

SUMMARY

The doctoral thesis entitled **STUDIES ON THE INFLUENCE OF THE COMMON AGRICULTURAL POLICY - PILLAR I - ON THE DEVELOPMENT AND EFFICIENCY OF AGRICULTURE IN THE SOUTH OF GALAȚI COUNTY** is structured in two parts and includes a summary, an introduction, six chapters and the bibliography.

PART I – A BIBLIOGRAPHIC STUDY ON THE STATE OF KNOWLEDGE refers to the bibliographic study, to the material under analysis and to the research methodology.

In **CHAPTER I. RESEARCH ON FINANCING MECHANISMS FOR AGRICULTURE IN ROMANIA AND IN THE EUROPEAN UNION**, the tools and the financing mechanisms for agriculture applied under the Common Agriculture Policy - Pillar I are highlighted in detail.

The concept of "common policy" fairly reflects one of the defining features of the CAP, namely that, for about 90 % of the agricultural products, the decision does not remain with the Member States but with the European Union. Initially, the basic instrument of the CAP was the Common Market Organization (CMO). In its present form, the CAP is built around two pillars: the first, the initial one, is the pillar of the Common Market Organizations and the second, having become widespread over the past decade, is that of the Rural Development.

The financing of agriculture and rural development for the Member States of the European Union is ensured as follows:

- mainly from the Community budget to which each Member State contributes a percentage of its GDP annually (non-refundable financing for support of farmers' incomes);
- from national budgets, for adjustment of agriculture to market requirements;
- own sources of farms;
- through loans, to supplement own sources.

Since 2007, the funding instruments of the EU 27 agricultural budget are represented by the two funds established by EAGGF restructuring and unification of the structural funds for rural development, namely the European Agricultural Guarantee Fund (EAGF) for the financing of direct payments to farmers and measures to regulate agricultural markets, and the European Agricultural Fund for Rural Development (EAFRD), for the financing of the rural development programmes of the Member States. The CAP is not only one of the first common policies, but also among the most important.

In subchapter 1.3., the tools and mechanisms for financing agriculture in Romania, after the EU accession, are detailed. The implementation of the CAP in Romania beginning with 2007 caused a radical shift in the mechanisms of support for the agricultural market in our country. Existing support schemes were changed in 2006 and replaced with the Community norms regarding the functioning of the system of the Common Market Organizations for most agricultural products. Gradually, agricultural prices will adjust to prices existing on the single market. Measures of support for agricultural markets and for farmers' incomes include direct payments to farmers and subsidies arising from the requirements of the Common Market Organizations, such as the operation of intervention prices, the purchase of products from public funds to reduce market surplus, export refunds, import protection schemes, other quantitative restrictions on imports or exports.

With regard to support mechanisms for agriculture, it was anticipated that the application of direct payment schemes will prevent (or slow down) the process of restructuring and joining of farms. The system of direct payments led to the rising of land prices, the increase of the rent and therefore did not stimulate old farmers to sell or rent to younger farmers, more interested in agricultural efficiency.

The research and the personal contribution are highlighted in **PART II - RESULTS AND THEIR INTERPRETATION.**

CHAPTER III. CHARACTERIZATION OF THE NATURAL AND ORGANIZATIONAL FRAMEWORK OF THE SOUTHERN AREA OF GALAȚI COUNTY briefly presents in the first subchapter the natural conditions, with reference to the following aspects:

- the relief of Galați County and of its southern area;
- the climate (air temperature, atmospheric precipitations, hydrography);
- the soils.

It is estimated that the investigated area offers both favorable and diverse conditions for agricultural activities, and some negative processes and phenomena, such as soil erosion, landslides, salty and sandy soils (lowly productive), lands subject to flooding.

Further we presented the administrative-territorial organization of the County of Galați and of its southern area comprising 16 communities located in the Siret and the Prut Meadows and on the adjacent hills, respectively the City of Galați and the following villages: Șendreni, Braniștea, Independența, Piscu, Tudor Vladimirescu, Fundeni, Liești, Pechea, Cuza-Vodă, Slobozia-Conachi, Schela, Smârdan, Tulucești and Vânători, with a total area of 1250.95 km², representing 28 % of Galați County.

