

Romania case study

Agricultural land reform and land consolidation in Romania

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In Romania, agricultural reform started with agricultural land restitution and was carried out in a framework that led to land fragmentation, where efficient agricultural production was not a primary concern; the reinstatement of property rights to small plots dispersed on the large areas hamper the organization of viable and profitable farms and the development of agriculture and rural areas.

Land reform process outcomes

The establishment of a new structure of ownership rights expresses essentially the institutional change of post-communist society. Once the real property is fully recognized and the real rights are protected the country could emerge onto a real market economy and to fulfilling the requirements for EU accession.

Romania has significant land resources, i.e. 23839.1 thousand hectares out of which: 14.857 million hectares of agricultural land (62% of total land resources); 6.457 million hectares of land under forests and forestry vegetation (27%); and 0.868 million ha under permanent water (3.6%). The most important share in land resources is represented by agricultural land. Its structure provides significant development possibilities for a diversified agriculture: arable land totals 9,381 million ha (63%); land under pastures and hayfields 4,949 million ha (33.5%); land area under vineyards and vine nurseries 0.272 million ha (1.8%); land area under orchards and fruit-tress nurseries 0.257 million ha (1.7%).

The transition from the socialist economy towards the market economy determined important changes in the property structures (Table 1). Nowadays, the private property represents the most important part of the social-economic activity in the rural communities. Thus, if in 1989 only 14% from the agricultural land were in private property (not considering the collectivized land), at the end of 2002 this type held a share of 96 %: it must be emphasized that in this category are comprised not only the areas being in individual private property, but also the areas being in state private property.

The restitution and privatization of land has strongly impacted on the structure of agricultural production, labor productivity and investment. The current agricultural economy is a dual one based on the existence of two distinct systems/types of organization. There is a sector, that we could call traditional, which comprise the majority of individual households, specific for a pre-capitalist system, and a sector tending towards modernization, represented by the agricultural associations and the agricultural commercial companies.

Table 1. Evolution of agricultural land by property type

	1989	1994	2000	2002
Total agricultural land (000' hectares)	14759	14798	15857	14837
Public domain (000' hectares)	4144	2618	639	548
Public property (000' hectares))	4134	2618	639	548
Private domain (000' hectares)	2023	12180	14218	14289
State private property (000' hectares)	0	1808	3229	n.a.
Individual private property (000' hectares)	2023	10372	10989	n.a.
Collectivized property (000' hectares)	8602	0	0	0

n.a. – not available

Source: Romanian Statistical Yearbook, 2003, National Institute of Statistics (NIS), and the National Office of Cadastre

The private sector is made up of: a) *individual households*, about 4.17 million, account for 81% of land into private ownership. Their average size is about 2 ha. Individual households generally practice a subsistence agriculture having few connections with input and output markets; b) *legal agricultural associations* operate 1.685 million ha, the average size being 385 ha; they represent 13% of the private agricultural land area. These associations are one way to avoid fragmentation of land use. Many of them devolved from the former collective farms; c) *family agricultural associations* (informal associations), with an oscillating structure; at present they represent about 7% of the agricultural land in the private sector; the average size is about 120 ha; d) *other private farms*, organized according to the private firm principles; at this moment, there are no information regarding them.

The state sector consists mainly of *state farms*, known as *agricultural commercial companies*, with an average size of around 2000 ha.

Transition from public to private property, in a short period of time, represented a social challenge, that, unavoidable, created problems. In the desire of being respected the principle of equity in land retrocession, many important problems were created in the agriculture. A first result is a high fragmentation ownership pattern. Land fragmentation is generally considered as a major obstacle for technological progress in Romanian agriculture and will be subject to further considerations in the present paper.

