THE COMPETITIVENESS OF THE ROMANIAN AGRICULTURE AND FOOD INDUSTRY

COMPETITIVITATEA AGRICULTURII ŞI A INDUSTRIEI ALIMENTARE ROMÂNEŞTI

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Abstract: *Globalization and European integration could be advantages for the development of agriculture in Romania, which still holds a high relative position in the economy and has structures of business organization and employment that do not match the European model. Based on the empirical analysis of available data, the paper presents changes of the Romanian agriculture in the last five years and their influence on the whole economy. The extended size of the subsistence component in the agricultural sector keeps the dependence of production variations on the natural conditions, strongly influenced by climate changes, while inducing significant variations in the GDP, but is also a solution to soften the social effects of the economic crisis*

Key words: *competitiveness, agriculture, food industry, crisis;*

INTRODUCTION

International competitiveness refers to the ability of a country to produce goods which to face foreign competition, at the potential to maintain or (and) to increase held quotas on foreign markets. Potential issues relate to productivity, quality, costs, prices, the ability to achieve high and sustainable income and to maintain and improve standards of economic welfare and environment.

Agriculture policy in Romania has traditionally emphasized increasing production. As the country moved towards EU, this had to be replaced with one that emphasizes increasing the sector's competitiveness. Yields in both crop and livestock production are low in Romania, and the country's agricultural labor productivity is by far the lowest in the region.

Efficiency can be increased only by adopting policies that facilitate the structural reorganization of agriculture by allowing inefficient farms to close down (through effective early retirement schemes, for example) and removing obstacles to the expansion of new and more efficient farming units (by removing the bias against land leasing, for example).

The reform process implemented over the past decade has been difficult, moving in fits and starts. Results have been mixed and immense tasks in sectoral adjustment still lie ahead to cope with the challenge of accession to the European Union (EU).

Agriculture was included among the industries in developed EU countries after it benefited from a sustained public support and reached a high level of competitiveness and stability.

However, there is concern about the variation of agricultural production caused by climate changes and about the price volatility under the pressure of the search for alternative energy resources and of the speculative drivers. Volatility is a management challenge, since food chain actors must adapt to changing prices and quantities. Another concern within the European Union is the synchronization of business cycles of the Member States, which is a necessary condition for an efficient application of common policies, but asymmetric development of sectoral business among countries especially in agriculture reduces the synchronization degree.

MATERIAL AND METHOD

The research was accomplished from a triple perspective, in which the conceptual methodological approach is correlated to the empirical study and to a variety of references to practical actions aiming the increase of the Romanian agriculture competitiveness, based on the current knowledge in the field.

The results expressed in this paper were the result of a quantitative and qualitative analysis of the characteristics and the evolution of the Romanian agriculture and food industry, and their place in the European market, in which we used a complex of statistical-mathematical methods. We didn't have omitted the foreign trade of food products and the national consumption of internal food products.

RESULTS AND DISCUSSION

A. Romania's place in the European market place

According to the most current information from EUROSTAT database, compared to European Union countries in 2009, Romania had:

- ✓ 13.7113 million ha of agricultural area used, the maximum being recorded in Germany (16,889,600 ha), and the minimum in Slovenia (468,500 ha);
- ✓ 8,788,9 thousand hectares of arable land, the maximum being recorded in Germany (11,945,100 ha), and the minimum in Slovenia (175,200 ha);
- ✓ 826 300 ha of green fodder from arable land, the maximum being recorded in Germany (2,347,300 ha), and the minimum in Ireland (20,900 ha).

Given its size and structure of agricultural land, climatic conditions and agricultural potential available, Romania is situated among the European countries most attractive prospects in the field.

B. The place of agriculture in national economy

Agriculture has always been in Romania, an important branch of the national economy. Romania has favorable climatic conditions which can achieve sufficient productions for the entire satisfaction, in a diversified structure and at a high quality level, the needs of the consumer and ensuring some availability for export.

Share of agriculture, forestry, logging and hunting economy, fisheries and fish farming to the creation of gross domestic product (GDP) registered a fluctuating trend, with a maximum of 7.8% in 2006 and a minimum of just 5.7% in 2007.

In 2009 this share reached 6.3%. The declining of the share of agriculture in GDP was due to entry on track of the market economy and development of other branches of national economy, particularly services, that in the same year reached a weight of 50.2% of GDP, of industry and constructions which represented 23.7% and 9.8%.

The production value from agriculture in 2009 was about 59.928 billion lei, which in real terms represented a decrease of about 2.2% over the previous year (-2.8% at plant production, -1.2% at animal production and +5.2% at agricultural services.

In 2009 from the total employed population at the level of the entire national economy, which reached 9.243 million persons, accounting for about 29.1% was held by employees in the branch of "Agriculture, hunting and forestry and fisheries", which represented about 2.689 million people.