Subchapter 3.3. analyses the human resources. If compared with the total population of Romania, the population of Galați County represents 2.8 %, ranking ninth among the 42 counties. The analysis of the structure shows that, of the total population, 49.23 % are male and 50.76 % female; by area of residence, 56.45 % live in urban areas and 43.55 % in rural areas. In the south of the county, the total population is 372,632 inhabitants, of which 290,593 reside in the city of Galați. The existing labor resources at a given moment in society express the number of people capable of work, namely that part of the population that has all the physical and intellectual capacities that enable it to perform useful work.

CHAPTER IV. A DIAGNOSTIC STUDY ON THE DEVELOPMENT OF AGRICULTURE IN THE SOUTHERN AREA OF GALAȚI COUNTY BETWEEN 2006 AND 2010, present some considerations on the place of agriculture in the south of the county in the picture of the agriculture in the whole county and in the Southeast Economic Region. To emphasize this, we used a system of indicators relating to the following elements:

- share of agricultural land;
- share of arable land and of areas cultivated with main crops;
- livestock per species;
- total production;
- average production per hectare per crop and average production per animal fed;
- destination of production.

Then we proceeded to analyze the following indicators:

- land fund by use and ownership;
- structure of cultures on arable land, per groups of cultures and main cultures;
- average production per hectare for main cultures;
- total production and its destination.

The analysis of the crop structure between 2006 and 2010 shows that the southern area of Galați County is an area where modern agriculture can be practiced. The variety of cultures suitable for this area allows the farmers to chose diversified culture structures, adapting to market requirements. The hilly ground allows full mechanization of agricultural works and use of equipment of high capacity and performance. However, over the period under review, the cultivated areas in the southern area of Galați County had a tendency to decrease.

Of the 19 main crops analyzed, for six (peas, soy, autumn potatoes, root vegetables, lucerne, annual fodder crops), the average yield per hectare had a negative influence on the evolution of the total production, whereas for the other cultures, where the average yield per hectare has been growing, the influence was positive.

Subchapter 4.3. presents the analysis of the structure of animal production and the results for the southern area of the county of Galați, between 2006 and 2010. At first, the analysis focused on the evolution of livestock (by species and categories), then on the total animal production and the average yield per animal fed, the fodder base, the size of zootechnical exploitations (by species and categories), for the whole area and for the localities of production, on the destination of the production.

In the southern area of Galați County, most zootechnical exploitations are small. In 2010, there were 377,848 farms for livestock and poultry, of which 80.09 % for poultry. The number of farms for dairy cows is 5,604, of which 98.7 % have 1-2 cows. In addition, there are two farms with 30 cows each, 18 farms with 15 cows each (on an average), 14 farms with 8 cows each and 157 farms with 3 cows each, on an average. Of the traditional agricultural activities in this area, sheep farming is the most representative. About 99.77 % of the number of cattle, 99.92 % of the sheep, 99.93 % of the goats, 99.95 % of the pigs, 99.96 % of the poultry and 99.44 % of the number of bee families exist in family households. The quality of the biological material of pigs in the area investigated is low, with a high content of fat of the carcasses. With regard to animal breeding, the general characteristic is the radical decrease of the livestock in the state sector and the increase in the private sector. In exchange, in the southern area of the county, the surface of the fodder base cultivated on arable land marked a decrease of 32.39 %, generated by the reduction of the areas cultivated with fodder, from 5,890 hectares in 2006 to 3,982 hectares in 2010. We conclude that the support of the state is absolutely necessary for the achievement of the objectives regarding the development of animal breeding in Galați County and by way of logic in its southern area. As regards the structure of the agricultural exploitations, it can be observed that a number of 101,356 exploitations, using an area of 91,220.4 ha, cannot receive financial support, because they do not meet a minimum 1 ha/farm requirement. As for the southern area of the county, a total number of 25,669 farms, using an area of 17,213.9 ha, cannot receive financial support. The existence of a large number of small farms simultaneously with a small number of large farms reveals a structural imbalance affecting agriculture and its competitiveness.

