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The future of  
small scale  
Romanian  
farming  
in Europe

# Romania and the Common Agricultural Policy



by Douglas K. Knight

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*The future of small scale  
Romanian farming in Europe*

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*Photo: Tyler Tate, Romania*

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## SUMMARY

*Romania is a country of peasants, with a long deep history in peasant agriculture, which effects everything in the country, including its art, culture, and the way Romanians think. This has survived despite the best efforts of past empires and communists to destroy it. Today peasant culture remains the bedrock of the Romanian people in a changing time.*

*Romanian agriculture today is plagued by many problems. Some of the problems are a result of underdevelopment, and some of them having to do with the communist history. The problems we see as having the largest effect on Romania today are: the lack of vision behind policies, the poor implementation of regulations and the lack of stability, the dichotomy between large and small farmers in Romania, the persistence of poverty and aging in the Romanian countryside, a lack of quality rural development, bureaucratic and credit issues, import and export disparities with other European countries, some specific environmental issues, and regional differences within Romania.*

*The Common Agricultural Policy was created to build a flat and fair agricultural market across Europe which could keep Europe food-secure. The CAP has been successful at its goals in Western Europe, but now faces a myriad of challenges. It has been very difficult to implement the CAP in new market states such as Romania, and the results have been varied and undetermined so far. In Romania the CAP has mostly benefited the large farmers who were already thriving before EU accession, and for most of the small farmers in Romania there has been little effect. This is partly because of the way the CAP is structured and partly a result of implementation (or a lack of implementation).*

*The reform of the CAP in 2013 represents an opportunity for European Union and Romanian officials to take a step forward in protecting peasant agriculture and including peasants in the future development of Europe. There are divisions in the CAP debate, and it will not be easy, but we feel that it is possible to make decisions which will create a new type of development, away from the productivist model of agriculture. We call for less focus on production, and better rural development policies. We would like not just a better CAP, but for the Romanian government to be better at implementing the CAP. Some good steps forward would be: a limit on direct payments, clear labeling of countries of origin, and equal treatment of farmers from both Eastern and Western Europe. We do not support any re-nationalization of agriculture policies under a reformed CAP. In Romania we would like to see more money for rural development, a better absorption of funds, and more focus on axes three and four of pillar two of the CAP, with specific emphasis on local action groups.*

*We look forward to a future where peasants continue to play an integral role in providing food to Romania, and where Romania maintains its food sovereignty. As the bedrock of Romanian history and culture, we refuse to envision a future without an active peasantry.*

## ABBREVIATIONS

|               |   |               |  |
|---------------|---|---------------|--|
| <i>CAP</i>    | Common Agricultural Policy  | <i>LFA</i>    | Less Favored Area  |
| <i>CEE</i>    | Central Eastern Europe  | <i>NGO</i>    | Non Governmental Organization  |
| <i>EAAE</i>   | European Association of Agricultural Economists   | <i>NRDP</i>   | The National Rural Development Program                               |
| <i>ESU</i>    | European Standard Unit  | <i>NMS</i>    | New Member State (of the European Union)                             |
| <i>EU</i>     | European Union  | <i>OECD</i>   | International Organization for Economic Co-operation and Development |
| <i>GAIN</i>   | Global Agriculture Information Network  | <i>SAPARD</i> | Special Accession Program for Agriculture and Rural Development      |
| <i>GDP</i>    | Gross Domestic Product  | <i>SAPS</i>   | Single Area Payment System   |
| <i>GMO</i>    | Genetically Modified Organism   | <i>SFP</i>    | Single Farm Payment  |
| <i>HNV</i>    | High Nature Value   | <i>UAA</i>    | Utilized Agricultural Area   |
| <i>IAAE</i>   | International Association of Agricultural Economists  | <i>USDA</i>   | United States Department for Agriculture                             |
| <i>IFOAM</i>  | International Federation of Organic Agriculture Movements   | <i>WFD</i>    | Water Framework Directive  |
| <i>LEADER</i> | European Community Initiative for rural development. Acronym for <i>Liaison Entre Actions du Développement Economique Rural</i> | <i>WTO</i>    | World Trade Organization   |
|               |   | <i>WWF</i>    | World Wide Fund for Nature   |

## DEFINITIONS

### *Peasant*

This term, used throughout history to denote agricultural workers on very small plots of land, often working in a subsistence manner, is a somewhat loaded one. It has been used pejoratively for centuries to denote people in the countryside who lack the cultural sophistication of city dwellers. For this paper, we use the term peasant as synonymous for the Romanian word “*țaran*”, loosely translated as “people of the countryside”. In this paper we sometimes use the terms “subsistence farmer”, “semi-subsistence farmer”, or “small-scale farmer” to refer to different subsections of what we would refer to as “peasants”. We define peasants as people who are linked to the land, not just as an occupation, but as a lifestyle.

### *Subsistence*

Farm A farm producing for its own consumption, which does not sell its products commercially. Eurostat defines any farm under 1 European Standard Unit as subsistence.

### *Semi-subsistence farm*

A farm which produces mostly for self-consumption, but which does sell some of its products commercially, albeit not

### *European Standard Unit*

The economic unit used in the European Union to decide how large a farm is. The equation takes the amount of activities carried out on a farm (hectares planted, animals grown), and then divides the activities by the standard gross margin (the cost of the inputs) to decide the economic size of the farm.

### *Common Agricultural Policy*

The overarching agricultural policy of the European Union, started with the Treaty of Rome in 1957. It has been reformed several times since its inception, and currently takes up around 48% of the European Union budget.

### *Pillar One of the CAP*

The part of the Common Agricultural policy which focuses on production support including direct payments and market interventions.

### *Pillar Two*

The part of the Common agricultural policy which focuses on rural development through modernization of rural economies, diversification, setting up producers groups, and other measures.

|                           |   |
|---------------------------|---|
| <i>LEADER</i>             | The approach taken in the CAP, as axis four of Pillar two, which stands for “links between actions in rural development”. It involves setting up local action groups made up of diverse local actors which are then given power to make decisions about the development of their micro-region.    |
| <i>Eco-Conditionality</i> | The setting of specific environmental standards under the CAP which must be met in order for a farmer to receive direct payments.   |
| <i>Modulation</i>         | The process, specifically following the 2003 CAP reform, through which money has been redirected from farms receiving particularly large subsidies through pillar one into the rural development programs of pillar two as part of the process of bringing new member states in starting in 2004. |
| <i>Decoupling</i>         | The process, within the reformed CAP, of unlinking the direct subsidies of pillar one from production. After decoupling, the subsidies are no longer linked to producing a certain crop or a certain amount, allowing farmers to better respond to market demands.                                |
| <i>Top-up</i>             | The allowance, under the CAP, for new member states to provide extra funding for a certain period after accession, some of it from the money intended for the second pillar, some of it from the national budget, to add to the direct payments under the first pillar.                           |
| <i>Co-financing</i>       | Under pillar two, many programs have to be co-financed, either by the local or national government, or through bank loans to the applicant. The amount of co-financing required depends on the axis.  |
| <i>EU-15</i>              | The member states of the European Union who were members before 2004 (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain, Sweden, The United Kingdom)  |
| <i>NMS</i>                | The twelve new member states added to the European Union in 2004 and 2007: Czech Republic, Hungary, Poland, Slovakia, Slovenia, Latvia, Lithuania, Estonia, Cyprus and Malta (2004), Romania and Bulgaria (2007)  |
| <i>EU-27</i>              | The twenty seven countries which currently make up the European Union.  |
| <i>SFP</i>                | The Single Farm Payment, the current method for distributing direct payments under the Common Agricultural Policy. The payment rep-   |

resents a simplification of direct payments, decoupled from production levels or certain crops.

*SAPS*

A simplified version of the single farm payment which has been used by almost all of the New Member States for the first three years of EU membership, with a possible two year extension.

*Utilized Agricultural Area*

The total area used for agriculture within a country.

*ESU*

“A European Size Unit (ESU) is a measure of the economic size of a farm business based on the gross margin imputed from standard coefficients for each commodity on the farm. The application of these standard coefficients results in the Standard Gross Margin (SGM) for a farm or group of farms. 1 ESU = 1200 SGM.” – capreform.eu

*SAPARD Program*

The program used for funding from the EU in states prior to their accession to the European Union (Special Accession Program for Agriculture and Rural Development).

*Rural Development*

The overarching term for efforts to improve the standard of living in rural areas. This includes infrastructure programs, educational programs, and other measures taken outside of direct payments.

*Up-stream activities*

A term used in agriculture to denote inputs (fertilizers, chemicals, labor) needed to produce a finished product.

*Down-Stream activities*

A term used to denote areas such as processing and marketing which take place after agricultural products have been produced.

*NRDP – The National Rural Development Program*

It was developed prior to Romania accession to the European Union in 2007 to demonstrate how Romania would distribute the money from the second pillar of CAP.

*Food Security*

The availability of food. Speaking on a national level, it denotes a state’s ability to produce enough food to feed its citizens.

*Food Sovereignty*

A term coined by the organization Via Campesina in 1996 which is defined as “Peoples’, Countries’ or State Unions’ RIGHT to define their agricultural and food policy, without any dumping vis-à-vis third countries”.

## ABOUT THE AUTHOR AND ORGANIZATION

**Douglas K. Knight** has worked in Romania since 2007 as a Peace Corps Volunteer. In 2008 he started working on initiatives dealing with small farmers issues and in April 2009 he helped found the grassroots organization Eco Ruralis – in Support of Organic and Traditional Farmers from Romania.

**Eco Ruralis** is a grassroots organization, based in Cluj Napoca, Transylvania region, Romania, founded in April 2010. It consists of small farmers who practice traditional and organic farming in all of the historical regions of Romania. Eco Ruralis stands for farmers' right to practice environmentally friendly agriculture. This includes the right to use, multiply and distribute traditional seeds, the pursuit of strict biosafety regulations (without genetically modified organisms) the preservation of food sovereignty in Romania and respect for consumer health. Eco Ruralis was founded to address the problems that traditional and organic small farmers from Romania face in social, political and economic contexts, such as:

- the lack of transparency and support from the Romanian authorities regarding the new legislative framework imposed by the EU integration,
- the lack of information and access to funds for organic and traditional agricultural projects,
- favorable measures and policies for biotech companies (seed and chemical producers for intensive agriculture), industrial agriculture and biofuels,
- weak policies protecting the use of traditional seeds,
- a pro GMO policy, which weakens biosafety standards in the organic agriculture sector and the future of traditional seeds and practices in agriculture.

## ACKNOWLEDGEMENTS

We would like to express our gratitude to the many people and groups who have helped us with advice and information at different times. Among them we would particularly like to thank for inspiring us to the European Coordination Via Campesina and Friends of the Earth Europe.

We would like to thank Terre Humaine Foundation and Ratiu Foundation for providing us with funds to carry on our work for Eco Ruralis.

# 1. Introduction

Romania is a country of peasants. Its long history is one of being a rich agricultural country, and its people are deeply connected to the land. The peasants of Romania have weathered many crises and changes over the centuries, but their connection to the land remains strong. Now, the peasants of Romania once again find themselves at a crossroads. The past twenty years in Romania have seen a restructuring of agriculture away from the communist system of the past and towards a market-oriented system. As the communist system crumbled during the early 1990s, Romanians returned to the countryside and found relative comfort and stability in small scale agriculture.

Today, many of the old challenges remain, and new challenges have arisen. In twenty years Romania has converted itself into an open country, a part of the world market. With accession to the European Union in 2007, Romania has begun to face a new set of issues, and has begun to work within a new framework to solve these issues. Moving forward, Romania must find its place in Europe and must learn to thrive under a new set of circumstances. These questions remain: How can Romania find a balance with agriculture: preserving peasant traditions and local economies, while integrating into the larger EU framework and utilizing agricultural resources for long-term economic growth? Can Romania fit into the European agricultural system and still maintain its biodiversity and local food systems? What can be done within the European and Romanian agricultural policies in order to adapt Romanian agriculture to market realities, while still keeping its character and making sure that it benefits Romania and Romanians?

With this paper, we hope to explore these issues and contribute to the debate among small scale practitioners of agriculture in Romania about what their future will be. We come at these issues from a very specific viewpoint, and with specific goals. This paper is written by Eco Ruralis, an association of organic and traditional peasants in Romania, and our mission is as follows: "Eco Ruralis stands for farmers' right to practice environmentally friendly agriculture. This includes the right to use, multiply and distribute traditional seeds, the pursuit of strict bio-safety regulations (without genetically modified organisms); the preservation of food sovereignty in Romania; and respect for consumer health."

This paper is written for the peasants of Romania, and for the policy makers who wish to support them. We see the continuation of peasant agriculture in Romania as having intrinsic value to the economy, society and culture of Romania, and our actions are for the continuation of this agriculture. We are not writing an economic report about making money or bringing financial investments into Romania, nor do we aim for policies which will increase the production of cheap food in Romania, although we recognize that policy makers see these as important issues for the country. We wish to see peasants continuing to live and thrive in Romania, with farmers acting as stewards, maintain-

ing a deep connection to the land. We will lay out a series of issues facing the small scale farmers in Romania, and possible solutions to these problems. We envision a world where small farmers in Romania can make a living wage from their activities; where they can continue to live on the land and pass it on to their children and grandchildren; where Romanians can buy local, affordable food; where production facilities for food products exist within the country; and where a holistic rural development policy ensures that the countryside can maintain its biodiversity and rural character. We are not fighting against higher production or foreign investment but rather we are against the blind pursuit of these objectives at the expense of traditions, sustainable lifestyles and biodiversity. The recent economic history of Romania (as well as the West) has shown that the singular pursuit of higher yields and foreign direct investments do not lead to sustainable agricultural systems. A more dynamic approach is needed.

This paper is laid out in the following way. First, we will briefly delve into the history of Romanian agriculture, so that readers unfamiliar to this topic may have a foundation on which to build an understanding. Secondly, we will look into the current state of agriculture in Romania, and the issues which face Romanian agriculture today. Third, we will explain the EU's Common Agricultural Policy (CAP) and its evolution. Fourth, we will see how the CAP has been implemented in Romania and how it has affected the Romanian agricultural system. Finally we will explore some ideas for the 2013 reform of the CAP and discuss how Romania could be affected by different scenarios. The conclusion will be our recommendations to Romanian and European officials for how to move forward in the future while still maintaining a strong and vibrant peasant population in Romania.

## 2. Overview of the Recent History of Romanian Agriculture

Romania has a long agricultural history, stretching back to before the Dacian and Roman times. Through the history of this area of southeastern Europe, agriculture and the peasant lifestyle is an important, and possibly the only constant that has weathered the many storms the Romanian people have endured. Almost the entire heritage of the Romanian people is based on the fact that this has been and still is a population dominated by peasants. This will just be a brief overview of recent events in Romanian agricultural history which have brought us to the present. We do not wish to dwell on specifics except as they pertain to the current situation.

The current Romanian state, dating from 1859, has a strong and proud agricultural history. After the expansion of the state to its current borders following the First World War in 1919 with the acquisition of Transylvania from Hungary, Romania became one of the largest agricultural countries in Europe. The inter-war period was especially good for Romanian agriculture, as land reform made land more accessible to previously landless peasants and productivity soared. During this period, Romania was one of the main agricultural producers in Europe, and especially in the southeastern region, exporting corn, wheat, and other crops.