Current situation regarding land fragmentation

The land fragmentation has appeared as result of an inaccurate implementation of the land reform but having also a tradition in the Romanian rural communities. The size of the land fragmentation was a largely debated subject and considered an unknown issue until the publishing of the first figures given by the General Agricultural Census (GAC). The results of the census identify 14.5 million parcels, from which 14.3 million are located in the sector of individual households (Table 2). The analysis of the fragmentation degree shows a relatively constant distribution: a third is compact farming units, a third is moderately fragmented, and strongly and excessively fragmented is another third, consisting on more than four parcels.

Table 2. Individual households by degree of fragmentation

Degree of fragmentation		
Compact (1 parcel)	Per cent	30
Moderately fragmented (2-3 parcels)	Per cent	36
Strongly fragmented (4-6 parcels)	Per cent	18
Excessively fragmented (6 and above six)	Per cent	16
<i>Total</i>	<i>Per cent</i>	<i>100</i>
Average area on individual household	ha	1.73
Average number of parcels on individual household	Number	3
Average area of a parcel	ha	0.52

Source: processed after, GAC, 2004, NIS

As a result of the land restitution process accordingly to equity principles without considering farm management aspects, the parcels which farmers have received are either too small and/or badly shaped. If the subdivisions by inheritance which, in many cases, are not registered yet were taken into account, the real number of parcels and the land fragmentation level would be even higher.

The causes of excessive fragmentation of agricultural land may be analyzed from several points of view: the lack of legal provisions, the imperfections of the laws and rules, the non application of some of their special provisions, etc. Inheritance law and traditions in land tenure exacerbate land fragmentation, furthering the negative effect (Rusu, 2002).

If the small plots hinder the implementation of new technologies, using of machinery and new production patterns in agriculture, in rural areas fragmented parcels and properties, scattered over different political, juridical and administrative boundaries hampers spatial/territorial planning especially in terms of land administration, land use planning and land management. Decision-makers from both the public and private sector are faced with limited possibilities and alternatives to allocate resources. This hampers the implementation of rural regional development policies, strategies, programs and projects aimed to improve rural livelihoods (Rembold, 2003).

Land consolidation efforts

During the transition period, the problems concerning land tenure and property rights were integrated into the general context of the strategies of transition to market economy. Land restitution, land privatization and family farms sector development represented the core of market-oriented reforms. Agricultural policy focused on several objectives in favor of land consolidation namely: family farm establishment and development; land market establishment favoring family farm size increase; land use concentration by supporting agricultural production associations and leasing.

The fragmentation is recognized as an important issue of the agricultural sector, but the agricultural policy does not refer directly at the measures of settling it. In the transition period, the efforts have been focused particularly upon the reconstitution and constitution of the land property rights and very little, or almost at all, related to measures regarding land consolidation (Table 3).

Table 3. Legal framework influence upon the land consolidation

Law/Regulation	Impact upon consolidation
The Romanian Constitution	Neutral
The Land Law (Law 18/1991)	Negative
The Inheritance Law	Negative
The Leasing Law (Law 16/1994)	Neutral
Law on Cadastre and Land Registry (Law 7/1996)	Neutral
Law on Legal Circulation of Land (Law 54/1998)	Neutral
Law on Mortgage Credits (Law 190/1999)	Neutral
Law on Agricultural Land Tax (Law 8/2001)	Neutral
Law on Farm Operation (108/2001)	Positive
Amendments to Law 7/1996 for joining Cadastre and Land Registry under the authority of National Agency for Cadastre and Land Registry (Emergency Ordinance 41/2004)	Positive

As seen before, the situation is far from being favorable for the process of land consolidation. A key constraint in developing an effective land consolidation policy in Romania consists in the obsolete records in the Land Registry following to the land restitution process. The tremendous changes occurred in the land ownership must be registered in the cadastre and land registration system in order to provide security and to enable an effective land market. A reliable land market is a pre-requisite for an effective land consolidation. In this respect the primary target is to enable a mass registration of the property titles issued according to the land restitution laws and to simplify the land registration procedures.