CHAPTER V. STUDIES ON THE INFLUENCE OF THE COMMON AGRICULTURAL POLICY (CAP PILLAR I) ON THE DEVELOPMENT AND EFFICIENCY OF AGRICULTURE IN THE SOUTHERN AREA OF GALAȚI COUNTY comprises some studies conducted in order to determine the influence of agricultural policies in Pillar I on the structure of the exploitations, on the production and its structure, on the capital of the exploitation its economic dimension, as well as on the economic efficiency.

In the south of the county of Galați, the total number of agricultural exploitations was 28,594 in 2010, using an area of 91,411 ha (an average of 3.20 ha), less than the county average.

As compared with 2007, in 2010 the agricultural exploitations in the south of the county were organized as follows:

- individual agricultural exploitations, decreasing from 30,332 units in 2007 (70.42 %) to 28,438 units in 2010 (55.73 %);
- other agricultural exploitations without legal personality (authorized physical persons, individual enterprises, family associations), increasing from 18 units in 2007 (0.16 %) to 37 units in 2010 (0.98 %);
- agricultural companies, increasing from 12 units in 2007 (3.78 %) to 16 units in 2010 (4.26 %);
- trading companies, increasing from 61 units in 2007 (24.15 %) to 114 units in 2010 (37.95 %);
- public administration units, decreasing from 36 units in 2007 (1.49 %) to 26 units in 2010 (2.07 %);
- cooperative units are non-existent in the southern area of Galați County.

To determine the influence of agricultural policies in Pillar I on the structure of the exploitations, two specific modules for agricultural exploitations in the south of Galați County have been designed, faithful to the situation existing in the agriculture of the county and taking into account average coordinates for each operating structure. To this purpose, more variants of size of the exploitations have been elaborated, with types of organization and technological systems; the results reveal an optimal model regarding the spatial and the economic dimensions, and the viability of the agricultural exploitation. For each module a system of technical-productive and economic-financial indicators have been determined, all of which laying the basis for an assessment of the overall economic efficiency:

- the module "individual exploitation" shows an 11 % profit rate (175 lei/ha) for a 3 ha exploitation, with no subsidies, and a 45.27 % profit rate (713 lei/ha), with subsidies;
- the module "agricultural society" shows a 7.94 % profit rate (125 lei/ha) for a 50 ha exploitation, with no subsidies, and a 42.10 % profit rate (663 lei/ha), with subsidies;
- the module "trading company" shows a 14.29 % profit rate (200 lei/ha) for a 251 ha exploitation, with no subsidies, and a 52.71 % profit rate (738 lei/ha), with subsidies.

The production structure of an agricultural exploitation designates its field of activity and is a component of a development strategy, having diverse influences on the results to be obtained. The selection of the most profitable cultures and the determination of the profit

obtained through their combination is a relatively slow development process and a specific research matter.

To demonstrate the efficiency of agricultural policies, a case study was conducted at PECHEANU CORNEL AFP (Authorized Physical Person), with its headquarters in the village of Nămolosa, with an agricultural area of 908.69 ha in 2010. In 2008, as compared with 2007, the total income was 48.54 % higher, due to the influence of the average yields and of the average selling price. In some cultures, the income per hectare had a significant increase, this being also the case of the sunflower culture for which the income increased by 257.22 % in comparison with 2007, and of the fodder culture, with an increase of 131.47 %, in comparison with 2007. In 2009, in comparison with 2008, the total revenue decreased by 26.13 %, as an effect of the changing of the crop structure, of the selling prices and of the lower efficiency. In 2010, the total revenue increased by 37.75 % due to the expansion of the surface exploited, but also to the changing of the crop structure, of the average selling prices and of higher efficiency.