C. Characteristics of Romanian agriculture

Compared with other European countries in 2009, Romania had an advantageous structure of the total area of the land, by the way of use, agricultural area representing 61.7% of the total. In 2009, the agricultural area was of 14,705,300 ha, of which: 63.8% arable land, 33.4% meadows and finesse, 1.5% vineyards and nurseries and 1.3% orchards and nurseries.

Agricultural area, the main groups of crops, vineyards and orchards in the period 2005 -2009

	2005	2006	2007	2008	2009
Total agricultural area, of which:	**14741,2**	**14731,0**	**14709,3**	**14702,3**	**14705,3**
Cereal grain	5865,7	5114,4	5129,2	5211,0	5356,0
Grain legumes	44,2	40,4	43,7	37,0	39,0
Plant oil	284,9	278,0	268,1	255,0	255,0
Legumes	266,7	280,1	253,4	269,0	265,0
Green fodder from arable land	820,4	858,6	768,4	828,6	
Bearing Vineyards	190,6	190,5	187,6	194,9	185,0
Fruit orchards	200,0	157,0	156,0	149,0	144,0

Source: NIS – *Romanian Statistical Yearbook 2009-2010;*

On crop groups, in 2009 is noted in particular the use of agricultural land for growing grain (5.356 million ha) and oil plants (1.28 million ha).

D. Characteristics of the technical - material base

Agricultural machinery fleet in 2009 consisted among others of 176,800 tractors, 142,500 tractor plows, 68 900 mechanical seeders, 24 200 combines for cereals. It should be noted that in 2009, the arable land related to a tractor was about 54 ha, compared to 72.6 ha as it was in 1989.

E. Romanian offer of food products

a) Animal and natural agricultural products

Although Romania had substantial agricultural resources, in the 2005-2009 period, the agricultural production had an evolution below potential due to unfavorable weather conditions, as well as the insurance

way of agricultural inputs and the achieving of specific agricultural work. In 2009 there was a production of 5205.0 thousand tons of wheat (-29.1% vs. 2005) and a production of 8035.0 thousand tons of corn (-22.7% vs. 2005). In 2009 there were 1098.0 thousand tones of production at sunflower and 4011.0 thousand tons of potatoes.

Production of vegetables and fruits had a fluctuating trend in 2009, the harvested quantities being of 3877.0 thousand tons and respectively 1323.0 thousand tons. Productions of meat of cattle and swine decreased in 2009 compared to 2005, the only increase being to poultry.

b) Alimentary products

In 2005-2009 period, food production has registered an upward trend. Thus, if in 2006, was registered a growth of 5.0% compared to 2005; in 2009 the production of these industries reached a 34.6% increase.

Productions which were recorded in 2009 in food industry, beverage and tobacco manufacturing, according to national classification of activities (NACE Rev.2) are detailed in the table below.

F. Foreign trade of food products

In 2009, in value terms, exports of food products (the first 24 chapters of the Harmonized System Nomenclature - SA) held 7.7% of total Romanian exports. The main 12 categories of food products taken into account in the sectoral analysis and presented in the following table were last year, 3.8% of the total exportation of Romania.

The main categories of products exported by Romania in 2009 were: *"Cereals"* of 630.7 million euros (with 533.2% more compared with 2005 and with 1.1% less than in 2008), *"Fats and animal or vegetable oils"* with 88.0 million euro (+41.0% compared to 2005 and -16.6% compared to 2008) and *"Meat and edible offal"* with 74.4 million euro (+ 308.8% over 2005 and +78.8% over 2008).

Imports of food products (the first 24 chapters SA) held a share of 9.8% of total Romanian imports in 2009. The main 12 food products categories analyzed recorded a cumulative value of imports accounted for 6.0% of all imports made by Romania in 2009. Of these, imports were mainly from: *"Meat and edible offal"* with 642.0 million euro (representing an increase of 27.6% over 2005 and a reduction of 12.0% compared to 2008), *"Cereal"* with 249.8 million euros (+411.9% compared to 2005, and -18.9% compared with 2008) and *"Sugar and confectionery products"* with

241.6 million euro (+80.0% compared with 2005 and +1.7% compared to 2008).

The trade balance in 2009 registered a positive balance only in the "*Cereals*", i.e. +380.9 million euros. In structure, balance of trade with food products in 2009 registered the lowest deficit in the category "*Meat, fish, crustaceans, mollusks or other aquatic invertebrates" (-22.2* million euros) and the largest deficit at *"Meat and offal (*-567.6 million euro).