All of this came to an end with the coming of the Second World War. The war disrupted the entire infrastructure of the country, and when the communists rose to power following the war, the paradigm and infrastructure in which the Romanian peasant lived changed completely. The period between 1947 and 1962 saw the collectivization of Romanian agricultural lands, focusing on so-called modernization and industrialization of agriculture by the communist state. Peasants lost the rights to the lands which they had been working and large numbers of peasants were moved from the countryside to cities in order to work in state factories, becoming a part of the industrial sector.<sup>1</sup> Peasants working the land now had to produce only for the state, were given unattainable production quotas. As the peasants could not keep any of their crops to feed their families, their connection to the land was severed. Without direct incentives to produce crops, this led to apathy towards the land. The effect this situation had on the psyche of the peasants of Romania cannot be overstated.

From 1948-1989 a generation of peasants was lost, and centuries of knowledge gained through practicing agriculture was largely lost with it. To be sure, many Romanian peasants continued to work their land illegally to provide for their families, but many other peasants were moved into block apartment buildings in urban areas, never to work the land again, never to pass on the knowledge and skills to their children. Farmers moving back to the countryside had to start over again, as amateur farmers without the skills they would otherwise have had. It also

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<sup>1</sup> "Romania." Encyclopædia Britannica. 2010. Encyclopædia Britannica Online. 20 Feb. 2010  
<<http://www.britannica.com/EBchecked/topic/508461/Romania>>.

tainted many long-standing practices and ideas in agriculture, and the terms and concepts of "collectivization" and "cooperative" took on negative connotations in the minds of many Romanians. The second problematic development was the introduction of a competing system of large industrialized farms which the communist state built to supplant the place of peasants in society. We will deal with the results of these developments in the next section of this paper as we discuss the problems facing Romanian agriculture today.

Following the collapse of the Romanian communist regime in 1989, we begin to see the development of the Romanian agricultural system as it exists today. The country switched to a capitalist system, however in many ways the structure of Romania's agriculture remained strikingly similar to how it had been under communism. The communist system had aimed to make the country completely self-reliant in all ways, and had made it very difficult, if not impossible for other countries to import agricultural goods. The new government under Ion Iliescu proved to be similarly hostile to foreign competition. In 1997, Romania had deeply protectionist measures in place, including an average of 75% of applicable customs tariffs<sup>2</sup>.

The reason for this continued support is partially the result of path dependency, but that does not fully explain what was happening in Romania in the 1990s. Many of the enormous state farms were privatized, but the people who came to own them were people who had been formerly connected to the communist apparatus, a phenomenon which continues today: "In Romania the salient legacies are the strong elements of continuity between the pre- and post-revolutionary governments and specifically the continued personal links between agricultural bureaucrats and managers of agro-industrial plants."<sup>3</sup> These continued links mean that the same connected people from the communist era are the ones who have continued to benefit from government support and policies, while the mass of peasantry continues to be left out, as they were under communism: "support in the Romanian agricultural sector is above all a testament to the continued links between state farm and upstream plant managers and bureaucrats in the Ministry of Agriculture, who have acted to block foreign competition, slow privatization and extend ample supplies of soft loans"<sup>4</sup>

The structure established during communism, therefore, continues to haunt the peasantry, and we can see that in the dichotomy of large and small farms that existed throughout the 1990s and continues today. By 1997, it was easy to see which farms were the old state-run farms and which were not. Although family farms and household plots were using 67% of the utilized agricultural area, their average size was only 3 hectares, while the average size of the newly privatized farms and state holdings, covering 33% of the UAA was 2,491 hectares.<sup>5</sup> Meanwhile, the government policies continued to support the large (formerly state-run) farms almost exclusively. In 1997 "the large farms, most of them in state ownership, received relatively high direct subsidies" even with minimal foreign competition.<sup>6</sup> The dichotomy which was established by the communist infrastructure began to entrench itself in the new capitalist system of the 1990s, encouraged by government direct support and subsidies.

The first decade following communism did see some attempts, with limited success, in farmers working to

<sup>2</sup> Cecilia Alexandri and Lucian Luca "Romania and CAP Reform" *Agricultural Economics and Rural Development* 5, 3-4 (2008) 161-180

<sup>3</sup> J.C. Sharman "Agrarian Politics in Eastern Europe" *European Union Politics* 4.4 (2003) 447-471

<sup>4</sup> Sharman, 459

<sup>5</sup> Jan Erik Peterson and Ybele Hoogeveen "Agriculture and the Environment in the EU Accession Countries: Implications of Applying the EU Common Agricultural Policy" *European Environment Agency Environmental Issue Report Number 37* (2004) 1-54

<sup>6</sup> Alexandri and Luca (173)

form organizations which could act in their in their interest. Through the first six years or so after communism, the only active organizations were the "barely reformed Communist agrarian association and the association of former land owners"<sup>7</sup> Since 1996, the Agrostar trade federation has been active and has had some success in pressing for the needs of large-scale farmers, calling for higher subsidies and more privatization. The government has moved forward in this regard, but "even more effective than the protests of private farming concerns has been the behind-the-scenes lobbying of state farm managers, entrenched in the Ministry of Agriculture who "have argued that state farms provide Romania with necessary food security"<sup>8</sup>

Moving into the 2000s, Romania began to look forward to European Union membership. Subsidies remained high, especially for large agricultural units. This is because 88% of Romania's subsidies remained tied to production levels. From 2003-05, Romania's "total agricultural support...stood at 6% of...GDP, exceeding by far the OECD (Organization for Economic Cooperation and Development) average"<sup>9</sup> Area-based payments were only 4% of the total payments at the farm level, meaning that almost all of this money was going directly to the large farms, with the peasantry receiving very little and large numbers of peasants receiving nothing at all.

This now leads us to Romania beginning the process of accession to the European Union and to the current situation of Romanian agriculture. We can view the current time period as roughly from 2006-2010, as this has been when the changes of accession and EU membership have truly been enacted, and changes really began to affect the peasants of Romania. We will revisit this in the next section as we delve into the current issues facing Romanian Peasants. The important thing we would like to note here is that the Romanian agriculture which exists today has been largely determined by what Romanian agriculture was under the previous system. The problems and challenges which existed under communism are many of the same problems facing us today. In the mindset of the farmers, in the actions of the government, and in the physical agricultural infrastructure, and the communist system lurk in the shadows.

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<sup>7</sup> Sharman, 459

<sup>8</sup> Agrarian Politics in Eastern Europe, 460

<sup>9</sup> Cristina Cionga, Lucian Luca, and Carmen Hubbard "The Impact of Direct Payments on Romanian Farm Income: Who Benefits from the CAP?" Prepared for 109<sup>th</sup> EAAE Seminar "The CAP After the Fischler Reform: National Implementations, Impact Assessment and the Agenda for Future Reforms" November 20-21, 2008, 1-15

### 3. Challenges Facing Romanian Agriculture Today

Today Romanian agriculture remains largely in flux. A member of the European Union since 2007, the Romanian government and especially Romanian farmers are struggling to adapt to the new environment in which they find themselves. In this section, we will lay out the challenges facing Romanian agriculture today, focusing on what we see as the major issues the Romanian peasant faces to maintaining his identity moving forward as a European citizen.

This section of this report is divided into ten subsections. In the first three sections we discuss the size and productivity of the Romanian farm population and paint a picture about the large dichotomies which exist within it. We follow up in the following four sections by discussing several social and governmental issues which persist. We then briefly cover environmental issues and regional disparities in Romanian agriculture.

#### A. Size of the Romanian Farm Population

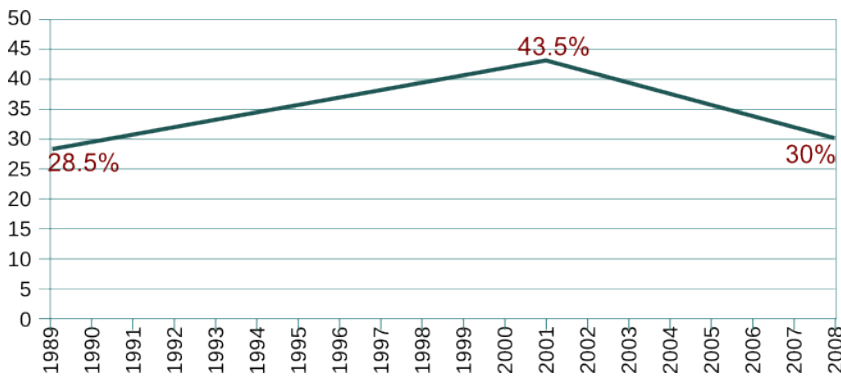
The size of the Romanian farm population is overwhelming, taking up a percentage of the population unheard of in the west of Europe since before the industrial revolution. The entry of Romania into the EU changed the picture and character of European agriculture, and now the EU is in the process of changing the picture and character of Romanian agriculture. "Romania has a farm population five times bigger than the EU level and double compared with the next country in line."<sup>10</sup> At the fall of communism in 1989, 28.5% of the Romanian population was involved in agriculture. This grew to 43.5% in 2001 as the population, forced by the communist system into urban areas, moved back to the relative stability of the countryside and subsistence farming. By 2008, the population involved in agriculture had fallen back to around 30%, as the older population began to die off and new opportunities became available in urban areas.<sup>11 12</sup> This percentage is staggering when compared to Western Europe, where in France the population in agriculture stands at 3.4%, in Germany it is 2.2%, and in Great Britain it is only 1.4% of employment.<sup>13</sup> The importance of agriculture in Romania simply cannot be overstated.

<sup>10</sup> Lucian Luca (Cristina Ghinea Editor) "Two Extremes Don't Make One Right: Romania and the Reform of the Common Agricultural Policy of the EU" The Romanian Center for European Policies (2009) 1-28

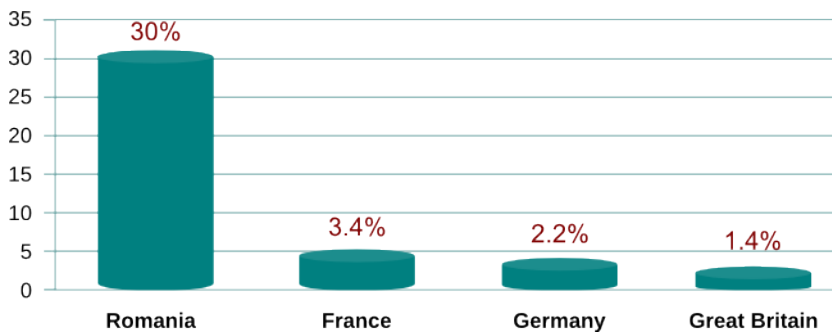
<sup>11</sup> Luca, 19

<sup>12</sup> Cecilia Alexandra and Lucian Luca "The Impact of CAP Reform on Romanian Agriculture" Prepared for 109<sup>th</sup> EAAE Seminar "The CAP After the Fischler Reform: National Implementations, Impact Assessment and the Agenda for Future Reforms" November 20-21, 2008 1-16

<sup>13</sup> Luca, 17



**Graphic 1.**  
Romanian population  
involved in agriculture,  
years 1989 – 2008



**Graphic 2.**  
Population involved  
in agriculture, year 2008.  
*Comparison: Romania, France,  
Germany, Great Britain*

Romania is a relatively large country within the EU, with particularly good farm land. Romania is a predominately rural country, with 60% of the territory of the country being classified as rural. Much more of the population lives in these areas as well, with 47% of the Romanian population living in rural areas as of 2008, much higher than the EU average of 15%.<sup>14</sup> In this rural area, Romania has approximately 14.7 million hectares of agricultural land<sup>15</sup> and this encompasses over four million farms.<sup>16</sup>

Within the EU, Romania now stands as the country most heavily reliant on agriculture, and as the country which represents the largest number of farmers in the union as a whole. Not only does it have the largest percentage of farmers in the EU, the farmers of Romania represent 20% of the entire EU labor force working in agriculture.<sup>17</sup> Agriculture makes up 6.6% of the Romanian GDP<sup>18</sup> and with self-consumption and black market sales of agricultural goods unaccounted for in this figure it remains a central feature of everyday life for almost all of the Romanian population. Only Poland comes close to Romania in the size of its farm population (at around 38%), but Romania is slightly more reliant.

All of these figures are a bit overwhelming, and taken by themselves, they are not necessarily problems. The point we wish to underline is that Romania exists in a different paradigm from Western Europe, and has for centuries. However, with European Union membership, Romania now finds itself profoundly affected by policies emanating from Brussels, which are crafted by citizens and officials of countries which have developed on a completely different track than Romania. Romanians also find their government being influenced to be more welcoming to for-

<sup>14</sup> Carmen Hubbard and Lionel Hubbard "Bulgaria and Romania: Paths to EU accession in agriculture" Center for Rural Economy Discussion Papers Number 17 (2008) 1-21

<sup>15</sup> Cecilia Alexandri and Lucian Luca "An assessment of the impact of possible CAP reform scenarios on Romanian Agriculture" 12<sup>th</sup> Congress of the European Association of Agricultural Economists (2008)

<sup>16</sup> Cionga, Luca, and Hubbard, 7

<sup>17</sup> Corneliu Alboiu "Subsistence agriculture in Romania: a modus vivendi?" 111 EAAE-IAAE Seminar "Small Farms: decline ore persistence" (2009)

<sup>18</sup> Vasile Burja "Sustainable Development of the Romanian Rural Areas" *Annales Universitatis Apulensis Series Oeconomica* (2008) 2.10

eign business interests, and policies within Romania reflect this. This disconnect will have to be reconciled.

## B. Size and Productivity of Romanian Farms

The size of Romanian farms is another area where the agricultural paradigm exists outside of Western European realities. The Common Agricultural Policy was originally designed, and ostensibly is still in place to support the "family farm" – farms with families living and working on them, keeping farmland under cultivation by families in small economic units. Of course, the CAP has not met this goal in Western Europe, and as it has expanded to cover Central and Eastern Europe the problematic elements of the CAP become even more evident, especially for peasant farmers in countries such as Romania. In Romania, the average size of the family farm is only 2.2 hectares, much smaller than the Western European idea of a "family farm".<sup>19</sup> In terms of economic size of farms, Romanian family farms are also quite small compared to their Western equivalents. Of the over 4 million family farms, only 1.24 million of them are at least 1 European Standard Unit (ESU) and 98 percent of all Romanian farms are less than 8 ESU.<sup>20</sup>

The point we wish to demonstrate with these statistics is that CAP was never created to support the farms found in Romania and other Eastern European countries. The fundamental disconnect is that family farms in Western Europe, even forty years ago, were designed as economic units capable of internal trade and export. Romanian and other eastern European family farms have always been, and continue to be built around self consumption and maybe selling locally. The question which must be asked is whether CAP needs to undergo a fundamental change in order to either support these farms or completely change the landscape. We deal with this later in the paper.

Productivity is another factor that many people, especially economists and government officials over-emphasize when measuring Romania's performance. This is an area where we do not share the same concerns as some economists and government officials, as we feel that productivist models of agriculture have worked against the preservation of peasant lifestyles and farmers rights both in Romania and elsewhere in the world. From the standpoint of government planning they are also unsustainable and will deplete resources, destroy local economies and allow for an agribusiness takeover of Romania in the long term. However, that does not mean that productivity is not a concern for small farmers looking to make a living. In Romania, agricultural workers make up 32.1% of the labor force, but only contribute 8.5% of the GDP. The productive capacity of the land is around 30% of the productivity average in the EU.<sup>21</sup> Moving forward, we do not make the same arguments made by many economists and government officials. The bottom line for many officials is "How can we increase productivity?" while we feel that the bottom line must be "How can we put productivity concerns in the hands of people with the greatest incentive for long-term, sustainable growth: the small, local farmers and their communities?"