The analysis of the data presented shows that the activity of the PECHEANU CORNEL exploitation was profitable for most of the cultures, with the exception of 2007 and 2009. The losses recorded in 2007 were caused by the climatic conditions of that year, whereas the losses in 2009 were caused by the wrong choice of the production structure that could not ensure maximum efficiency, a weak crop rotation and a low average price. Hence, the obvious need for crop subsidizing with a view to obtaining the revenue necessary to continue production and investment processes. Of particular importance is the choice of optimal structure of crops, depending on natural conditions and farm resources. To highlight the influence of agricultural policies of Pillar I on the capital, the main economic indicators and the production results have been calculated based on the revenue and expenditure budget of AGROGAL TRADING COMPANY Galați, in terms of crop production and structure existing in 2010. Two variants have been taken into account: variant I, with no subsidies and variant II, with the granting of subsidies. The analysis of the results shows that the profit of the exploitation is 639.91 thousand euro, if no subsidy is granted. The standard gross margin of 912.18 thousand euro per the entire exploitation shows that it falls in class IV economic size, that is professional exploitations. The funds for the resumption of the production process, 410,030 lei, cover only 5 % of the total production costs. Regarding the classification by size of the agricultural exploitations in the county of Galați, the characteristic describes a small number of over 50 hectares exploitations, 0.83 % of the total number, in comparison with the large number of under 1 ha exploitations, 74.94 %. Given the criteria for direct payments and complementary national direct payments, *i.e.* the minimum size of over 1 ha per exploitation, a total number of 76,656 units in 2007 and

69,207 units in 2010 could not benefit from these payments. The classification by physical size must be determined in close connection with the distribution of the agricultural land used: agricultural exploitations over 50 ha from the southern area of Galați County used 25.21 % of the agricultural area, as compared with the 38.11 % county average, and exploitations between 5 and 50 and over 50 ha used 39.88 % of the agricultural area, as compared with the 51.90 % county average.

The elaboration of effective agricultural policies requires clear identification of the existing types of production entities, because the manifest differences between them cannot and should not be neglected in the field of political and economic decision-making. The various production entities have their own features, so they require the application of different instruments. To demonstrate the influence of agricultural policies of Pillar I on the optimal exploitation size, we considered two variants: variant I, when no subsidy is granted and variant II, with subsidy granted. From the economic point of view, the optimal size is between 6.10 and 8.0 ha, for the variant without subsidy, and between 4.10 and 6.0 ha for the variant with subsidy granted. In the case of agricultural societies, the optimum size in terms of economic, physical size is between 110 and 140 ha for variant without subsidy and physical size between 50 and 80 ha for the grant option. In the case of agricultural companies, the optimal, again from the economic perspective, is between 110 and 140 ha if there is no subsidy, and between 261 and 320 ha if the subsidy was granted.

In order to determine the influence of the Common Agricultural Policy on the economic efficiency of agricultural exploitations, a case study was conducted at AGROINTERNATİONAL TRADING COMPANY Galați, an exploitation that owns a dairy farm at Braniștea village, Galați County, with a herd of 210 heads in 2010.

Regarding the evolution of the farm income, given that the livestock grew over the 2008-2010 period, a positive trend can be noticed: from 395,298 lei in 2008 to 552,338.80 lei in 2010, representing an increase of 39.72 %. If the income is reported to the number of animals, an increase from 2,600.64 lei/head in 2006 to 2,630.18 lei/head in 2010 can be noticed. Assessing the profitability of the production over the three year period, there is a total net profit between 33,538.43 and 69,982.31 lei in the variant with subsidy, and a total net profit between 180,648.42 and 243,422.31 lei, if subsidies are granted.

With a view to obtaining an image of the farmers' perception of the tools and mechanisms for the financing of agriculture, a simple survey based on a questionnaire was conducted, containing a number of 21 questions. The target group is represented by people living in the southern area of Galați County, consisting of the administrative territory of 16

communities. The sample was formed by the random selection of subjects from the total population.

The doctoral thesis ends with general conclusions, recommendations and bibliography.