The cadastre and land registration system has come into functioning long after the land reform has started initiated, and the registration is therefore lagging behind. The output of the land reform and privatization process is fractionated and no single Governmental Agency or Ministry has a complete overview of the situation of possession and ownership of land. The cadastre and land registration system does not only have a function of integrating the scattered records on properties into a unified system, it also carries the burden of cleaning up and reconciling the theoretical legal situation described in those documents with the real situation in the field.

The implementation of a modern land registration system has proved to be difficult. The unification and standardization of the procedures at national level have become compulsory to improve and join the cadastre and land registry under a single authority. Considering these requirements the Romanian Government issued the Emergency Ordinance no. 41/2004 that unified the two components of the land registration system (cadastre and land registers) under a only authority – the National Agency of Cadastre and Public Registers (ANCPI). According to its policy ANCPI is taking measures to improve the land registration system, to consolidate the trust of citizens in the system and to get rid of the internal and external administrative malfunctions. Following to these attempts the land registration system in Romania will succeed to update its land records as a basis for further land consolidation projects.

Property taxes represent an important source of local government revenues and an incentive for a better use of land. The Land Fund Act (Law 18/1991) exempted the new landowners from paying land tax for three years starting with 1991. Due to its political and social reasons the Government extended this exemption and consequently by now no tax was levied on agricultural land. The repeated suspension of land tax has had two adverse effects. The first was depriving the local

administration of an important source of revenue. Second, it encouraged the inactive landowners to keep the land not cultivated instead to offer it for land market.

Land market

An important period of time, the land market, as the main instrument of the land consolidation remained unworkable. If the leasing market became operational starting from 1994, the purchasing and sale of agricultural lands became operational only in 1998.

The purchasing of agricultural lands facilitates the concentration of property aiming the organization of farming units with economic sizes. Between 1999 and 2003, the private landowners sold 340,699 hectares of farming land, which represents 3% of the total being in the property of individual persons. More than 4% of the landowners joined land transactions in this period (Table 4).

Table 4. Evolution* of the sale-purchasing market**

	2000	2001	2002	2003
Sold area (ha)	65723	94480	246540	340699
Number of sale-purchase contracts	51539	69779	145048	198111
Average price (euro/ha)	172	202	217	228

* Cumulated figures from the coming into force of Law 54/1998

** Only agricultural land situated outside of localities (named "extravilan")

Source: Strategy for Sustainable Development of Agriculture, 2004

The sales prices are established depending on the region, soil quality, presence of the irrigation systems, merging of the plots, etc. For example in 2003, the prices for large parcels doubled compared to the previous year, especially at those with areas larger than 10 hectares: the price for the parcels smaller than 10 hectares was 100-300 euro/ha, and for those larger than this reached the price of 500-1000 euro/ha.

According to the data published for the first time by the NIS, the agricultural land operated under leasing had got in 2002 a share of 11% out of which 5% represented only land operated in leasing system and 6% of area worked in a mixed way, leasing and individually. It can be pointed out the existence of other types of consolidated land operation, as it is „the production share” (5%), the free of charge land operation (2%) and the concession (2 %).

The development of the land market is mainly blocked by de fact that in the rural communities, the land property accomplishes a function of social security, and the peasants sell only in cases of “emergency.” The lack of financial resources (the banks do not accept the land as a guarantee when granting loans), unfinished transfer of the property rights, lack of a modern system regarding the parcels registration, high transaction costs, land fragmentation, represent by themselves important obstacles against the development of a dynamic land market.

Left exclusively with the market economy rules, the land consolidation is, as the international practice shows, a lengthy case with social consequences that are very often unfavorable. Land consolidation in Romania therefore must be embedded in the strategy of a comprehensive, participatory rural development and based on a systematic approach, as is mentioned in Agenda 2000 in which “rural development” is

seen as the second pillar of CAP. There is clear evidence for the need for a discussion and approach the process in a broader sense.

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