Increasing productivity in the past has meant making sure that small farmers were pushed off of the land to make way for agribusiness, and especially inviting large multinationals into rural societies which leads to the destruction of lifestyles, cultures, economic structures and social structures, in the name of making more money and provid-

<sup>19</sup> Alexandri and Luca "The Impact of CAP Reform on Romanian Agriculture", 3

<sup>20</sup> Cionga, Luca, Hubbard, 7

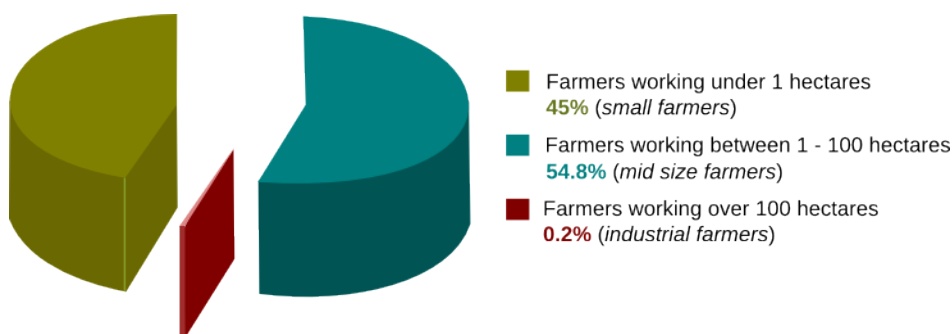
<sup>21</sup> Dinu Gavrilesco and Camelia Gavrilesco "From Subsistence to Efficiency in the Romanian Agriculture During Transition" Prepared for 104<sup>th</sup> EAAE-IAAE Seminar Agricultural Economics and Transition: What was expected, what we observed, the lessons learned, September 6-8, 2007

ing cheap products. In this scheme money is often not reinvested in communities. This is too high of a price to pay. Productivity must be increased through better rural development, better upstream and downstream integration into the existing small farming networks, and the development of stronger and more sustainable internal markets. Higher productivity can mean better food security and more economic opportunities, but only if it is achieved through sustainable, bottom-up measures.

### C. The Dichotomy within Romanian Agriculture

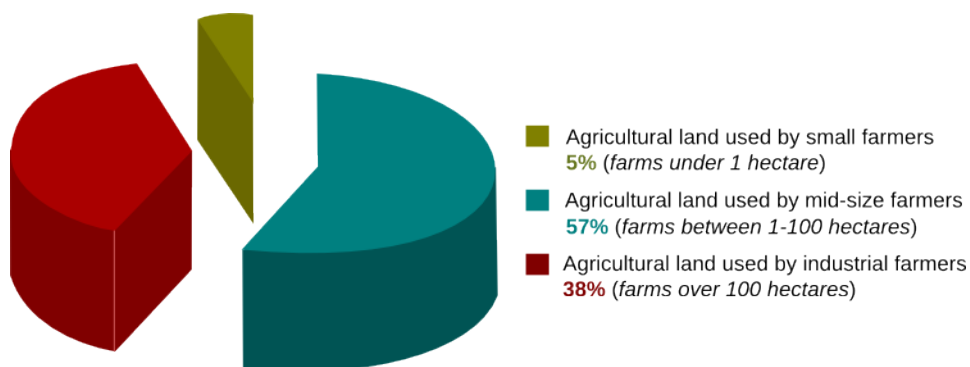
This is an area deeply related to the size of Romanian farms, and one that has been discussed in more depth by Mr. Lucian Luca in several papers written for the Romanian Academy and for the Romanian Center for European Policies. Romania effectively operates two completely separate agricultural systems, for many reasons we discussed above dealing with its history and its social structures. Unlike most European countries, Romanian farmers are divided into a peasant class and an industrial class, without much in between. Romania has 2.6 million farms which are under a hectare, and only 9,600 farms which are more than 100 hectares. Yet, those 9,600 farms "consume the greatest portion of agricultural subsidies."<sup>22</sup>

**Graphic 3**  
Farmers population  
in Romania, year 2008.



The small farms of under one hectare account for only five percent of the utilized agricultural areas (UAA), but account for 45% of farmers, whereas the farms with over one hundred hectares cover 38% of the UAA and only account for 0.2% of the total number of farmers.<sup>23</sup> The remaining UAA is mostly covered by family associations and the small number of middle sized farms.

**Graphic 4**  
Utilized Agricultural  
Area (UAA) in Romania,  
year 2008.



<sup>22</sup> Luca, 20

<sup>23</sup> Cionga, Luca, and Hubbard, 5

With the large majority of the benefits going to these large farms, this has created a situation where the government seems to be creating policies to push the small farmers off the land, or at least where it seems indifferent to their future. This gets right to the heart of where we feel Romanian agricultural policies, and also EU policies, need to change. The future of agriculture in Romania and Europe, we feel, needs to be based on these small farmers, and yet they are being extinguished in favor of large agribusiness holdings in the name of efficiency. This is not a case of free market capitalism and competition, but one of the government actively supporting large wealthy firms to capture market share from small peasants.

Moving forward, this situation needs to be balanced. We agree with Mr. Luca's call for a greater focus on developing what he calls "middle farming", between 5-20 hectares, a size of farm which is almost nonexistent in Romania today. However, we would go even farther and push the authorities at both the Romanian and the EU level to stop actively trying to destroy peasants through these policies. The dichotomy in Romanian agriculture today does not just mirror the past, under communism, with a wealthy few benefiting and the peasants going ignored. In many cases, today's system involves the same few (managers and owners of large farms) getting wealthy while continuing to actively work against small farmers owning and working their own land. Moving forward, Romania and the EU must base their agricultural policies on a sustainable future - peasant agriculture and family farms - getting rid of this dichotomy.

#### D. The Persistence of Poverty in the Romanian Countryside

There is another dichotomy, one that exists not only in Romania but all over the world. This is the dichotomy between rural and urban lifestyles. Especially in a country changing as quickly as Romania, this gap can grow extremely fast and out of sight of average people. While the citizens of Romania's cities have risen quickly in earning power and now appear to be living urban middle class lifestyles, this change has not occurred in the Romanian countryside. Citizens who fled the industrial centers of communism for the security of subsistence farming have found themselves left behind again by social pressures, a collapsing infrastructure, and policies which have left them with no viable income and seemingly no future in Romania or Europe.

Income levels in rural Romania have never been as high as in the urban areas, and recently this gap has grown. Agriculture continues to lag as an employment sector, especially in new market states such as Romania, which have such an abundance of small farmers. Through the development of Romania into a European Union member (1997-2006), average income in all economic sectors in Romania increased by 54%, while incomes in rural areas only increased by 10% over the same time period, with agriculture starting at a much lower level.<sup>24</sup> In 2007, the average income from agriculture in Romania was seven times smaller than that of the average employee, and one half of Romanian farmers were living under the poverty threshold.<sup>25</sup> Furthermore, the income flowing into rural areas as a whole is only 68% of the income levels in urban areas in Romania (2006 numbers).<sup>26</sup> Poverty remains three times as high in rural areas as it is in urban areas.<sup>27</sup>

<sup>24</sup> Alexandri and Luca "Romania and CAP Reform", 8

<sup>25</sup> Luca, 20

<sup>26</sup> Dachin, Anca "Prospects For the Agricultural Income in Romania" *Annals of Faculty Economics* 1.1 (2008) 253-258

<sup>27</sup> Burja, 3

This poverty has deep impacts on the Romanian countryside. An indicator of poverty and disposable income levels is the percentage of money that people in a given demographic spend on food. In Romania, food expenditures make up 45.4% of expenses in the general population, but 50.3% of costs in the rural areas.<sup>28</sup> Some of this is offset by the fact that farms can produce for self-consumption. In Romanian farm households, 57% of consumption is provided on-farm, compared to 11% in urban areas, and an overall EU average of 2%.<sup>29</sup> This is a cushion against poverty and a reason why many Romanians continue to farm, but it also shows that many Romanians in the countryside produce to ensure subsistence consumption, creating problems such as a lack of economic mobility and the creation of a black market which is not recognized by authorities.

The poverty in the rural areas of Romania is hidden behind subsistence and semi-subsistence farming. These remain the dominant forms of rural life in Romania, a situation which is not matched anywhere else in the European Union. Subsistence farms are defined as farms which produce only for self-consumption, and are not regularly selling products. Semi-subsistence farms, on the other hand, are defined as “producing mainly for self-consumption, but also selling a certain part of the production, in which the 'surplus' part that is sold features a certain degree of regularity and consistency”.<sup>30</sup> The farm size can be measured through utilized area, economic size or market participation, but the general measurement is European Standard Units (ESUs). Under the definitions from Eurostat (holdings under 1 ESU are defined as subsistence), 71% of Romanian farms are subsistence, and this covers 26.7% of the utilized agricultural area (UAA) of the country.<sup>31</sup>

This remains a problem not because of what the farmers are doing, but because the vast majority of these farmers are not benefiting from policies which have been designed to support the future of Romanian agriculture. Only 29% of all farmers are registered with the Romanian government, and more than three million remain unregistered – both a large shadow economy and a population which are not helped by government policies.<sup>32</sup> Of all individual farms (i.e. farms which are not legal entities but are owned and worked by families), only 4% are currently market-oriented, while 20% of them are producing some surplus meant for sale.<sup>33</sup>

The National Rural Development Program (NRDP) was established to help meet the needs of small farmers and help them to integrate into the European Union. However, the program was only designed to benefit a small number of these farmers. The Romanian plan defined a “semi-subsistence farm”, the targeted farms, as between 2 and 8 ESU, representing only 350,000 farms, 9% of the total number of farmers, covering 16% of the UAA.<sup>34</sup> Furthermore, based on previous experience in implementing EU measures (SAPARD, etc), only a quarter of these farms can be expected to apply for these measures.<sup>35</sup> This is for a number of reasons, but the largest is bureaucratic inefficiency and lack of awareness among farmers of the measures. Looking forward to the future of Romanian agriculture, the

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<sup>28</sup> Dachin, 255

<sup>29</sup> M. Carmen Firici and Kenneth J. Thomson “Distributional Impact of CAP Reform on Romanian Households” Prepared for presentation at Xth EAAE Congress Exploring Diversity in the European Agri-Food System (28-31 August, 2002)

<sup>30</sup> Daniela Giurca “Semi-Subsistence Farming – Prospects for the Small Romanian Farmer to Choose Between a ‘Way of Living’ or Efficiency” *Agricultural Economics and Rural Development* 5.3-4 (2008) 215-230

<sup>31</sup> Giurca, 220

<sup>32</sup> Giurca, 221

<sup>33</sup> Alboiu, 4

<sup>34</sup> Giurca, 225

<sup>35</sup> Giurca, 226

goals seem far from being met, with 85% of Romanian subsistence farmers saying they have no plans to commercialize.<sup>36</sup>

It would seem a different tack needs to be taken to meet the needs of Romanian peasants. Poverty continues to exist in rural areas because of a lack of non-agricultural employment and a lack of rural development which could provide more opportunities for commercialization for small scale farmers. We will deal with rural development later. However, we feel that the government and academics continue to look at these problems through the wrong lens. We feel peasants need to be seen as the chief strength of Romania, rather than a nuisance to be slowly eliminated. Poverty and subsistence agriculture are deep, multi-dimensional issues which must be dealt with in a complex way, and both the Romanian government and, to some extent, the EU continue to approach these issues with only production levels and classic models from western Europe in mind. Programs are needed which make it easier for small farmers to register themselves, to sell at local markets, and to diversify their activities.

### E. Aging in the Romanian Countryside

A much discussed problem in all analyzes of Romanian agriculture is the fact that the population in the countryside is increasingly getting older as the young people from the countryside flee to the cities for more economic opportunity and higher incomes. Over the past decade, the demographics clearly show these changes. In 2002, people aged 15-24 years made up 52.5% of the rural population. This decreased to 41.4% by 2008. During the same time period, people aged 55-64 saw an increase from 60.1% to 62.9%.<sup>37</sup> The elderly in the countryside are also working much more than their urban peers. In 2006, the employment rate in the Romanian countryside for people over sixty-five years old was 23.4%, while in the cities the employment rate for this age group was only 2.2%, reflecting the fact that the rural elderly population cannot afford to retire and live off of a pension, nor do they have the ability to move to a city and learn a new career in order to earn a living.<sup>38</sup>

The problem for policy makers is that a sufficient and stable income is expected by young people in Romania, and agriculture in Romania is currently not supplying the income or lifestyle which they desire. This problem is not only in Romania, but it is certainly acute here. The only way that more youth can be brought into the countryside is for farming to become a desirable and stable source of employment. Policymakers should pursue and promote policies which work towards this end. Under Pillar 2 of CAP, young farmers receive funding and training for starting up a farm and working towards profitability. This is a positive measure, but young people in Romania are in large part unaware of the policy due to lack of promotion, and they don't necessarily have faith that these funds will actually be dispersed, due to the government's recent track record on paying subsidies and the fact that the subsidies are dispersed so unevenly. We encourage more policies of this sort, and more active promotion of them on the government's part.

<sup>36</sup> Anca Dachin "Rural Development – a basic condition for narrowing regional disparities in Romania" *Romanian Journal of Regional Science* 2.2 (2008) 106-117

<sup>37</sup> Maria Vincze, Kinga Kerekes "Impact of CAPs Pillars on Romanian Rural Employment" 4<sup>th</sup> *Aspects and Visions of Applied Economics and Informatics* (March 26-27, 2009) 997-1004

<sup>38</sup> Dachin "Rural Development – a basic condition for narrowing regional disparities in Romania"

## F. Rural Development

Rural development is a term which is used in almost all discussions related to agriculture today in Europe and Romania. The modernization of roads, irrigation systems, processing facilities, and other related areas is an essential part of making agriculture a profitable and desirable activity, and since the Agenda 2000 reforms, they have been the focus of the entire second pillar of the Common Agricultural Policy. Romania, like many other new member states, is in great need of this rural development money to modernize many aspects of the countryside and make them more efficient for farmers. When the European Union was considering the accession of Romania, a study was conducted in 2002 for the SAPARD (Special accession program for agriculture and rural development) program which had the following results: 16% of rural households were connected to public water systems, 24% had their own water systems, 10% were connected to sewage systems, 12% had flushing toilets, 17% had a bathtub or shower, 7% were connected to gas, and 15% had cable TV.<sup>39</sup> The transport infrastructure was found to be in similarly poor shape, with only 10.6% of roads being modernized by 2005.<sup>40</sup> The SAPARD and Pillar Two funds have begun to work towards the correction of this, but it is an extremely slow process full of bureaucracy, and where co-financing is required almost impossible for peasants to take part in, as well as difficult for local authorities.

Other than physical infrastructure, Romania faces several other rural development issues. A large one is the lack of upstream and downstream agricultural activity in Romania. Romania currently lacks functional agro-food distributional chains, and without these, the country cannot be food-secure, and will always be reliant on outsiders to provide its food.<sup>41</sup> With Romania exporting large amounts of its raw product and importing around 70% of its food, the added transportation costs make the food more expensive. They also make it very difficult for small farmers to take part in the process, as the large foreign processors do not want small amounts of food which may vary slightly in quality and quantity from month to month. The only way to fix this problem is for processing and distribution facilities to be located as close as possible to the sources of the food, where small farmers can more easily sell.<sup>42</sup> This is also extremely important for providing a range of jobs to the rural area, building a sustainable economy which is based on agriculture but which consists of other jobs as well.

