4	4.555,9	310,8
Natural pastures	3.333,0	3.054,6	278,4
Natural meadows	1.532,4	1.500,9	32,4

*Source: based on the Statistical Yearbook of Romania 2009*

The evolution of organization structures of agricultural exploitations has not eliminated the excessive fragmentation of the private agricultural land, which had an extremely negative impact on the efficient use of financial resources and means of production.

As for the current state of agricultural exploitations, we appreciate the main causes as being outdated technologies, low productivity, low job performance, insufficient technical equipment, disastrous rural infrastructure, as well the bureaucratic and underperforming agricultural consultancy [4].

The private sector is dominated by subsistence exploitations, with sizes below 3 hectares and the share of 10 hectares sized exploitations is only about 0.3% of the total. During 1995-2008 there has been a slight concentration trend of land in individual households. There are significant differences between districts in terms of organization structures, depending on the size of individual exploitations. Out of the total number of owners, approximately 40-45% are not in the vicinity of their property, many of them being urban residents, and others residing in other places than those where the land is situated.

High variations are found in the average size of agricultural units having legal personality and family associations compared to the national average. There are significant differences between the size of Romanian agricultural exploitations and those in agriculturally developed countries, which requires structural policies oriented towards two main directions: one toward producers that need help in view of conducting an efficient agricultural activity, and the other toward farmers opting for non-agricultural activities [5].

### The evolution of the private agricultural exploitations

Specification	m.u.	Year		
		1995	2000	2007
Agricultural land exploited by the private sector	thousands hectares	11.381	12.294	13.980
<b>A. Agricultural trading companies largely based on private capital</b>				
Number		3.973	3.721	5.147
Total size	thousands hectares	1.732	1.592	1.951
Average size per exploitation	hectares	436	427	379
<b>B. Associations</b>				
Number		15.915	6.836	1.475
Total size	thousands hectares	1.596	648	616
Average size	hectares	100	95	418
<b>C. Individual households</b>				
Number		3.597.000	4.260.000	3.913.651
Total size	thousands hectares	8.053	10.054	8.966
Average size	hectares	2,24	2,36	2,29

*Source: based on the Statistical Yearbook of Romania, 1996, 2001, 2009*

The public sector is represented by agricultural trade companies largely based on state capital. A great number of these companies have not been able to meet the requirements of market economy, and consequently a lot of them were shut down.

The companies providing agricultural services comprise the whole range of mechanization and transportation services. In 1989, the number of mechanization companies was 470, while currently a large number of them have been privatized. The delay of privatization in this field between 1992-1996 has determined a significant depreciation of the agricultural machinery fleet, the advanced wear of the fleet also being a consequence of the fact that old machinery was not replaced by new one.

Subsistence agricultural exploitations are over two thirds of the total small sized farms in Romania, a number up to three times higher than other countries of the region, even though the number of small sized farms has diminished in recent years, according to the National Institute of Statistics.

The overall economic efficiency of the land fund is the ratio between the economic effects directly or indirectly related to the exploitation of the agricultural or non-agricultural land used by an agricultural unit over a given period of time, and the land effort [1].

The absence of correlation between the new forms of ownership and the other agricultural structures, especially the economic management of agricultural exploitations and the marketing structures has been a real obstacle in the way of developing and modernizing agriculture. These processes were initiated in different stages and by uncorrelated measures which have not increased the agricultural supply and economic efficiency. The lack of synchronization and managerial efficiency has deepened the imbalances of the market and brought great damage to the agricultural heritage [3].

Up to the present, the private sector hasn't been a recovery factor for agriculture and there is great danger that the process of its expansion will further amplify land

fragmentation in the absence of trade farms of economic size with the appropriate technical equipment, thus maintaining the instability of supply.

One of the main causes for the Romanian agricultural crisis is the breach within the privatization process between land and means of production (machinery, equipment, warehouses, irrigation equipment, etc.) [7].

For the Romanian agriculture to go from subsistence to competitiveness, significant costs are needed for the concentration of property. Thus, land exploitation must be carried out on optimum-sized areas.

In view of integrating in the European system and meeting the requirements of a competitive market, because of the presence of a multitude of types and organization forms of agricultural exploitations, guidance policies are needed to develop the system of trade agricultural exploitations [6].

In this stage, the purpose of structural adjustment in agriculture is upgrading equipment while creating an economic size of exploitations which enables increasing production, reducing costs and ensures market competitiveness and efficiency.

The economic size of agricultural exploitations varies according to area and organization form.

**The share of various agricultural sectors in the various agricultural exploitations (% out of total exploitations)**

Specification	m.u.	Trade agricultural exploitations	Family exploitations
Crops	%	14,93	85,07
Animal breed	%	0,05	95,5
Pisciculture	%	100	-
Mixed exploitations	%	7,58	92,42

*Source: The Statistical Yearbook of Romania, 2009*

An analysis of the data presented in the table reveals that the largest share of the total production in all agricultural sectors is obtained in family exploitations, while a low share is obtained in trade agricultural exploitations.

One of the main characteristics of Romanian agriculture is the low productivity of land exploitation in terms of yield per cultivated hectare of land. At the same time, the average production per hectare for the main agricultural products has been and still is low compared to the European average.

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