

Farmland Consolidation: Recent Developments in Romania

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1. Introduction

Romanian agricultural and rural sectors are in deep restructuring process as the transition continues and Romania prepares for accession to the European Union, foreseen for January 1, 2007. The accession will lead consequently to the enforcement of the Acquis Communautaire.

The ability of the Romanian agricultural and rural sectors to cope with the competitive pressures in an enlarged single market will also be dependent upon the quality of decision making in mitigating the effects of land fragmentation, which should be part of a wider and more comprehensive rural development policy.

2. Current states of affairs in the agricultural sector

Agriculture remains a significant sector of the Romanian economy in terms of area, contribution to the GDP and in particular share in the total employment. Romania's total area is 14.8 million hectares, out of which 9.4 million is arable land, accounting 63% of total agricultural area. Agriculture accounts 13% of Romania's GDP and its share in employment remains excessively high (38%) with negative consequences for farm productivity and rural incomes.

The way chosen by Romania to give back collective land (i.e. land that belonged previously to agricultural production cooperatives) resulted in a highly fragmented ownership pattern. Privatization and redistribution of agriculture land has involved more than 5 million people, fragmenting land-ownership and causing the average farm size to fall to less than 3 ha. Farms are, moreover, divided into 4 or 5 separate parcels.

After 1989, in Romania's farming sector a polarized structure in land operation emerged and developed: on one hand a large number of small peasant household farms, and on the other hand a relatively low number of large-sized farms, organized according to private firm principles. In between, there has been a yet relatively thin layer of individual agricultural holdings that have a production potential and orientation of economic activity quite similar to those of the family farms in the EU Member States.

According to the data of the General Agricultural Census (GAC), 4,462.2 thousand individual agricultural holdings are found in Romania (99.5% of the total number of agricultural units) that operate 7,708.8 thousand ha utilised agricultural area (UAA) (55.4% of UAA from Romania).

This farming sector is characterized by an extremely high land fragmentation. The average area per individual agricultural holding amounts for 1.73 ha. Based on data from the same

census, it results that 26.2% of total individual agricultural holdings operate an area less than 0.3 ha each; these holdings use about 1.6% of UAA in the sector of individual holdings. It is worth mentioning that almost 50% of the individual agricultural units fall into the category of the UAA 0.31-2.0 ha; these units operate 24.7% of the UAA. There are 0.98 ha per each economic unit from this class. Most of Romania's UAA farmed in the individual agricultural holding system (37.6% of UAA) belongs to the agricultural units from the category of size 2-5 ha. The agricultural units from the size category 5.1-10 ha own 5.0% of total individual agricultural holdings and use 18.4% of UAA farmed by individual units; there are 6.6 ha UAA per agricultural unit. It is worth mentioning that the individual agricultural holdings with an area of more than 10.1 ha, representing only 1.1% of total individual holdings, operate 17.6% of UAA from individual holdings.

Thus, in an optimistic evaluation only a little more than 6% of total individual agricultural holdings from Romania could be compared with the family farms in the EU countries. This figure is quite relevant and does not impose additional comments on the efficiency of land resources allocation to the largest part of agricultural producers from our country. We should highlight here once again the need to accelerate the process of land consolidation into viable farms, able to face the competition in the European Union.

3. Land consolidation policy and programs

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 namely: family farm establishment and development; land market establishment favoring size increase of family farm; land use concentration by supporting agricultural production associations and land leasing etc. The National Plans for Agriculture and Rural Development supported the reinforcement of agricultural farms, but no policy directly targeting the settlement of the fragmentation effects has been implanted to date.

In 2004 a GTZ funded project "Land Consolidation in Romania with the support of Regional Land Trusts" was completed. The project overviewed present situation of land fragmentation in Romania and past experience in the use of land bank for land consolidation purposes in a number of EU member states. The project also started pilot land consolidation activities in two Romanian localities, namely Sighisoara and Odorheiu Secuiesc. A number of recommendations were made, including the following: land consolidation must be placed in a wider context of rural development; well focused public awareness campaigns must take away the skepticism of older farmers towards retirement plans as part of land consolidation plans; land consolidation process is a bottom-up approach requiring clear inputs from the farming communities, etc.

On the other side World Bank in its studies on agricultural sector in Romania indicates that retirement schemes are not the solution for solving land fragmentation problems. Rather a functioning land market can be a better option for land consolidation and a sustainable long-term solution for reducing fragmentation.

In the last year, laws and regulations have been amended to allow for larger plots of land to be restituted to owners ("the second wave of restitution"), and to support the development of rental and selling land market. The Romanian government wishes to develop special

measures to transform semi-subsistence farms into commercial farms and to increase the size of farms such that to benefit from the economy of scale. The new Romanian Government has presented a new program for the period 2005-2008 which pursues the achievement of the following objectives: i) finalization of land property reform; and ii) stimulation of peasant households' transformation into commercial family farms.

In particular the first objective includes the following activities:

- finishing of land reform program, including completion of land restitution and fair monetary compensation when land restitution in kind is impossible;
- monitoring of land property restitution program;
- registration of all agricultural and forest areas by introducing a single cadastre;
- revision of agricultural land succession procedures.

The second objective of establishing and enlarging family farms is a main concern of this Government. To this respect, supplementary measures to support policies for agricultural holdings are foreseen:

- state support stimulating agricultural land exchange and sale;
- promotion of investments for new farms and consolidation of existing ones;
- provision of a lifelong "land allowance" for each hectare of agricultural land sold by an owner of at least 60 years old;

In this respect, Romania also opted for the Single Area Payment Scheme (SAPS) with minimum holding size of 1 ha and 0.3 ha for parcels. In order to take advantage of the CAP support, Romanian farms should be restructured allowing the reduction of fragmentation and the increase of average size. Taking into consideration the SAPS characteristics the analysis reveals that the main "losers" of SAPS application (non-eligible) will be the small and very small-sized agricultural holdings. These are generally known as subsistence and semi-subsistence farms. For this group of farms it is necessary to implement certain measures from the Second Pillar of CAP that would sustain the integration of smaller farmers into a marketing system and also support their enlargement and development.

Recently (January 2006) a farm consolidation project has started in Romania. The main objective of this project is to provide technical assistance for strengthening the institutional capacity to deal with land size related constraints and the formulation and implementation of sound agricultural and rural development policies enabling the development of a more competitive sector.

The specific objectives are:

- to assist Romanian Government to define a land consolidation policy;
- to establish an effective land consolidation policy capacity in the MAFRD.

There are two target groups: on one side there is rural population who should benefit from increasingly efficient and effective mechanisms; and on the other hand there are officials of the MAFRD who would benefit from improved land consolidation management systems, procedures and skills.