Many rural development measures have been taken by the Romanian state since 1990, but they have not been very effective, and much of the infrastructure (roads and irrigation) has actually deteriorated since the end of communism. By 2004 the irrigation systems in Romania were losing 40-50% of their water through seepage and percolation<sup>43</sup>, and they have deteriorated even more over the past six years. These measures “may be assessed as a mixture of contrary, hesitating, anomalous and bureaucratic methods, measures and attitudes, which actually resulted in a huge waste of resources from a budget that has been quite insufficient for a real and sustainable development of Romanian agriculture and rural regions.”<sup>44</sup>

<sup>39</sup> Alexandri and Luca, “Romania and CAP Reform”, 168

<sup>40</sup> Burja, 4

<sup>41</sup> Dachin “Prospects for the Agricultural Income in Romania”, 255 (14)

<sup>42</sup> Burja, 5

<sup>43</sup> Peterson and Hoogeveen, 43

<sup>44</sup> Vasile Gosa and Andrea Nagy “A Few Considerations on Financing Sustainable Development of Agriculture and Rural Area in Romania” *Agricultural Economics and Rural Development* 5.3-4 (2008) 129-141 (26)

Also, even in 2010 the administrators have been slow to offer calls for proposals, and bad at promoting them to a section of the population that cannot check the internet every day. The measures taken in Pillar 2 of the CAP may be better planned out, but they are clearly not designed for Romanian peasants. Romania continues to have difficulty accessing these rural development funds as co-financing of 50% is necessary for many of the measures, and farmers cannot find banks or any other lender to put up the money for these projects. The current policies help foreign agribusiness to develop in Romania, and they have helped Romania become more and more reliant on foreign food sources which must be transported into Romania. Therefore, Romania must find a better way forward for rural development, and it must be based on making peasants better at their craft, and it must make it easier for peasants to provide food for Romanians. Only then can Romania be a food-secure country with a healthy peasantry.

### G. Land Fragmentation, Bureaucracy, and Access to Credit

This section is about some problems which are more specific to post-communist countries and especially to Romanian agriculture. The process of land reform following the 1989 revolution has left the countryside fractured and has made it very difficult for peasants to put together farms which are in one piece and are large enough to be able to support themselves and feed other Romanians. This is not the fault of the current government, but represents what could be seen as a regression in Romanian agriculture from stable, middle-sized farms to fragmented, labor-intensive plots. The most concerning problem, from our perspective, is not so much that the farms are small and labor-intensive, but that each farmer tends to own several plots, spread across a larger area, so that a farmer cannot be said to be working on one farm, but rather working several small areas.<sup>45</sup> This is a problem without clear policy solutions, and will likely have to be solved more through the efforts of farmers to work together in trading and selling land among each other.

A related problem, extremely common in (though not specific to) post-communist systems, is the slow and inefficient bureaucracy and inconsistent government. Twenty years after the revolution, Romania's civil service remains sluggish and unreliable, and policies often change, sometimes dramatically, when a new government or even a new minister takes over. This leads to confusion and a lack of confidence from farmers in the government. There was hope that new regulations and money from the EU would help to remedy this situation and provide stability. However, over the past three years of EU membership, the government has continually failed to even process EU funds. Traian Basescu said on March 11, 2009 "We have a huge bureaucracy, the performance of which amounts to what I just said: nine billion euro put at the disposal of Romania, unused. This is inadmissible and this shows the deep inefficiency of this apparatus."<sup>46</sup> Furthermore, as we have seen this year (2010), the Romanian state has changed its policies halfway through implementing them, or simply not implemented its policies. The failure to pay subsidies promised at the beginning of 2009 by May 2010 left many peasants more distrusting the government than they were before, and leads to a general feeling of hopelessness in the government and its ability to create sound policies or carry out any policy whatsoever.

Finally, on a note related to the above policies, Romanian farmers have great difficulty in accessing credit,

<sup>45</sup> Rachel Sabates-Wheeler, 2005 *Cooperation in the Romanian Countryside: An Insight into Post-Soviet Agriculture*. Lexington Books, p. 26

<sup>46</sup> "Huge bureaucracy' prevents Romania from using EU funds" EurActiv.com, March 11, 2009 (Accessed May 18, 2010)

even for relatively minor projects. Banks in Romania are very hesitant to lend money to Romanian farmers because “the agricultural production specificity, the risk associated to the agricultural production, the profit rate in agriculture, in general lower than in other fields of activity, the low individual credit value, the modest turnover of agricultural holdings...constrain agricultural crediting process.”<sup>47</sup> In other words, because farms are small (lack collateral) and are not as profitable as other fields, banks do not see a good profit-motive in lending to Romanian small farmers. This is a problem farmers in many countries face. However, the problem in Romania is compounded because, as a member of the EU, development of “modern” agriculture is becoming more important to policy holders. Also, Romania now has to compete more than ever on the European market. Looking towards other European countries for examples, Romania's lack of credit comes across as perilous. “Hungary, although having an area..2.5 times smaller than Romania, directs 1.3 times more credits towards agriculture”<sup>48</sup> It becomes worse still when comparing Romania to developed Western European countries. The level of credit in France is 40 times higher, in Germany it is 32 times higher, and 24 times higher in Spain.<sup>49</sup> Competing against these countries in the same market has added to Romania's difficulties.

Two major problems arise from this. Foreign companies can now develop agricultural projects in Romania, while obtaining financing from banks in their home countries. This puts Romanian farmers and agricultural funds at a major disadvantage. Secondly, as we will discuss in further detail in a later section, Pillar 2 financing under the Common Agricultural Policy requires fifty percent co-financing for many measures, which is commonly secured from banks. The lack of lending institutions in Romania which are willing to lend to peasants puts this money out of the reach of the vast majority of Romanian farmers. If they can't benefit from the programs which are meant to support their development, how can the EU expect them to compete against their better-financed competitors to the West?

## H. Imports and Exports

One of the richest endowed agricultural countries of Europe, Romania has long been one of the largest producers of raw agricultural products in the region. However, in the twenty years since the fall of communism, this unfortunately is not an area where Romania has excelled. “Starting from the year 1990, Romania became a net importer of agri-food products, and in 1997 an increasing trend was noticed in the deficit of the balance of trade.”<sup>50</sup> Agricultural products accounted for approximately 3% of total exports and 6-7% of imports by 2005, with agricultural balance of trade deficit of around 1.4 billion Euros that year.<sup>51</sup> This deficit is only growing. In 2009, Romania was the fifth largest agricultural producer in the European Union, and yet it imported 3.7 billion Euros worth of agro-food goods.<sup>52</sup>

The issue, recognized by farmers and policymakers, is that Romania is now a producer and exporter of raw food products, which then imports finished food products. In 2005, processed products accounted for 68% of the im-

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<sup>47</sup> Gosa and Nagy, 138

<sup>48</sup> Gosa and Nagy, 138

<sup>49</sup> Gosa and Nagy, 139

<sup>50</sup> Gavrilescu and Gavrilescu, 1

<sup>51</sup> Alexandri and Luca “Romania and CAP Reform”, 4

<sup>52</sup> “Rușinea României: Jumătate din hrana noastră provine din import! Adevarul, 18 May, 2009 (Accessed May 20, 2010)

ported agro-food goods, while unprocessed products accounted for 59% of exports.<sup>53</sup> This is also related to the above issue, a lack of Rural Development in the countryside, with few jobs outside of agriculture. The infrastructure which once existed in Romania included agro-food processing which was closer to the areas where food was being grown. The diet of most Romanians then also included more raw food products and fewer processed food products.

The way towards fixing these problems is complex and deals with many issues, but one of the keys is better rural development and more food processing facilities within Romania, so Romanian agriculture can provide for Romanian people. A better, but much more difficult solution would be a change in Romanian diets back to local, unprocessed foods which can be easily provided by peasants. As a member of the European Union, some sectors of the Romanian economy will benefit from open trade and some will be harmed. Agriculture has long been the greatest strength of Romania, and it is up to the policymakers at the national level to make sure that it continues to be. It is the country most reliant on agriculture, the one with the most small scale farmers, and the one that can show the way forward for sustainable agriculture in Europe. This can only happen if it regains the food security which it has lost over the past twenty years.

## I. Environmental Issues

This is an area where Romania faces a host of issues in agriculture. Agriculture is both a friend and foe to the environment, providing good stewards who preserve biodiversity and keep the countryside healthy, and destructive chemicals and overuse of soil which destroys the natural eco systems. Romania currently faces many challenges to the environment which have been caused by agriculture, due to its history of large, collectivized farms. “Out of the total of 16 million hectares of agricultural land, 12 million hectares are affected by factors such as erosion, water and salt excess, compacting, acidification, chemical pollution with pesticides, heavy metals, fluoride, oil, etc.”<sup>54</sup> So, there are many issues which the government and farmers need to work together to solve.

The situation, however, is not nearly as bad in Romania as is often assumed. We see much potential in Romania for the future development of sustainable agriculture. Romania today is better off than many of its neighbors or Western countries which have been practicing large scale industrialized agriculture for decades. “Small scale farmers in Romania pollute less as compared to agricultural associations and state farms, as they usually use lower quantities of potentially polluting inputs.”<sup>55</sup> In fact, organic farming stands ready to be a great growth sector in Romanian agriculture, as farmland in Romania is in better condition than elsewhere in the European Union: “due to minimal use of fertilizers and pesticides on Romanian farmland over the past fifteen years, reduced transition periods are frequently offered to potential producers. While farmers in EU countries can face transition periods of five or six years, a typical conversion period in Romania is as low as one or two years.”<sup>56</sup>

As an organization supporting small-scale farmers, this is a key area for us. We strongly feel that an environ-

<sup>53</sup> Alexandri and Luca “Romania and CAP reform”, 4

<sup>54</sup> Luiza Toma “Country Report on the Present Environmental Situation in Agriculture” Institute for Agricultural Economics, Romanian Academy, United Nations Food and Agriculture Organization

<sup>55</sup> Luiza Toma “Policy Recommendations for Pursuing a Sustainable Agriculture in a Small Rural Community in Romania.” CEESA Discussion Paper Number 13 (2003)

<sup>56</sup> “Romania Organic Products - Organic Agriculture in Romania” (2008) USDA GAIN Report

mentally friendly agriculture is an agriculture based on small-scale farming. This is the great strength of Romania, and one that is not recognized as often as it should be, and one that is not defended as forcefully as it should be. If agribusiness moves forward in taking over the agricultural systems in Romania, this country can no longer be the host to such a wide swath of biodiversity, and in twenty or thirty years, we will be dealing with the same soil and pollution issues as the United States and Western Europe.

### J. Regional Disparities Within Romania

We would be remiss if we did not briefly mention the fact that Romanian farmers are not all working or selling from an even-playing field. There are drastic differences between areas within Romania, based on historical, political, and geographic factors. Romania is divided into eight development regions, with varying levels of rural population and agricultural activity. Generally speaking, the Southern and Eastern parts of the country are less developed than the Central and Western parts. This applies to areas such as education levels, GDP per capita, and rural development measures. Since 1995, these regions have taken different paths in Rural Development, and the differences between them remain large.<sup>57</sup>

We mention this because we realize that policy is a intricate and complex process, and Romania may not only have “one path” forward to rural development. The difficulties faced in moving towards the future are compounded by this fact, and policies will have to be made on regional levels as well as local levels. Axis 4 of the EU Rural Development Policy: LEADER, which calls for the development of Local Action Groups, can step in to design specific policies here. However we feel that there are not economic “one size fits all” laws that can be applied in this situation. In some areas, it may be fruitful to focus on organic agriculture, while other areas may not have the local market for organic products. It is going to take three-dimensional thinking and three-dimensional policies to move forward in the Romanian rural countryside.

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<sup>57</sup> Dachin, “Rural Development – A Basic Condition For Narrowing Regional Disparities in Romania”, 110

## 4. Overview of the Common Agricultural Policy

### A. A short history of the Common Agricultural Policy

This section will present an overview of the European Union's Common Agricultural Policy. This is the largest bloc of European Union funding, and is a much-discussed policy. Our intent here is not to provide a complete background of CAP, but merely to demonstrate the evolving nature and aims of the policy, and why decisions about reform have been made. This section, and the following section, will lead us into a broader discussion on the 2013 CAP reform, and its ramifications for Romania.

The Common Agricultural Policy was created by the 1957 Treaty of Rome. It began operating in 1962, and had the following objectives: to increase productivity, to ensure fair living standards for the agricultural community, to stabilize markets, to ensure availability of food, and to provide food at reasonable prices.<sup>58</sup> The CAP consisted of several measures, including import levies, intervention prices at which the EU would buy up agricultural produce if market prices fell below a certain level, and, most importantly, direct subsidies to farmers based on production levels. The policy had the effect of insulating Europe's farmers from the ups and downs of the market and ensuring that farmers were not forced out of work. The origins of the CAP were deeply related to the food shortages which occurred during and immediately following the Second World War, in order that they would not be repeated. The policy was largely successful in many of its aims, and by the 1970s and 80s, Europe was overproducing in many agricultural areas, creating “mountains of butter” and “milk lakes” which led to calls for reform.

In 1992, reformers who had been criticizing CAP finally got through and reform was passed under the tenure of European Agricultural Commissioner Ray MacSherry. His goal was “to motivate a sufficiently large number of farmers to go on farming”<sup>59</sup> and to reformulate the way CAP operated. The reforms had the following goals: keeping farmers numerous enough for them to be able to conserve both the natural environment and the mixed family farm; recognizing two crucial functions for farmers: producing food and conserving the natural environment; and turning the rural development policy into an instrument which would encompass all activities in the rural areas, not just agriculture. The reforms lowered certain guaranteed intervention prices, and raised the direct payments to farmers as compensation. They also created some “set-aside” payments, where farmers could be paid not for farming the land, but just keeping these areas in good agricultural condition. Finally, the reforms began the process of “de-coupling” direct payment from production, working to move away from overproduction of food and towards better environmental

<sup>58</sup> BBC News “Q&A Common Agricultural Policy” <http://news.bbc.co.uk/2/hi/4407792.stm#whatis> (Accessed on May 25, 2010)

<sup>59</sup> Lutz Ribbe “The Long Term Development of the Common Agricultural Policy (CAP) – Analysis and Recommendations for an Ecological Orientation of Agricultural Policies International Federation of Organic Agriculture Movements (May, 2009)

stewardship and better reactions to market forces.

The next reform of CAP took place in 1999, and is known as the “Agenda 2000” initiative. This reform was designed to prepare the European Union for the eastward expansion which eventually took place in 2004 and 2007. The major element of this reform was the splitting of CAP into two pillars. Pillar one focuses on the economic aspects of agriculture, and includes direct payments and market interventions. Pillar two is focused on the rural development needed for competitive agriculture. This includes things such as modernization of agricultural equipment and practices, diversification of rural economies, support for young farmers, and environmental protection in rural areas. Another element of this reform was the introduction of “cross-compliance” measures, which meant that farmers had to meet certain environmental standards in order to receive direct payments, limiting ground and water pollution.<sup>60</sup>

The most recent large reform of the CAP took place in 2003, just before the first ten new member states joined. This reform is considered the most drastic reform so far of the policy. Two new instruments came into being with this reform. The first was “Eco-conditionality” which strengthened environmental standards and included animal welfare standards which must be met in order for a farmer to receive direct payments. The second was “modulation” which was a shifting of money in the CAP budget from the first pillar to the second pillar, preparing for increased rural development funds that would be needed when the new member states (NMS) entered the EU. The reform also decoupled most payments from specific crops, phasing in the Single Farm Payment (SFP) which supplanted the Single Area Payment Scheme (SAPS) which had been in place before. Direct payments were further decoupled from historic production levels, and farmers were given payments for keeping the land in “good agro-ecological condition.” Intervention at above market levels remains an important component of CAP and the EU maintained high tariffs and export subsidies, although prices for some products were reduced.

