

Romanian Agriculture and its Discontents: Its Social Importance, Its Economic Insignificance

Saturday 8 December 2018, by [CIRJAN Dan](#) (Date first published: 5 November 2018).

According to the Eurostat statistics for 2016, one third of all farms in the EU can be found in Romania- roughly 3,600 thousand agricultural holdings. Similarly, the country boasts the largest share of labor force employed in agriculture in the EU, a staggering 26% of the population working in the sector, way beyond any possible European average. By contrast, France features a puny 2.14 %, Croatia, 9.16 %, and Poland 11.5 %. Even compared with non-EU European countries, the figures are outstanding: only 6.71 % of Russia's labor force is employed in agriculture, and 9.7 % in Belarus. Whether on a full-time or a part-time basis, the Romanian farm labor force comprised 6 577 930 persons in 2013. Basically, one in every three Romanians was engaged in agriculture one way or another. This also means that more than a quarter of all agricultural laborers in the entire EU were working in Romania at that time, 29.6 %. These impressive numbers leave aside, of course, the number of Romanian immigrants working on farms in Italy or Spain. The massive social importance of agriculture in a country where more than 53 % of all population lives in predominantly rural areas and one in every three persons works on a farm at same point in their lives is clear. And there are reasons to worry.

Even though a quarter of all agricultural workers in Europe can be found in Romania, doing 17 % of all farm work in the [EU in terms of annual work units](#), the country's agricultural output is a mere 3,9 % of the overall EU production in 2013. Almost every year, Romania statistically features the lowest average output per holding; in 2013, a puny 3303 Euro. The low productivity level has led to a constant deficit in the agri-food balance of trade, as Romania always imports more food than it exports. After a small decrease during the Great Recession, when purchasing power was at its lowest, this deficit has been rising again in the last few years. For this reason, although Romania is largely an agricultural country, specializing in cereal crops, wheat constitutes one of its biggest imports. The difference between agriculture's importance in social terms and its puny economic status is reflected in the sector's participation to Romania's GDP. In 2016 agriculture represented 4.6 % of Romania's gross product. Somehow, the Romanian economic miracle, boasting impressive growth in the last years, dies a sudden death when reaching the countryside.

It is the sharp imbalance between agriculture's social importance and its marginal economic status, defined by low productivity and low incomes, that makes the rural sector a ticking time bomb, and Romania's biggest social problem. With an average income that is 20 % lower than the urban income, the level of poverty in the rural areas is constantly much higher than in the urban environment: almost 70 % of [the poor live in the countryside](#). What explains this situation? How come, unlike most of the former socialist countries, Romania has remained heavily ruralized, with a staggering percentage of its population depending on agriculture for their livelihoods? The answer lies in the interaction between the Romanian rural reforms of the postsocialist period and the country's integration on the European market.

Despite the impressive industrial growth that Romania witnessed in the socialist period, by 1991 the country still had a significant percentage of persons employed in agriculture, 35.5 %, with most of these workers being employed in state-owned cooperatives. In contrast with almost every country in Europe, this percentage increased with the return to capitalism: already in 1991 the number was higher than the 1980s average of 29.6 %, and by the end of the first post-socialist decade the number [reached a record 45.5 %](#). Apparently, the first ten years of capitalism generated a dramatic agrarianization of the labor force; a similar phenomenon was occurring only in war torn Bosnia and Herzegovina and even there for a shorter time span, between 1991 and 1996. At the same time, Romania saw a strange process of ruralization, as more people moved from the cities to the [countryside starting with 1997. Somehow](#) capitalism brought urbanization to a halt. Of course, the decrease of the industrial labor force owing to postsocialist reforms of the period played a great part in the process. However, the gigantic restructuring of Romanian property relations, which occurred after the collapse of the socialist regime, was an even more significant factor than deindustrialization.

In 1991, a complex process of decollectivization began. It resulted in the development of a dual-property regime. Based on the restitution idea, decollectivization was meant to right the wrongs of the forced socialist collectivization, and return the land to its former owners. The results were unexpected. First, a very large number of peasants had their former plots returned. Partly because of this, after the wave of layoffs caused by industrial privatizations, unemployed workers moved back to the countryside. At the same time, almost half of Romania's agricultural lands were still controlled by state firms; these state agro-enterprises were soon to be privatized. The result of these large postsocialist processes was the current, strange property regime, defined by huge inequalities in farm sizes. On one side, we have the millions of farms smaller than 5 ha; these amount to around 30 % of the agricultural area. On the other side, we have only 0.5 % of farms larger than 50 ha; but these control 51 % of the agricultural surface. Not since 1905 have so few farms controlled so much land. And yet the social benefits of big agri-business [have been minimal, when not deleterious](#). Most of the agricultural force is employed in the small farming sector since agribusinesses actually provide only very few work opportunities.

The discrepancy in share of land control between farms of different scales is hardly justifiable in economic terms: small farmers have been outperforming the big holdings in terms of production per hectare and production diversification. This happens despite the administrative and economic advantages enjoyed by big farms. As post-2007 subsidies were tied to production levels, much of the aid transferred through the Common Agricultural Policy (CAP) of the EU and other financial commitments were a boon to the big, commercial agro firms: in 2012 1.1 % of all farmers received 51.7 % of all subsidies. Only recently have efforts to decouple subsidies from production made some change, although the bulk of payments still go to the big unproductive farms. When inequalities existing among CAP-beneficiary countries are also considered, one understands how little these subsidies mean for the millions of people depending on agriculture in Romania.

Among the EU countries Romania has the lowest proportion of farmsteads receiving direct payments. As one [academic article](#) remarks, in 2011 "[while in the Czech Republic the average worth of direct payments to a farmer was 25,269 euro per farm, and in France it stood at 21,503 euro, in Romania this was the lowest – an average 655 euro per recipient.](#)" Similarly, both the small size of the holdings, as well as the low value of land in Romania, has restricted credit access for most small farmers, as banks are avoiding agriculture in general and small producers in particular. Low access to financial instruments has had a downward spiraling effect: it lowers the value of land, and this in turn makes access to capital even more difficult. As a result, the process of land grabbing has intensified, with foreign companies holding gigantic patches of land and pressuring the peasants to hand over their claims. Landgrab sped up after a 2014 legislative change which allowed foreign

citizens to own agricultural land. By all accounts, the law's effects are impressive. Although there are no exact statistics, between 30 and 40 % of all agricultural land is now [owned by foreign investors](#). Despite the low productivity of these big farms, they seem to be profitable due to their access to extensive market opportunities and especially to agricultural subsidies. In this sense, through its unequal distribution of resources and by providing a significant help to huge agri-business, the CAP has intensified the social crisis affecting the already crisis-ridden Romanian countryside. Integration into the common market, coupled with the low productivity of Romania's big agri-business, has made Romania a gigantic consumer market for agricultural and food products. As mentioned, the country's agricultural and food balance has been negative since the end of the 1990s: Romania is definitely importing more food than it can export. The main beneficiaries have been other EU countries, as the trade balance with the non-EU area has constantly been positive. The awkward contradiction is that the country with the biggest number of food producers in the EU has "magically" become a mere consumer market.

Dan Cirjan

[Click here](#) to subscribe to our weekly newsletters in English and or French. You will receive one email every Monday containing links to all articles published in the last 7 days.

P.S.

Left East

<http://www.criticatac.ro/lefteast/romanian-agriculture-and-its-discontents-social-importance-economic-insignificance/>