The top five partners of Romania and their share in Romania's foreign trade with products covered in the chapters listed above shows that in 2009:

- In the chapter *"Cereals",* on first place at export was Spain with a share of 25.8%, followed by Italy, with 10.2%, South Korea 7.5%, Syrian Arab Republic 6.6% and Iraq 5%. Imports came mainly from Hungary 54.8%, Bulgaria 23.9%, France 5.2%, Serbian 3.0% and Italy 2.3%.

- In the chapter *"Preparations of meat, fish, crustaceans, mollusks or other aquatic invertebrates"* the first place at export was hold by Holland with a 27.4% share, followed by Italy 23.9%, France 10.4% United Kingdom 8.3% and Spain 7.3%. Import was mainly from Hungary 21.9%.

- In the chapter "*Meat and edible offal"* top five export partners were Bulgaria with 21.9%, Cyprus 16.1%, Hungary 14.6%, Netherlands 9.9% and Italy 9.6%. On import the first partner was Germany with a share of 22.4%, followed by Netherlands 15.8%, Hungary 15.5%, and Spain 7.7%.

Romanian foreign trade with major food products, 2005 – 2009

- million euro -

	Code and name of products category *		**2005**	**2006**	**2007**	**2008**	**2009**
02	Meat and edible offal	Export	18,2	15,9	26,9	41,6	74,4
		Import	503,1	519,5	553,9	729,9	642,0
03	Fish and crustaceans, mollusks and other aquatic invertebrates	Export	2,5	1,6	3,0	4,8	7,4
		Import	57,1	65,6	77,3	102,3	101,9
04	Milk, dairy products, poultry eggs, natural honey, other edible animal products	Export	27,1	32,5	33,1	44,6	59,6
		Import	39,9	52,4	152,1	212,0	216,5
07	Edible vegetables, roots and tubers	Export	46,6	35,0	42,8	41,7	43,7
		Import	54,9	75,1	144,2	155,6	122,0

08	Edible nuts; melons or citrus peel	Export	39,3	39,5	38,5	33,5	38,8
		Import	136,4	164,8	245,1	245,3	175,7
10	Cereals	Export	99,6	145,0	150,7	637,6	630,7
		Import	48,8	42,9	267,3	308,2	249,8
11	Products of the milling industry, malt, starches, inulin, wheat gluten	Export	1,5	1,6	4,9	6,6	8,1
		Import	29,5	47,8	95,4	126,2	89,9
15	Fats and oils of animal or plant	Export	62,4	56,8	67,7	105,5	88,0
		Import	58,6	73,8	143,7	227,1	160,4
16	Meat, fish, crustaceans, mollusks or other aquatic invertebrates	Export	15,8	22,5	27,7	40,1	37,2
		Import	21,2	30,3	52,1	69,1	59,4
17	Sugar and sugar confectionery	Export	8,3	20,9	10,8	22,4	39,9
		Import	134,2	194,9	160,5	237,6	241,6
20	Preparations of vegetables, fruit, or other parts of plants	Export	21,8	14,9	27,1	19,9	21,9
		Import	81,9	113,7	158,7	182,7	144,4
22	Beverages, spirits and vinegar	Export	27,7	37,2	55,3	69,7	57,2
		Import	58,3	101,7	154,8	209,0	139,4

Source: NIS- International Trade Statistics 2005-2009;

CONCLUSIONS

Economic globalization has determined the increasing of the competition at the international level, and in this context the competitiveness of an economy is essential for its surviving. Romania's integration in the EU and the removal of the economic obstacles has stressed the competition pressure faced by our country. Romanian economic performances are behind the European average and our country's economy did not manage, despite its potential, to develop even a single competitive advantage in front of its European partners. In this context, our country's capacity to benefit from the integration advantages is strongly questioned.

Romania's economic stability depends on the agricultural restructuring and on the rural development. In this process our country could also benefit of the financial support of the EU. Among the solution proposed in this paper for Romanian rural development, two might be considered top priorities – the reduction of the agricultural workforce and the increase of the farms' size. These reforms are conditioned by the government involvement in providing a proper level of agricultural pensions, in facilitating the access to financial resources and in

encouraging investments, in developing the physical, medical and educational infrastructure. Together with the European and national public financial resources, there is also necessary the development of public/private partnership for the rural sector.

The Romanian agriculture did not yet approach the European agricultural model and the large part of it is not market oriented and did not reach the expected efficiency after the accession to the European Union. A higher and stable productivity would diminish the economic fluctuations. The long run trend of the return to self-consumption, as it is foreseen by A.Toffler, is the inverse projection of what we expect to be the result of modernization in rural areas. However, if we reconsider the meaning of modernization in agriculture under the pressure of changes in the global world and the new conception about healthy life, Romania could find a way to use positively its natural endowments and the present consumption model in rural areas.

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