The final reform of the CAP was done under the title of the “Health Check” of 2008. Compared to the previous reforms, this was a modest effort. Milk subsidies were temporarily raised, but set for elimination in 2015. Modulation to Pillar two was increased, with large farms receiving 10% less money to pay for further rural development measures, and subsidies were further decoupled from production. During the debates, a maximum limit for the Single Farm Payment was discussed seriously for the first time, but was defeated by a strong lobby from large farmers.<sup>61</sup> The NMS objected to the fact that they continue to receive less funding per hectare in direct subsidies than the older European states, but these objections were not dealt with, as the new member states had agreed to this situation when they signed the EU accession treaties.

This is a very brief history of CAP and its reforms, but it is here to demonstrate that the CAP has been changed over time, and it leads us into a discussion about how the CAP operates today. The point we wish to make here is that the CAP has changed its goals, especially since 1992, and it may undergo another dramatic transformation in 2013. The CAP debate has brought out tensions within the European Union about the meaning of a common market, who is financing what, and the difficulties of an enormous economic union encompassing many different states with very different levels of economic and social development.

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<sup>60</sup> David Kelch and Mary Anne Normile, CAP Reform of 2003-04 Economic Research Service, United States Department of Agriculture (August, 2004)

<sup>61</sup> Cionga, Luca, and Hubbard, 14

## B. Brief explanation of the Common Agricultural Policy Today

Today CAP is the umbrella under which all agriculture in the European Union operates. It is an extremely complex policy, made up of many different and often conflicting sections. This is a basic outline of how the CAP functions at the European level. The next section will deal with how it is administered at the Romanian level.

As mentioned above, the 2003 CAP reform divided the CAP into two pillars. Pillar one is made up of direct payments to farmers and market interventions to stabilize the price of agricultural products. Pillar two is focused on Rural Development measures. The direct payments system was significantly altered with the 2003 CAP reform. The SFP (Single Farm Payment) was introduced, replacing the previous direct payment schemes. The Single Farm Payment in theory allows farmers to react better to market forces, producing what is needed currently rather than what will provide the largest subsidy. It also allows farmers better options for managing their farms in an environmentally friendly way, as to receive the payments they do not have to cultivate land, but just have to keep it in good condition. The management of the SFP, however, is largely up to each member state to decide. States are allowed to divide their payments up regionally, and can make the following choices when dividing the money and distributing it to farmers:

- ✓ divide the average historical payment by the number of hectares per farm including forage areas divide the total average payments in a region by total farm hectares to provide a uniform flat payment per hectare across the region;
- ✓ vary payment levels between arable land and grassland;
- ✓ combine a regional uniform payment with a per-farm payment depending on the commodity.<sup>62</sup>

The SFP is set up so that states are allowed to decide what counts as a “farm” that can receive direct payments – with the smallest possible being 0.3 ha. States are also allowed to keep up to 25% of direct payments “coupled” to production in the arable sector.

In order to allow the new member states (NMS) from 2004 and 2007 to ease into the CAP, the EU has allowed these states to not adopt the SFP yet, and to administer a simplified version called the Single Area Payment Scheme (SAPS) for up to three years after accession, with a possible two year extension. This was done because the SAPS is much less complicated from an administrative viewpoint, and it gives the NMS a period of time to prepare to administer the SFP. All NMS took advantage of this option, with the exceptions of Slovenia and Malta, and as of 2010 the states which joined in 2004 have had to implement the SFP, while Romania and Bulgaria can continue to administer the SAPS through 2011. In addition, the NMS were allowed to add “top-up” payments from the national budget (by adding extra money) of up to 30% of the EU money for direct payments, for up to five years.

The second pillar of CAP, created by the 2003 reform, made CAP a much more complicated mechanism by focusing more on rural development. The general framework has been established by all states, with each state receiving the same amount of money, but the policy is very open-ended, giving states wide discretion on how the money is spent. The reform also pushed forward “modulation” which began the process of taking money which would have gone to large farms under the SAPS and applying it to rural development schemes. Traditionally, rural development has only been around 10% of the CAP, but this number has doubled since the reform. Pillar two is broken up into four separate areas, or “axes”.

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<sup>62</sup> Kelch and Normile, 5

- ➔ Axis one is devoted to “improving the competitiveness of the agricultural and forestry sector.” This is done through modernization projects and projects which add value to products and infrastructure.
- ➔ Axis two is devoted to “improving the environment and the countryside.” This includes agri-environmental payments, and payments to farmers in less favored areas (LFAs).
- ➔ Axis three is devoted to “improving the quality of life in rural areas and encouraging diversification of the rural economy.” Projects in this area include village renewal and developments, basic services for the economy and rural population, and business creation and development.<sup>63</sup>
- ➔ The fourth axis is the LEADER (a French acronym meaning “links between actions in rural development”) program, and is devoted to regional development projects. LEADER has the “aim of improving the development potential of rural areas by drawing on local initiative and skills, promoting the acquisition of know-how on local integrated development, and disseminating this know-how to other rural areas.”<sup>64</sup> It helps regions define common objectives and to build local action groups which then can develop strategies related to Axes one and three for an integrated rural development approach.

### C. Criticisms of the Common Agricultural Policy

The CAP has come under its share of criticism since its inception, as any policy of its size could be expected to. These criticisms have come from many angles and political and economic points of view. Free market capitalists have derided its market-distorting subsidies; environmentalists have attacked it for reducing biodiversity, and so on. Here we just wish to highlight the criticisms which we feel are most relevant today and especially for Romania and its small farmers.

The large overarching criticism of the CAP that we have is that it is based on a “productivist” model of agriculture. This was an understandable aim when the CAP was created, and there was still fear of food shortages and hunger in Europe. After decades of this, with the infamous mountains of butter and lakes of milk, the CAP has evolved into a policy that no longer has such a singular focus on production. However, the result of these decades of productivist agriculture is that a system is in place which has been constructed for this end. CAP was created to answer the question “How can Europe produce enough food to feed itself?” and it answered with overwhelming amounts of food. However, other questions have also arisen such as “How can agriculture in Europe be environmentally beneficial instead of detrimental?” and “How can small farmers afford to stay on the land and maintain the rural lifestyle and traditions of Europe?” and the CAP has not answered them adequately. The focus has stayed on production to the point of overproduction and the reforms of the CAP have been merely to mitigate problems which the original policy was causing. Pillar two attempts to answer to the problems caused by pillar one, but it does not solve the existing structural problems. As long as pillar two is in place to limit the damage done by pillar one, the damage is not stopped, only mitigated. The problems arising from the productivist model no longer are just about overproduction, but it has now built a structure within which funds are and will continue to be unfairly distributed. A fundamental reorientation of agricultural policy is needed to truly move forward.

<sup>63</sup> Reform the CAP <http://www.reformthecap.eu/issues/policy-instruments/second-pillar> (Accessed May 26, 2010)

<sup>64</sup> European Commission Website [http://ec.europa.eu/agriculture/publi/fact/leader/2006\\_en.pdf](http://ec.europa.eu/agriculture/publi/fact/leader/2006_en.pdf) (Accessed May 26, 2010)

The largest side effect of this productivist agricultural system is the demonstrated by who is actually receiving the money distributed by the CAP to European Union farmers. Valuing production over all else means that the farms producing the highest volume are bound to receive the lion's share of the subsidies. The CAP provided huge incentives for farms to get as large as possible and to practice mono-industrial agriculture for cash crops. The decoupling of subsidies from production only partially solved this issue, as the larger farms still are the major beneficiaries. In 2006 20% of farms received 85% of pillar one direct subsidy payments under the CAP.<sup>65</sup> In 2009 1,212 property owners, mostly in the north and west of Europe received over a million Euros in farm subsidies while many small farmers received very little or nothing at all. The number of "subsidy millionaires" has been growing, with 2009 showing a 30% increase over 2008.<sup>66</sup> This demonstrates that the CAP is continuing to enrich those with the built-in structural advantages (advantages often created by the CAP itself in the past) and is not in fact maintaining the "family farm" structure.

Another effect of the CAP is that it distorts the food prices which consumers pay. A general argument against agricultural subsidies is that because farmers' incomes are paid by the subsidies they can afford to sell their goods for far less than they otherwise would be able to. The consumer then gets accustomed to cheap food and will refuse to pay the true cost needed to support farmers. The CAP has had this effect on small farmers, as they have been driven out by larger, more mechanized, and better subsidized farmers who can afford to sell at much lower prices. This could perhaps be excused by the European public if consumers were actually paying less, but under the CAP this isn't true. Since the 1992 CAP reforms there has been a rapid decrease in production costs for agricultural products, but only a slight decrease in the prices of consumer food products.<sup>67</sup> All this has occurred while processing and distribution of food products has been concentrated ever more into the hands of just a few companies, putting into question the wisdom and underlying arguments for these payments to large producers.

A final overarching issue with CAP and the model of agriculture it has promoted is the effect industrialized agriculture has on the environment. The concentration of agriculture has had dramatic and negative effects on the erosion of soils, the introduction of chemicals into the ground and waterways, and perhaps most importantly, the loss of biodiversity caused by large-scale mono-industrial farming. Of course we recognize that agriculture on all scales has the potential to have both positive and negative effects on the environment. Small farmers, however, have been shown overall to be better stewards of the land and protectors of biodiversity. CAP policies since the 1992 and especially the 2003 reforms have moved towards better environmental protection, but they have not undone the damages which were suffered previously by the productivist model.

Moving from the overarching issues with CAP, we now wish to focus on some issues which affect the New Member States (NMS), including Romania, more directly. Although the 2003 CAP reform was designed to prepare for the introduction of the NMS, they remain at a distinct disadvantage in the current CAP. The situation is well summed up here, as described in 2003: "Applicant countries have had to dismantle barriers protecting them from competition with highly subsidized West European farmers on their domestic markets. To make matters worse, they

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<sup>65</sup> Luca, 13

<sup>64</sup> Ribbe, 9

<sup>66</sup> "More Farm Subsidy Millionaires Than Ever" Farmers Guardian Online <http://www.farmersguardian.com/home/latest-news/more-farm-subsidy-millionaires-than-ever/31918.article> (accessed on June 2, 2010)

<sup>67</sup> "Proposal for A New European Agriculture and Food Policy" Coordinators Jean-Marc Boussard and Aurélie Trouvé (12 July, 2010)

have generally not been able to increase their exports to the EU, because East European agricultural goods often run afoul of non-tariff barriers.... East European farmers are thus in a double bind: their position in domestic markets is eroded by subsidized foreign competition, while they are in many cases locked out of their major potential export market.”<sup>68</sup>

Eastern European farmers have further disadvantages as well due to factors which don't exist in Western Europe. A lack of access to credit, combined with open business markets, means that Western European investors can access credit in their home countries to invest in Eastern Europe for large scale projects, stunting local development. Also, the reference period for the Single Farm Payment (1995-99) puts Eastern European farmers at a disadvantage, as that period was marked by substantially lower yields in the East when compared to Western Europe, due to the transition from communism to market-based economies.<sup>69</sup> On top of this, as part of the accession agreements, Eastern European farmers receive far less in subsidies, even for the same size farm and equal production levels, when compared to their Western European counterparts. This is justified by the fact that production costs are lower and the farmers have to be slowly integrated into the CAP, but it certainly does not appear fair to Eastern European farmers who, despite lower production costs, have infrastructure and bureaucratic problems to deal with which their Western European counterparts do not.

A final point is the fact that CAP acts as a massive, overarching policy for the entire European Union, but it is administered largely by national governments which vary dramatically in both experience and competence. The discretion left to states, especially regarding the Single Farm Payment, has led to some uneven outcomes and difficult administrative problems across the 27 member states.<sup>70</sup> Governments in Eastern Europe have had trouble administering the funds, and farmers are often unaware of the specifics of applying or deadlines. When governments cannot afford the national contribution to direct payments, farmers are left without the money, making them lose faith in the security they thought they were getting with the European Union. These problems are largely the fault of the governments in countries like Romania, but they should be considered by the EU as a whole as the CAP moves forward.

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<sup>68</sup> Sharman, 467

<sup>69</sup> Kelch and Normile, 4

<sup>70</sup> Kelch and Normile, 6

## 5. Romania and the Common Agricultural Policy

Now we would like to delve into Romania's experience so far with the CAP. Having given the background of both Romanian agriculture and the Common Agricultural Policy, we now wish to synthesize these two issues so we can get a picture of how both Romania and the European Union should move forward in regards to agricultural policy. This section is laid out as follows: the first section describes how the CAP has been implemented in Romania, the second section describes some of the disparities between how CAP operates in Romania versus how it operates in Western Europe, the third section describes some of the overall effects the CAP has had in Romania, the fourth section is about how the Romanian government has positioned itself in regards to the reforms to the 2008 Health Check, and finally we will describe how Romania has positioned itself for future reforms.

### A. How the Common Agricultural Policy was implemented in Romania

Due to the fact that member state governments get wide leverage in how the CAP is implemented within their states, the CAP in Romania is different than in other European Union states. The Eastern European states have certain conditions stipulated to them when they became members of the EU, and one of them was that direct subsidies in Romania and its fellow NMS started at only 25% of the level of the EU-15 (the countries in the European Union before 2004), rising by 5% per year until this year (2010), and then 10% each year afterward until 2016, when they reach the same level.<sup>71</sup> The direct subsidies in Romania are SAPS payments, rather than the Single Farm Payment currently used in the EU-15, as the SAPS is easier to administer. Romania has been allowed to administer the SAPS until 2011, and is expected to apply for a two year extension before being forced to switch to the SFP in 2012. The SAPS remain coupled to production of certain crops and are paid even if a farmer doesn't produce, as long as the land is kept in good agricultural condition. In addition, Romania has been allowed "top ups" to compliment the SAPS for specific crops to foster the development of beneficial areas. Some of this "top-up" money has come from the second pillar budget, but the majority has been financed from the national budget.<sup>72</sup>

Romania was also allowed to set a minimum level of land eligible for direct payments under the CAP. The EU minimum allowable surface is 0.3 hectare, but Romania opted for a minimum surface of one hectare as the administrative costs of paying subsidies on a smaller amount of land would outweigh the benefits incurred from the payments. This certainly seems to be a reasonable decision, based on the fact that it costs around 100 Euros per hectare to administer funds and the government has had trouble administering these funds anyway. However, it also means

<sup>71</sup> Luca, 13

<sup>72</sup> Cionga, Luca, and Hubbard, 14

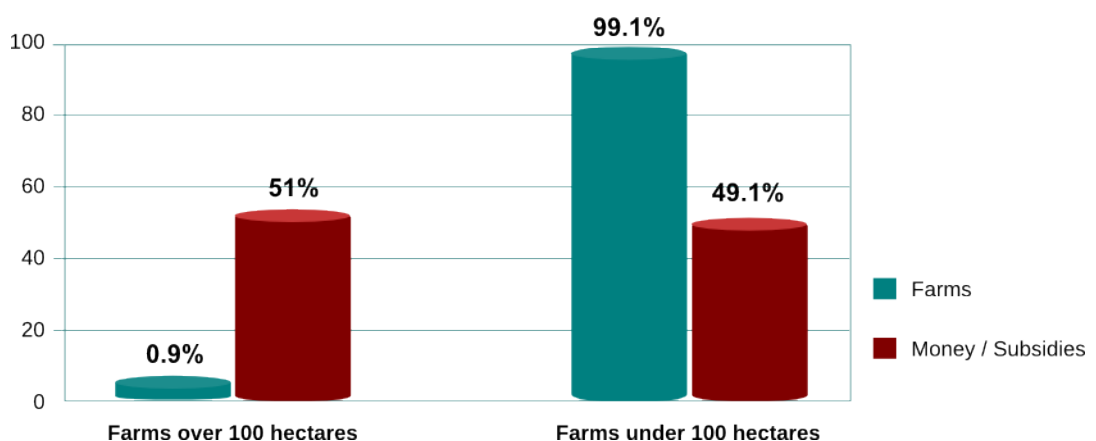
that 2.6 million farming households (over half of the farming population) in Romania remain completely ineligible for direct payments.

The second pillar of the CAP is also different in Romania than in the EU-15. As part of the accession talks before 2007, Romania developed a National Rural Development Program (NRDP) along the lines of pillar two. Following the administration of pre-accession SAPARD rural development funds, Romania set up a budget for the administration of Rural Development money for the period 2007-13. In most EU countries, pillar one takes up the majority of CAP money, but in the East it is the opposite. In Romania the second pillar represents 55% of the CAP budget for 2007-13.<sup>73</sup> Following the axes of pillar two, Romania allocated the rural development budget as follows: Axis one (Improving the competitiveness of the agricultural and forestry sector) receives 42.2% of the funds, axis two (Improving the environment and the countryside) receives 25%, axis three (The quality of life in rural areas and rural economy diversification) receives 26.3% and axis four (implementation of the leader approach for local action groups) receives 2.5%.

## B. Disparities Within Romania and Between Romania and the EU-15

The CAP system in Romania, like agriculture in the country as a whole, is much fractured with a massive dichotomy between large and small producers. The large farmers in Romania take the overwhelming majority of the money allocated for the country's agriculture. Looking at the 2008 subsidy recipients in Romania, 0.2% of farms received 30% of the money, and if farms between 100 and 500 hectares are included, 0.9% of farms got 51% of Romanian CAP subsidies.<sup>74</sup> It also must be taken into account here that this only includes the 30% of Romanian farms eligible for subsidies, which makes it even more shocking. Of all the farms receiving subsidies in Romania, 80% get between 98 and 490 euros per farm, a very small amount even in Romania.<sup>75</sup> This demonstrates that the CAP money in Romania is largely supporting the system that already exists and, if continued in this manner, will further entrench the large farms in their position of superiority.

**Graphic 5**  
Direct payments  
(subsidies)  
distribution  
in Romania,  
year 2008.



This dichotomy is somewhat specific to Romania. Throughout the EU the large farms receive the largest amount of subsidies, but not to the same extent as in Romania. In Western Europe the bottom 50% of beneficiaries

<sup>73</sup> Luca, 22

<sup>74</sup> Luca, 20

<sup>75</sup> Cionga, Luca, and Hubbard, 12

receive 3% of subsidies. The difference is explained by the fact that communism left Romania with a glut of enormous former-state run farms of over 1,000 hectares which are soaking up the CAP subsidy money. These farms are taking up around 17% of the direct subsidies mentioned above.<sup>76</sup> Taking into account the difference in funding levels for farmers in Romania when compared to the rest of the EU, the Romanian small-farmer is at an almost insurmountable competitive disadvantage. The average direct payment in Romania is 50 euros per hectare, while the average is 252 euros per hectare in the 10 NMS which joined in 2004 and 300.5 euros per hectare in the EU-15. Even by 2013, the Romanian average will only rise to 167 euros per hectare.<sup>77</sup> These types of numbers are discouraging and perhaps explain some of the pessimism that surrounds the rural areas in Romania.

### C. What Have the Results in Romania Been?

So, after three years of CAP implementation in Romania, how has the agricultural situation changed, and what sorts of conclusions can we draw so far? In the report prepared for the Romanian Center for European Policies, Mr. Lucian Luca sums it up quite well: “After almost three years of membership, the situation of the agro-alimentary sector has not improved significantly at all.”<sup>78</sup> He notes that the same characteristics pervade Romanian agriculture today as they did before EU accession. Small subsistence and semi-subsistence farmers make up the bulk of the labor force, while a small number of advanced and well connected farms continue to receive an overwhelming amount of the state support. The CAP has been applied as a “one size fits all” solution for moving Romanian agriculture forward. However, the dichotomies already existing within agriculture in this country have been more entrenched than they were before.

Now we will list some more specific results and problems which exist after three years of CAP in Romania. There has been a drop in the number of small farms which are not producing for the market, but this seems to be a result of demographic changes as older farmers die with no young people to take their place. Money continues to be hard to access for farmers and anyone else looking to do a rural development project. The funds which were allocated for the axis four of the NRDP in 2007 to implement the LEADER approach using local action groups and regional development strategies is just now becoming available after three years of waiting. The difficulties of CAP in Romania seem to largely be in the national government's ability to administer the funds and implement the policy in a timely and reliable manner, so a blanket criticism of the CAP cannot suffice for shortcomings. How can farmers judge a policy that they have yet to truly see in action?

### D. How is Romania Positioned on Reform?

We now need to look forward towards how Romania will approach reforming the CAP in 2013. We can start in this section by looking at what types of positions the Romanian authorities took during the 2008 Health Check debates. Romania was led in these debates by then-agriculture minister and now European Commissioner for Agriculture Dacian Cioloș. This was not a major reform and the Romanian delegation did not push for large changes. They

<sup>76</sup> Cionga, Luca, and Hubbard, 14

<sup>77</sup> Gosa and Nagy, 132

<sup>78</sup> Luca, 14

put forward a provision which increased the limit of co-funding for direct payments to the level set for states which joined in 2004. Overall they were very cautious and did not take controversial positions. The CAP Health Check was not an overhaul like the 2003 reforms, or like the upcoming reforms will be. We hope that Romania can be more active and give its peasants more of a voice in the upcoming debate. Commissioner Dacian Cioloș must remain neutral and work on behalf of the entire EU, but he well understands the issues which the Romanian delegation is dealing with as it heads into this debate.

When Romania has dealt with the European Union, from looking at their bargaining positions, a pattern does seem to emerge. The Romanian position has been to consistently push for a high level of direct subsidies, and to push against an upper level limit for how much a farm can receive. Romania has not been in favor of radical reforms to the CAP and has generally supported the status quo. From a certain perspective this makes sense, as it is clearly not in Romania's benefit to reform the CAP in a direction which would re-nationalize agriculture funding or eliminate subsidies all together. However, the Romanian government, by supporting the status quo, has also not pushed for any reforms in other directions, which may provide more benefits and long-term sustainable development for its millions of peasant farmers. Romania must be an active player in the CAP debates moving forward, as its circumstances are unique and no other country can or will speak from its particular paradigm.

## 6. 2013 Common Agricultural Policy Reform

We are now led into the final sections of this paper. The issues have been laid out, and we must ask where we go from here. This section will start by laying out the time line for the current debate on CAP reform and the main actors involved. Second, it will discuss the fault lines in the debate, between governments, civil society actors, and others. Third, we will outline the positions which have been raised by various civil society groups. Next, we will discuss specific European-wide ideas for CAP reforms which we think are particularly important for Romania and its small farmers. Finally, we will look into how proposed reforms could affect Romania and how we feel the Romanian MEPs and delegation should position themselves in order to best represent the peasants of their country.

### A. The Timetable and Main Actors

The timetable for the 2013 CAP Reform is as follows. European Commissioner for Agriculture Dacian Cioloş opened the public debate on Agriculture, which allowed members of the public and organizations to comment until June 14, 2010. As this report is being written, these submissions are being centralized so that a debate can begin in July of this year. The arguments will be brought together over the summer and the first informal debates are now taking place within the Parliament and Commission, outlining the issues and proposed future plans. In the autumn of 2010 there will be a consultation on the Commission's initial proposals. Also in 2010 the overall EU budget post-2013 will be decided. Next summer (2011) the Commission will publish its legislative proposals for reforming the CAP. Between the autumn of 2011 and December of 2012, negotiations will take place between the Commission, Parliament, and Council of Europe, with the goal to have the reforms decided and ready to be implemented in 2013 and effective by January 1, 2014.

The main actors in the European Union who are debating the reform of the CAP are the European Commission, which will draft the proposals and act as the negotiator in the process, the Council of the European Union (made up of the heads of state of the 27 countries in the EU), which will negotiate between the individual positions of their respective member states. Most of this will take place through the Agriculture and Fisheries Council. Finally, the Parliament will also have a large role in these debates. Due to the fact that the Treaty of Lisbon is now in force, the Parliament now has more power in the debates, and the final decisions must be co-decisions between the Council and Parliament. The Parliament will act mostly through its Agriculture and Rural Development Committee. Practically, the way it will work is that the Commission will send proposals to both the Council and the Parliament, and each will hold two readings of them. After two readings, if the Council and Parliament cannot reach a decision, they

will form a Conciliation Committee, made up of an equal number of representatives from each body, which will work towards an agreement. It will then return to the Council and Parliament for approval.

## B. The Fault Lines between Member States in the Debate

The reforms of the CAP which took place in 1992 and 2003 took place inside of a Europe that was not static, but between states which, (for the most part) had been a part of the same economic trading block for a long period of time. With the exception of the expansion in 1995 to include Austria, Sweden, and Finland, the states involved had been working together since the post-war era and discussions were between states which were broadly similar economically. Today, the membership of the EU, along with the social and environmental fabric of the Union has changed dramatically, and the debate reflects these changes across the entirety of its spectrum.

There are two dichotomies in this reform debate which have colored most of the discussions about CAP reform. The first dichotomy is between the EU-15 and the NMS who have joined since 2004. These debates are mostly about equalization of funding levels and how rural development funds are structured. The second dichotomy is between states which are pushing for radical reform of the CAP (such as Britain which is specifically looking to cut the budget) and states who are relatively happy with the CAP but may want to change some parts of the policy (France). States have fallen into these two categories outside of the east-west dichotomy, and as in many areas of EU policy it is sometimes difficult to ascertain which states are truly working together in the debate.

First we will discuss the issues between the EU-15 and the NMS in regards to CAP reform. The ministers of Agriculture for the ten NMS met in February of 2010 to discuss common positions in regards to the future of the CAP and released a declaration of their views.<sup>79</sup> The first argument made by the governments of the NMS is that farmers in their states are still not receiving the same level of compensation as their western counterparts. These governments agreed to this upon joining the EU, but there are arguments made now that this is standing in the way of bringing eastern farmers up to the EU-15 level, and that it violates the idea of a common European agricultural market. The ministers at the meeting also focused on the simplification of the CAP payment structures, as many NMS have had difficulty administering these funds, and the bureaucracy involved has proved very expensive. They also said that simplification will help their farmers better understand the policies and how they operate.

A second point where the NMS have sometimes found themselves at odds with their western counterparts is the percentage of CAP money which is devoted towards Rural Development versus direct payments. Rural Development is seen in the NMS as extremely important as a tool to level the playing field across the EU, but in the EU-15 the perception is that further modulation towards the second pillar will lead to a situation where the west is financing the development of the east without restitution. Clearly there is a greater need for rural development in the East, but Western countries sometimes take the view that national governments should subsidize this development rather than the EU. It is also important to note here that even the NMS have not been clear in asking for modulation necessarily; so much as they have pushed for higher funding for both direct payments and rural development.

<sup>79</sup> Eric Wenberg "EU New Member States Complain About Agricultural Subsidies" Global Agricultural Information Network [http://gain.fas.usda.gov/Recent%20GAIN%20Publications/EU%20New%20Member%20States%20complain%20about%20agricultural%20subsidies\\_Warsaw\\_Poland%20EU-27\\_2-5-2010.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/EU%20New%20Member%20States%20complain%20about%20agricultural%20subsidies_Warsaw_Poland%20EU-27_2-5-2010.pdf) (accessed 2 May, 2010)

The final major difference between the EU-15 and NMS is probably the most important and the greatest threat to the future of agriculture in Eastern Europe. As the EU has expanded and the costs of the CAP have grown across the EU, many government officials in the West feel that they are being dragged down in helping to develop the NMS. There is a push from many in Western Europe to take measures which will “re-nationalize” agriculture policies, leaving both decisions and funding largely up to member states to take care of on their own. One policy in this direction is the proposal to have higher co-financing of direct payments from member states and a drastically reduced EU budget for agriculture. This is a major threat to Eastern Europe, as one of the main reasons these states joined the EU was to be part of a common market where they could benefit from development financed at the European level. Moving financing back to a national level would largely destroy the idea of one agricultural market and Europe would likely regress to a two-tiered agricultural system. This system would be even worse than if the new states hadn't joined the EU, because in addition to lacking the EU funds, it would be extremely difficult for them to pass any measures which could protect their farmers from the open market of well-subsidized goods from the West.

The second dichotomy between countries in the CAP debate is not on a regional or development level, but rather falls mostly along the lines of whether a country has a large, active farming population, or whether it has a small farming population and little agricultural tradition left. Essentially, the debate is “Who is already benefiting from the CAP and does not want to see it destroyed” versus “Who is not a net beneficiary of the CAP and wants to see it reduced or radically reformed?” The debate has been going in the EU since the CAP was put into place, and the NMS have entered the debate on different sides depending on how they see agriculture in their history and in their future. The debate has classically been between Britain and the Nordic countries, on one side, and France, Germany, Italy and other large agricultural countries on the other side. These are broad categories, and many countries may not fit completely into one or the other.

This debate essentially has two stages: how big will the CAP budget be, and then what will the CAP money be focused on? These debates will take place along similar lines but these lines are blurry and will not become clear until after the budget debate is over. The CAP has been decreasing as a percentage of the EU budget since the 1980s, and the “free trading” countries such as Britain want to see this continue. Their vision is that within ten to fifteen years agriculture will not be seen as a special sector of the EU economy, deserving of subsidies, but will be just like any other part of the economy of the EU. The other side of the debate has been led by France, and it says that the budget for agriculture should not be reduced, and that it represents a sector of the economy which cannot be sustainable and secure without state support. Romania has fallen in line with France throughout this debate.

When the debate turns to policy, the lines of the debate get quite blurry. The policies are defined as either more of a market-based approach or one that supports a multi-functional agriculture. Many countries which don't support a large budget nonetheless still support the idea of targeted payments for farmers who are providing an explicit public good. This includes farmers who are performing tasks which have significant positive effects for the environment, such as those working in less favored areas, preserving biodiversity. The goal of many reformers is to make the process more transparent, so the entire EU knows what it is purchasing for its CAP money and so that everyone knows exactly what benefits the public is receiving. Countries on the other side of the debate say it is very difficult to quantify the benefits which farmers produce for the environment, the consumer, and the rural areas, and that the efforts towards transparency are really a hidden agenda to make sure that payments are lowered. If the farm payments

are removed, say the conservatives, then agriculture will only be done for profit, which will naturally lead to large agribusiness taking over the majority of all agriculture in Europe. Only after small farmers are gone will the European public realize all of the externalities which they were producing, and by then it may be too late to bring them back.

All of the debates between reformers and protectionists are also wrapped up in the larger debates globally around free trade. Many of the CAP reforms since 1992 have been designed to fall in line with WTO regulations which forbid authorities from lowering the price of goods which end up on the world market. Subsidies are divided into Red, Yellow and Green boxes. Red box subsidies under the WTO are deemed to be “trade distorting” and highly distort trade. They include export subsidies and domestic content subsidies. Yellow box subsidies are allowed under the WTO but they can be challenged, as many of the CAP policies have been, by other countries within the WTO. Green box subsidies are deemed to be non-trade distorting and are usually to help implement environmental policies. It is largely because of these WTO rules that the CAP has moved towards environmental measures as a way to support the rural areas without running afoul of WTO regulations. The “free trade” block of countries sees this as a good thing and feels that agriculture should be forced to be competitive, and that subsidies have led European agriculture to become weaker and fall behind the rest of the world. On the other side, many conservatives argue that some subsidies are necessary no matter what the WTO says. However, many conservatives and reformers can both agree that export subsidies which have been a part of the CAP in the past and led to economic dumping on foreign markets should continue to be phased out.

### C. Civil Society Groups and Their Positions

Civil society groups of all sorts from all over Europe have also been working on proposals which reflect their views on the future the CAP after 2013. These include farmer syndicates, rural networks, NGOs, and other environmental organizations. Here we wish to present a brief overview of these actors. Valantin Zahrnt, writing at [reformthecap.eu](http://reformthecap.eu)<sup>80</sup> has placed each of these actors into a group and explained what sort of CAP each group is arguing for post-2013. The information he laid out is as follows:

- ✘ **Mainstream farmers:** This includes the European-wide farmers syndicate Copia Cogeca and others. These groups all want to maintain a large CAP budget. The goal of this group is to maximize income, and their policy priorities are to maximize the profits of farmers, mostly by keeping direct subsidy levels high.
- ✘ **Rural Interests:** This includes landowners, rural networks, and others. They also want to keep the CAP budget large. Their policy focuses are keeping strong support for agriculture with only moderate support for public goods. Their goal is to improve the economy and quality of life in the rural areas.
- ✘ **Altermondialists:** This group includes Via Campesina (in which Eco Ruralis has applied for membership), non-mainstream farmers, environmentalists, and animal rights activists. This groups wants a fairly big CAP budget which focuses on local production-consumption cycles, a quality food culture, getting rid of GMOs in agriculture, and social justice.
- ✘ **Green environmentalists:** This group includes Bird Life, WWF, IFOAM and others. They want a fairly big CAP budget which focuses on specific deliveries of public goods.

<sup>80</sup> Valantin Zahrnt <http://www.reformthecap.eu/test-tables> (accessed 15/6/10)

- ✗ **Lean, green reformers:** This group includes the website reformthecap.eu, free traders, possibly business interests, and others. They would like to keep the CAP budget small and focused exclusively on efficient delivery of European public goods.

#### D. Specific Proposals for a post-2013 CAP

Now that we have laid out the basic overarching positions in the CAP debate we will lay out some specific proposals put forward by civil society actors in Europe in anticipation of the debate over the CAP which is now starting. We are not including all of the reform proposals we have seen, but wanted to demonstrate some of the diversity of opinions which exists in the debate. We included proposals here which we thought had some merit and which have influenced our own thoughts on CAP reform. For each proposal we here have provided a brief summary of how each actor sees the shortcomings of the CAP as it exists today, what they believe the priorities of the future CAP should be and their recommendations for changes to the policy.

**Birdlife International, European Environment Bureau European Forum on Nature Conservation and Pastoralism, IFOAM, and WWF.** This is a group of international environmental organizations from across Europe who jointly wrote their report titled “Proposal for a new EU Common Agricultural Policy”, published in December, 2009.<sup>81</sup>

- **Shortcomings of the current CAP:** The CAP today still mostly benefits those who produced most under the old CAP. Only a small part of the CAP is actually targeted towards clear objectives. Payments do not target farmers who are practicing the most environmentally sustainable farming.
- **How the future CAP should be oriented:** Public money should be spent for public goods. These include biodiversity, genetic conservation, watershed functionality, carbon storage, and others. Farmers should not be paid for maintaining a baseline of environmental protection. A change in consumption patterns away from meat and dairy should be encouraged. Biofuels must be attached to quantifiable greenhouse gas savings and sustainable land use.
- **Recommendations:** The CAP should be completely overhauled, both in aims and in delivery mechanisms. The current CAP should be replaced with a system of five support scheme: a basic farm sustainability scheme, a High Nature Value (HNV) farming scheme, an Organic Farming Support Scheme, a targeted agri-environment scheme, and a Natura 2000 and Water Framework Directive (WFD) Compensation scheme. The schemes are all detailed in the report.

**Institute for European Environmental Policy.** This is an independent organization with offices in London and Brussels. This study was financed by the European Commission, but does not necessarily reflect the opinion of the commission. The report is titled “Provision of Public Goods through Agriculture in the European Union” and was published in December, 2009.<sup>82</sup>

- **Shortcomings of the current CAP:** The CAP is not currently oriented towards providing public goods. The

<sup>81</sup> “Proposal for a New Common Agricultural Policy” (December, 2009) Birdlife International, European Environment Bureau, European Forum on Nature Conservation and Pastoralism, International Federation of Organic Agriculture Movements – EU Group, WWF- World Wide Fund for Nature

report examines how the public goods concept can be applied to agriculture in the EU, and how it can be further integrated into the future CAP.

- ***How the future CAP should be oriented:*** The CAP should be further targeted at specific communities where public good are concentrated, especially in extensively grazed areas.
- ***Recommendations:*** The CAP has six areas where it can focus better on public goods: Giving more emphasis to the integration of environmental objectives at the heart of the policy; Establishing appropriate targets; Enhancing the effectiveness and efficiency of measures; Improving implementation; Effective monitoring and evaluation; and Securing sufficient budgetary resources.

**Land Use Policy Group.** The Land Use Policy Group is a group of conservation, countryside and environment organizations from Great Britain who focus on land management. Their report is titled “Securing our Common Future through Environmentally Sustainable Land Management” and was published in March, 2009.<sup>83</sup>

- ***Shortcomings of the current CAP:*** The CAP today is not focused on providing environmental goods and is in fact rewarding the large landowners who are not managing the land in a sustainable way.
- ***How the future CAP should be oriented:*** The contract between urban dwellers who fund the CAP and rural people who receive the money needs to be redrawn. The CAP should be focused on achieving both food security and environmental security for Europe. There needs to be stronger links between the mainstream funding of the EU (CAP) and its environmental commitments.
- ***Recommendations:*** Two new objectives need to be added to the CAP: “To provide environmental security through management of soil, air, water quality, biodiversity and cultural landscapes as well as addressing the challenges posed by climate change” and “To achieve sustainable farming and forestry sectors that have the capacity to help deliver long-term food and timber security as well as other non-food services, thus contributing to environmental security and wider social benefits”. Farmers should have to deliver additional services other than just cross-compliance in order to benefit from public subsidies. A mechanism must be put in place to oversee the environmental effects of the CAP.

**Copa-Cogeca.** Copa-Cogeca is a conglomerate of farmers unions and agricultural associations from across the EU. Their report is titled “The Future of the CAP after 2013”<sup>84</sup> and was published in June, 2010.

- ***Shortcomings of the current CAP:*** Market instability is on the increase, farmers incomes are deteriorating, EU farmers struggle to compete on the world market, and there are new risks from climate change. The CAP needs to adjust to meet these threats.
- ***How the future CAP should be oriented:*** The CAP should recognize the vital role played by farmers, should recognize that farmers are entrepreneurs who provide services and should reinforce the EU as a whole, ensuring greater social and economic cohesion. The CAP should be stabilized with a high budget. It should maintain

<sup>82</sup> Tamsin Cooper, Kaley Hart, David Baldock “Provision of Public Goods through Agriculture in the European Union” (December, 2009) Institute for European Environmental Policy

<sup>83</sup> “Securing our Common Future Through Environmentally Sustainable Land Management – The Land Use Policy Group Vision for the Future of CAP Post 2013” (April 2009)

<sup>84</sup> Copa Cogeca “The Future of CAP after 2013” (May, 2009)

farm incomes, biodiversity, and mitigate climate change effects.

- **Recommendations:** The CAP budget should be maintained, modulation to pillar two should be eliminated, and it should be simplified. A few new measures for delivery should be considered, and transparency should be increased. Direct payments should be continued.

**European Food Declaration.** The European Food Declaration was created by a group of organizations including Via Campesina, Friends of the Earth Europe, Attac, and Greenpeace. It was signed by Eco Ruralis, who also organized the gathering of signatures in Romania. The Declaration<sup>85</sup> was published in March, 2010, and will be followed up by a more detailed report in July, 2010.

- **Shortcomings of the current CAP:** Sustainable family farming and local food cultures have been reduced by the CAP over the past fifty years. A completely different approach is needed. The CAP today is dominated by transnational corporations and the WTO.
- **How the future CAP should be oriented:** The CAP should be reoriented to allow citizens of the EU to make local decisions regarding models of production, distribution and consumption.
- **Recommendations:** Food should be considered a right, not a commodity. The CAP should not harm other countries agricultural systems. There should be fair and secure food prices. Social justice should be considered, and farmers should be given fair access to land. Agro-fuels and GMOs should not be promoted. Transparency should exist throughout the food chain. The concentration of power in agricultural, food processing, and retail sectors should be reduced. Citizens should be reconnected to their food and producers.

## E. Opinions of Experts in Romania and Farmers in the EU

We have now given an overview of the CAP debate which is currently occurring in Europe. The proposed changes from all sides claim that all of the continent will benefit in the long-term, although this seems dubious as these reforms are sometimes diametrically opposed. Here we will lay out how some researchers view the decisions for reform as they affect Romania. This can give us a clearer view of how Romania should position itself in the current CAP debate, and what will actually benefit the vast majority of Romanian farmers.

In 2008, during the CAP Health Check discussions, a survey was undertaken of Romanian agricultural experts to discover how they felt about the CAP and its future direction.<sup>86</sup> This survey revealed some of the divisions within Romanian agriculture (it included people from many different fields, including academics, business owners, and authorities) but it also showed some broad agreement. The vast majority of experts saw direct payments as beneficial (90%) but they also acknowledged that they don't support competitiveness. Around 1/5 wanted to raise the lower limit for subsidies to 5 hectares, while around the same amount wanted to set an upper limit of 50 hectares for direct subsidies. The majority, however (78%), wanted a simplification of the market organizations involved. The experts were split on the further liberalization (more open trade) of agro-food products, with 48% saying it would have a negative effect and 42% saying it would be positive. Half of the experts wanted a stronger pillar 2 in the future

<sup>85</sup> "European Food Declaration" (March 2010) Via Campesina, Friends of the Earth Europe, et al.

<sup>86</sup> Marioara Rusu "Common Agricultural Policy Reform. Perceptions and Opinions – A Case Study" *Agricultural Economics and Rural Development* 5.3-4 (2008) 197-214

CAP, 66% don't think the CAP budget should get smaller, and 83% supported the Romanian government co-financing pillar one of the CAP. The authors of the report broke the experts down into three categories: those wanting a concentration of funds in Pillar 2, those wanted to focus on Pillar 1 and international competitiveness, and those wanted Romania to focus on conforming to the CAP and balancing its needs.

A second survey was also released in 2008, this one asking farmers from across the EU how they felt about the 2003 reform of the CAP and what they thought should happen in the future. The survey broke the farmers out into five groups from across the EU and its regions: “Independents” (focused in Sweden) who are anti-subsidy and believe the CAP is restrictive; “Pessimists” (focused in Britain) who are heavily dependent on the CAP and cannot find off-farm work; “Protectionists focused on production” (focused in Lithuania) who are not for further environmental protection and are looking to expand farm sizes; “Protectionists with a multi-functional focus” (From across the EU) who are against liberalization and for strong environmental protection; and “Enthusiastic new entrants” (focused mostly in NMS) who are very focused on agriculture, environmental protection, and expansion. The researchers derived the following insights from EU farmers for the future of CAP reform: Farmers focus first on food production, the majority believe that the future of farming is dependent on policy solutions, they do not think agricultural diversification is a viable option, they want protection, but are split on how it should be delivered, and stronger opposition to liberalization exists in NMS than in the rest of the EU.

## F. The Possible Effects of Reform in Romania

Now we get more specific in regards to CAP reform proposals in Romania and how they could possibly reshape Romanian agriculture. In 2008 Cecelia Alexandri and Lucian Luca at the Institute for Agricultural Economics at the Romanian Academy looked into CAP reform proposals and how they would impact Romanian Agriculture.<sup>8788</sup> They broke out CAP reform into three scenarios:

- ✘ “Current CAP” which is the CAP after the 2003 reforms. This means that direct payments will reach 100% of the EU level by 2016.
- ✘ “Moderate Reform” which would include a drastic diminution of market measures. The level of direct payments will be reduced by 10% for amounts over 100,000 euros, 25% for amounts over 200,000 euros and 45% for over 300,000 euros.
- ✘ “Radical Reform” which would get rid of both interventions and direct payments. Direct payments would be reduced by 10% in 2014, 20% by 2015 and 30% by 2016. Direct payments would be completely removed by 2023.

They assumed that the Romanian agricultural sector will be almost fully integrated into the EU by 2013 and then looked at how producers and consumers would be effected by these changes.

In the model employed, reforming the CAP moderately did not have much effect on Romanian farmers. The direct payments would not be lowered significantly and the transfer of the saved money to Pillar two would not be large. However, under the “Radical Reform” scenario, there could be a large movement of funds towards the second pillar. The authors state that if it can be shown that pillar two funds can be sufficiently absorbed, support for such a

<sup>87</sup> Alexandri and Luca “The Impact of CAP Reform on Romanian Agriculture”

<sup>88</sup> Alexandri and Luca “Romania and CAP Reform”

radical reform of the CAP would be beneficial in the long term to both Romanian consumers and producers. The consumers would gain more than the producers would lose, and if the money were not cut from the budget but rather directed towards effective rural development measures, then the overall effects of the “Radical Reform” scenario would be justified.

This seems to be about right to us. The Romanian government has been wary of modulation towards pillar two and very supportive of the large direct payments in the current model of the CAP. In the future, the Romanian government should support reforms of this nature, if they can find a way to better distribute rural development funds. Below we outline our vision for the future along with specific recommendations for how the Romanian government can move forward in agriculture, building a strong future which is based on small-scale farming.

## 7. The Future of Agriculture in Romania and the EU

This section concludes this paper and lays out what we see as imperative issues for the future of Romanian agriculture. As we mentioned in the introduction, we have a specific vision for the direction Romania should take in regards to agriculture and what we would like Romanian agriculture to look like in the future. We are an association of small scale peasants and we believe that peasants are the life-blood of Romania. The future must be built on a base of small-scale farming, and that is where the Romanian authorities should start. Romania can be a modern, European country and also a country with peasants providing it with healthy food at a fair price. Below we lay out some specific steps which must be taken in order for this vision to become a reality.

### A. The Need for a Vision Behind the Policies

Romania today is a country without an agricultural vision. As the country has opened up its agricultural markets to foreigners, the authorities in Romania seem to lack any coherent direction towards the future of agriculture in this country. Each new minister of agriculture reshapes the ministry and there are new laws and regulations continuously placed on practitioners of agriculture. This creates stress and a sense of uncertainty amongst farmers and makes it impossible for policy analysts to properly observe the effects of any one policy. A main focus of the Romanian government is to bring in foreign investors, in the hope that they can fix the problems that plague the Romanian countryside. At this time, around five percent of Romanian farm land is owned by foreigners.<sup>89</sup> Officials continue to encourage this foreign investment as the key to the future of Romanian agriculture. The question we have is if these investors are building an infrastructure here which will help Romania for the long-term, with the food staying in Romania, or if they are using the cheap land in Romania to send unfinished food products abroad to be finished and sold elsewhere. If there were a true vision for the future of Romanian agriculture, Romanian authorities could bargain more effectively with foreign investors to build better up-stream and down-stream infrastructure so that on day Romania is self-sufficient in food production. However, this is not the case today.

Officials also rely on EU funds and EU policies to supplant what should be considered national decisions. The policies from Brussels are not built to be national policies, and they cannot take the place of Romania-specific decisions. When asked what the future of Romanian agriculture would look like, Secretary of State for Agriculture Adrian Radulescu responded that “The only solution for Romania is European funds.....unfortunately there will be no more funds for the budgets of 2011, 2012, or 2013 than there is for 2010, meaning that for farmers the only support

<sup>89</sup> Adevarul May 24, 2010 “Pariul strainilor cu agricultura romaneasca” (Accessed July 13, 2010)

will be the money from the European Union...it is impossible to force the government to give the money, because the money doesn't exist in the budget.”<sup>90</sup> This lack of follow through on subsidies and other promises made by the government to farmers reflects a lack of ability in the government for long term planning and an inability to execute a budget. It reflects a lack of professionalism and competence which is not limited to the ministry of agriculture but rather endemic in the whole government. The European Union is not going to solve the problems for Romania. Romania must work out the vision for itself and find a way to use the European Union funds to complete its vision, not the other way around.

There have been some attempts to create a vision for the future of Romanian agriculture. The first one is the Rural Romania XXI plan which was formulated by the Institute of Agricultural Economics at Romanian Academy in 2008.<sup>91</sup> We feel this offers a good starting point for building a vision for the future of Romanian agriculture. The report starts from the basic premise that “Romania needs a multifunctional, competitive agriculture, at the same time complimentary to the agriculture of the other EU member states” which we certainly agree with. The plan they propose focuses on medium and long term development of the agriculture sector in Romania, specifically on infrastructure development and sustainable use of resources. We feel that most of the ideas in the Rural Romania XXI are well-thought out and a great base for long-term planning. We do, however disagree on some issues of substance in the plan. The authors of the plan say that Romania should invest significantly in both biofuels and genetically modified organisms as it develops a more modern, commercial agriculture. We could not disagree more on these issues. Since the paper was written in 2008, more evidence has come to the fore demonstrating that focusing on biofuels is not a sustainable idea and the fact that they compete with food production and tend to place more land in the hands of large, industrial agro-business makes us very wary of investments in biofuels. Our position on GMOs is based on similar grounds. Increasing the area of land cultivated with genetically modified crops in Romania is a threat to peasants' rights, a threat to Romania's agricultural biodiversity, and a dangerous environmental experiment with the country's food supply.

The other paper which we feel is successful in building a vision for the future of Romanian agriculture is the report “Two Extremes Don't Make One Right: Romania and the Reform of the Common Agricultural Policy of the EU” from the Romanian Center for European Policies, written by Mr. Lucian Luca. Mr. Luca centers his argument for the future of Romanian agriculture on greater money being placed in “middle farming” of between five and twenty hectares, that Romania should support a limit on how much money large farms receive in subsidies, and that Romania should orient its money from the CAP towards rural development projects in the second pillar. We fully support the conclusions of this report, and feel that these would be excellent first steps for Romania to take towards reforming its agricultural policies.

We would now like to lay out, in broad terms, our vision for how Romania should move forward with its agricultural policies. The baseline for understanding, as the title of this report suggests, and as we have been building a case for in the preceding pages, is that Romania needs agricultural policies which are both tailored to the specifics of Romania and the fact that Romania is a part of the European Union. These policies simultaneously have to represent

<sup>90</sup> AgroAliment (AGER Press) June 14, 2010 (Accessed on July 13, 2010)

<sup>91</sup> Ioan Otiman Paun “Sustainable Development Strategy of Agriculture and Rural Areas in Romania on Medium and Long Term – Rural Romania XXI” Agricultural Economics and Rural Development 5.1-2 (2008)

the interests of Romania and its citizens and also mesh with European policy, meeting European standards. It is a difficult task, but far from impossible. The underlying key is making sure that policies are written and implemented with Romania's history and current situation in mind. Rather than trying to transform the country overnight, or even worse, hoping for outsiders to develop policies and invest in Romania, policymakers must make unique policies to deal with the situation as it exists in Romania. A country with an agricultural tradition as rich as Romania should be able to develop its own agricultural vision and carry it out.

We strongly feel that these policies must be built firmly on the proud traditions which already exist in Romania, those of small-scale farming. We are not naive, and we realize that Romanian agriculture has many problems which cannot be solved. The key, we feel, is that the small farmers of Romania are currently viewed as a problem to be phased out and gotten rid of, rather than the firm building blocks on which Romania can build its future. The peasants of Romania are its biggest strength, not a liability which is dragging Romania down. A country can be a country of peasants and still be a modern European state. The difference is that the policies must be based on making those peasants the base of a strong supply chain in a vibrant rural economy. Policies which are intended to circumvent the peasants and make them obsolete must be replaced with policies which place them at the center of the action.

Secondly, we echo the call made by many other researchers in Romania and throughout Europe that the key to the future of Romanian agriculture is responsible, sustainable rural development. Without a better infrastructure and responsible investments in rural economies, small scale agriculture will not thrive in Romania. These programs must give peasants opportunities to grow with the policy, with more funding for things such as organic agriculture and support for semi-subsistence farming. Existing policies in this area should be funded with more money from modulation of money from large farm subsidies. These programs should be built for the long-term, and better promoted to peasants, most of who still do not know about them.

Finally, the long term vision for Romanian agriculture needs to focus on the idea of food security within Romania. Much of the CAP reform debate has been focused on food security, but that debate is broadly focused on food security within Europe. Romania and all other EU countries for that matter, needs to also focus on food security within its own borders. The common market for agricultural goods within Europe has gotten rid of import and export taxes and has made it easier for Romania to import food. This is no reason that Romania should quit trying to build an infrastructure to develop its own food. Local food is still healthier, it still burns less energy to reach the consumer, and it still plays an important role in supporting local communities. Romania currently imports over half of its food from outside its borders.<sup>92</sup> It is abhorrent that a country as agriculturally rich as Romania is eating so much of its food from elsewhere. Romania has taken large steps backward in this regard in the past twenty years. It is not a food-secure country, it is not supporting its local producers with infrastructure, and this needs to be a focus for reform moving forward.

## **B. Better Implementation of Policies and More Stability**

Although a long-term vision for Romanian is desperately needed, it is equally important that when policies are put into place, they are well administered. It would not be feasible to expect Romania to have a bureaucracy which

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<sup>92</sup> Adevarul 18 May, 2010 "Shame of Romania: Half of our Food comes from Import"

functions as well as those in Western Europe, as Romania does not have a long history of responsive government or well-trained mid-level bureaucrats. However, this does not excuse continued corruption and what seems at times like pure laziness or incompetence. The Romania government is now charged with implementing the complex policies within the CAP, and the members of the government directly involved in this will have to be better trained and will have to demonstrate higher levels of professionalism and responsibility. Romanian agriculture will not succeed if the responsible authorities are not actively working on behalf of the vast majority of their constituents – Romania's small scale farmers.

A related subject is the fact that the government of Romania also must provide more stability in policies. The farmers of Romania will not be able to develop at all unless they view government policies as consistent and dependable. With subsidies and tax laws changing annually, how could any farmer be expected to adequately calculate risk in order to make long term market-oriented decisions? Banks also do not trust the government to deliver on promises, and they are unlikely to provide credit to small scale farmers without the assurance that policies will not change dramatically over the lifetime of a loan. Once Romania commits to a long-term plan in agriculture, it then must follow through on implementing the plan. Romanian peasants will be working at a continual disadvantage when compared to foreigners operating in Romania (who may be able to secure credit from foreign banks) and the large-scale farms which can afford the investments without bank loans.

### C. The Orientation of the CAP

The authorities in Romania also have a role in European policies. The Agriculture Minister, with his seat on the Council of Europe, and Romanian members of the European Parliament, along with the European Commission (headed by a Romanian) are currently negotiating the reform of the CAP which will take place in 2013. In this role, we feel that the Romanian authorities need to be active in advocating for a future CAP which will be advantageous for Romania and its millions of peasants.

On April 21, the Ministry for Agriculture and Rural Development released its official position on CAP reform.<sup>93</sup> This statement is basically a conservative one, supporting the current structure and goals of the CAP. Three things which they say which we support are that funding should be equalized between Eastern and Western EU states, that eco-conditionality payments should be simplified, and that agriculture policy within the EU should not be renationalized. However, we also disagree with parts of the statement. The ministry argues for more funding for Pillar one of the CAP and reduced funding for Pillar two, saying states should decide about modulation on their own, and it wishes to maintain the SAPS rather than switching to the SFP. We disagree with these positions, and lay out our vision below.

This is a general list of our ideas for the future of the CAP. This section covers the overarching vision of the CAP. In the following section we will lay out our specific proposals for the 2013 CAP debate. First, however, we would like to lay out the underlying philosophy towards which we would like the CAP to move. When developing specific proposals, we feel that decision makers should build around these arguments.

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<sup>93</sup> "Politica Agricolă Comună după 2013 posibile configurații din perspectiva României" Ministry of Agriculture and Rural Development Press Conference, 21 April, 2010

**1. The CAP has to focus on food security WITHIN the countries of the EU.** Discussions of the CAP often focus on European “food security.” This disregards the fact that food security is not just about providing food to the people of Europe, but is essentially an idea centered on local communities. The CAP cannot just answer questions about European-wide food security. It also has to answer questions about local production chains. The European Union is not such a small place anymore, and now the CAP should focus on how far food is being transported *within* Europe, not just exports and imports in and out of the EU. The last thing we want to see is a supposedly “food secure” Europe, where Romania ends up supplying raw products but exporting everything for production and re-importing it, all within the EU. However, this is the direction we are going in. If the CAP is going to be focused on the idea of food security, then food security within Europe has to be just as important as the fact that the EU is producing its own food.

**2. The CAP must be transparent and be supplying demonstrable goods to the public.** The CAP is a policy paid for with public money, and it must be providing public goods. Managing the land and maintaining biodiversity in the countryside are definite public goods to be defended, but the CAP has to do a better job of demonstrating how it is providing these. The CAP is also beginning to become more transparent (thanks to activists pressuring governments to release information), but the policymakers at the European level and at the national level still need to be more explicit about how the CAP works and what it is doing. As subsidy information has become more available, it has become clear that the CAP up to this point has been mostly about supporting industrialized farming while paying to mitigate the negative effects of industrialized farming through rural development programs. This cannot continue to be the case and more transparency can make sure that this won't continue, if coupled with the political will to do so.

**3. The productivist model of agriculture must be abandoned.** The CAP has made gestures towards moving away from the productivist model of agriculture, but the system which was built under the CAP over the past several decades is still in effect. This is dangerous for small-scale farmers, and the CAP must continue to move away from supporting the current structure, and towards structural changes, especially in Eastern European countries where large-scale productivist agriculture was practiced under Communism. The future CAP should aim to deal with the realities on the ground, building new structures to replace old ones, and not pretending that the old structures are not already at an intrinsic advantage.

**4. The CAP must be multidimensional and it must remain, at its heart, a policy about agriculture.** We are an organization that focuses on both the environmental and the social aspects of agriculture. We do not want to promote one at the expense of the other, and we worry that some current proposals, particularly from environmental organizations, risk doing this. Transforming the CAP into a policy with a much smaller budget which rewards farmers only for their public contributions to biodiversity and global warming mitigation may end up missing the forest for the trees. The CAP is a policy about agriculture, and it must continue to be so. Of course we agree that there is a large environmental component and we support more environmental schemes being built into the CAP. However, the

CAP must be designed for farmers, and farmers tend to see their chief role as providing food, and changing an agricultural policy into one which only rewards the environmental aspects of farming, assuming that economic benefits from selling food will take care of the social aspect, is not necessarily a step in the right direction. The CAP must remain multidimensional, and it must continue to focus on all aspects of agriculture and agriculture-related activities.

**5. We are not for a bigger or smaller CAP budget, but rather about a better directed CAP.** We would like to be clear that we are not making a point here about how large the CAP should be. The question is not how much money is being spent, but where the money is going. We fall clearly in the “alter-mondialist” sector of civil society, outlined above. We would like to see the CAP devoted to local production and consumption cycles, and we would like to make sure the CAP is structured in a way which will result in social justice for the peasants of Romania and all of Europe.

#### D. Specific CAP Proposals to Benefit Romanian Peasants in 2013

Finally, we will here lay out a few of the specific points which we feel will best represent the peasants of Romania in the current CAP debates. The above ideas represent the underlying philosophy which we feel should be behind the CAP, but these are concrete, specific ideas which are on the table in the current debate. These proposals are addressed to Romanian decision makers at the European Union level for the first section, and at the Romanian level for the second section.

##### 1. European-wide

- ✓ *A Limit on amount received by large farms in direct payments.* This is the first, most basic step which can be made to level the playing field between large agribusiness and everyone else within the CAP. This idea has been floated in the past and been beaten by agribusiness interests each time. The Romanian government has been against this idea in the past, and we feel they should reverse their position and support the vast majority of their farmers.
- ✓ *No re-nationalization of agricultural policies and funding.* We agree with the Romanian ministry that agricultural policies should not be renationalized, and the Romanian government, along with all of its Eastern European neighbors, should fight hard against this. A re-nationalization of agriculture policies would make a mockery of the idea of a common market and would break the promises made to the NMS when they joined.
- ✓ *Clear labeling of countries of origin for agricultural products.* The first step in supporting local production and consumption cycles is allowing the consumer to know exactly where the food he or she is buying comes from. Better consumer awareness could lead to a better understanding of agriculture on behalf of consumers, and will allow them to make better, more informed choices.
- ✓ *Equal treatment of farmers in Eastern and Western Europe.* Farmers in Eastern Europe remain at a disadvantage and will remain so as long as their countries do not have the same infrastructures as their western counterparts. They should receive the same amount in direct payments, and all historical production level justifications should be taken out of the CAP. We understand that the EU accession agreement signed by Romania will not let this happen until 2016, but if possible Romanian officials should fight to amend this.

## 2. In Romania

- ✓ *More Focus on Rural Development (with better absorption).* In Romania, 55% of CAP funds currently go towards pillar two. Romania has fought again and again against modulation, wanting to put as much of it as possible into pillar one funds which are easier to distribute and absorb. This is a mistake. Although it will be difficult, Romania must place even more money into rural development, and do the difficult work of educating and overhauling the countryside so it can better absorb these funds. Without effective rural development, Romania can never truly benefit from being in the European common market, and it is up to the Romanian authorities to make sure this happens.
- ✓ *More focus on axes 3 and 4 in the NRDP, and more emphasis in Local Action Groups.* Within Pillar two the Romanian Authorities should also change their priorities. As mentioned above, the current National Rural Development Program calls for 42.2% in axis one (Improving the competitiveness of the agricultural and forestry sector), 25% in axis two ( Improving the environment and the countryside), 26% in axis three (The quality of life in rural areas and rural economy diversification) and only 2.5% in axis four (implementation of LEADER approach for local action groups). We feel that this should be changed for the period after 2013, with more of a focus especially on axes three and four. The newly created local action groups could end up being the keystone within the future of Romanian agricultural development, and they should receive much more attention. As much as possible, decisions should be made on this level as well.

## 8. Conclusion

We would just like to conclude by saying that we feel that the future of agriculture in Romania is extremely bright. The peasants in the countryside make up the cornerstone of Romania's past, and they will be the cornerstone of Romania's future. This is a rich country with great potential for agriculture, and with the right policies in place, it can be a prosperous country, one of the beacons of the European Union. The leaders of Romania, if they develop policies in support of the idea, can make Romania a sustainable place with secure food supplies. To do so, they will need to start by supporting the peasants of Romania in their work to grow local, healthy food. The future depends on this happening.

We are an optimistic organization, and we remain steadfast in our belief that peasants can provide the way forward, not just in Romania but in the EU as well. The peasants in Romania, at a crossroads today, can be on the road towards a bright future tomorrow. We are not naive, however. They cannot do it without policies supporting them at the national and European levels. The peasants from all across Europe still have to fight for their futures against the discredited ideas of agribusiness and productivism. We kindly ask for the support of the decision makers in Bucharest and in Brussels in making sure that peasant agriculture in Romania and Europe lasts long into the future.

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