

European Support for The Agri-Food Processing Sector in Romania

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Abstract

Globally, it is estimated that food and agricultural systems in line with sustainable development goals would provide nutritious and affordable food to the growing world population, contribute to the restoration of vital ecosystems and could create a new economic value, over € 1.8 trillion by 2030 (Business & Sustainable Development Commission, 2017). European food products represent the standard of safe and nutritious food worldwide, which determines Europe to aim to draw new strategies for sustainable growth, ensuring the protection of resources but also designed to stimulate and improve the quality of life of the population. Likewise, the food system must be strong and resilient to exceptional situations such as the COVID-19 pandemic, so that its functionality is not adversely affected, to ensure access to sufficient supply at reasonable prices, but also safe and efficient to guarantee the safety of the population's health.

Keywords: Processing, sustainability, processing units, optimization of production operations, expansion of product categories, food chain, non-reimbursable financing.

Introduction

The exigencies of the European agricultural model also brought change on the Romanian agri-food products market, such as strengthening the legislative framework and control structures as well as the elaboration of a Strategy for the Development of the Agri-Food Sector on medium- and long-term horizon 2020-2030. The technological evolution has exponentially involved the development of food processing methods as well as the diversification of assortments, the food chain has developed quantitatively and qualitatively, the food commodity has acquired new values. In the context of Romania's integration into the European economic space, important steps have been taken in harmonizing and implementing Romanian legislation with that of the EU in terms of standardization, quality and food quality control. Romanian agri-food processing sector is in a continuous development, but the production potential is insufficiently exploited. Things can get better!

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Material and Methods

This article used information from the official platform of the Ministry of Agriculture and Rural Development, especially the Strategy for the development of the agri-food sector in the medium and long term 2020-2030 published in 2015, data published by the Agency for Financing Rural Investments, Monitoring Service as well as the European legislative basis. A series of articles were read about the development of the agri-food sector, the environment, the increase of agri-food competitiveness, Romania's commitments to the EU and the CAP, as well as statistical data from the INSSE or Eurostat database.

For the analysis and interpretation of the results we used the professional experience in the field and the institutional know-how.

Literature Review

The financial factor, land ownership, the market and qualified personnel are the main indicators in the processing sector. What is missing and what levers should be used to achieve success?. The literature states that Romania suffers from one of the most divided structures of agricultural land and that there is an urgent need to merge them. "Economic theory recognizes the need for mergers, as an important action of agrarian economy, through which to consolidate land ownership" (Popescu, 2013, p 131) and not only that. In our analysis we go further and feel the need for a link between practices and technology applied in economics. "Technological evolution has certainly led to growing needs for qualification and human skills. But it has also increased the needs of buildings, living space, offices, equipment of all kinds, patents and, finally, the total value of all these elements of nonhuman capital-real estate, professional, industrial, financial - has progressed almost the same as fast as long-term national production and income (Piketty, 2013, pp 320). In this context, there is a need for investment funds but also for human experience for their use. "Money is sovereign in transactions but not all-encompassing" (Popescu, 2013, pp 223). "Modern growth is based on increasing productivity and disseminating knowledge and this aspect has determined the society in which we live to avoid the Marxist apocalypse and to balance the process of capital accumulation" dividing production between wages and profits, between labor income and capital income always constituted the first dimension of the conflict generated by the distribution mode. In traditional societies, the opposition between the landowner and the peasant, between the one who owns the land and the one who contributes with his work, the one who receives the land rent and the one who pays it was already the basis of social inequality and all revolts" (Piketty, 2013, pp 62). All these investments are meant to provide food to the world's population, using the agricultural potential of each continent. Analyzing the context of the world distribution of production "between 1900-1980, Europe and America concentrated between 70% and 80% of world production of goods and services, a sign of an economic domination shared with no one over the rest of the world. This part is in constant decline from the years 1970-1980. It reached only 50% in the early 2010s (about a quarter for each continent), or about the level of 1860. Apparently, it should continue to decline and could find, in the XXI century, a level of order at 20% -30%. This level already existed until the beginning of the 19th century and would be more in line with the ever-increasing share of Europe and America in the world's population" (Piketty, 2013, pp. 89-90).

Analysis of the impact of European support in the development of the agri-food processing sector in Romania

Starting with the year 2000, Romania takes the first concrete steps in the process of pre-accession to the European Union. Until then, the state was present in almost all economic activities, so this approach involved profound changes both in public policies, including the Romanian legal system, and in the mentality of people who wanted to develop a business. An important challenge was the adaptation of the existing legislative framework in Romania to the set of rules and laws on which the EU administration is based, the alignment with the norms of the *Acquis Communautaire*.

SAPARD stage

Regarding the actions in the field of agriculture, the European Union has made available the SAPARD (Special Accession Program for Agriculture and Rural Development) instrument to the Central and Eastern European countries preparing for accession. To benefit from the non-reimbursable financing through the SAPARD program, it was necessary to adopt measures aimed at restructuring the institutional management system of agricultural policy and rural development, as well as regulating producer groups, disadvantaged areas and agricultural loans, all with the aim of reforming the status of the market economy and supporting commercial farms (MADR, 2021).

The SAPARD instrument was implemented in Romania through the National Program for Agriculture and Rural Development (NARDP) 2000-2006, to sustainably develop the rural area through 4 priorities aimed at improving

market access and competitiveness of processed agricultural products, improving development infrastructures rural development and agriculture, the development of the rural economy and also the development of human resources. In support of the established priorities, 10 measures were implemented (*Council Regulation (EC) no. 1268/1999*).

The main objective of Measure 1.1 "Improving the processing and marketing of agricultural and fishery products" was to improve the efficiency, processing and marketing of agricultural and fishery products, resulting in high quality products in order to increase competitiveness and added value of products and to contribute to the same time to create new jobs. Although Measure 1.1 provided assistance for capital investments in the field of processing and marketing of agricultural and fishery products, companies have accessed funds mainly for investments in machinery and equipment.

Table 1: Amounts allocated/ committed / paid for Measure 1.1 on December 31, 2009

Measure	Allocation 2000 – 2006 Public contribution -euro-	Amount committed (December 31, 2009) -euro-	Contracting percentage of allocation 2000-2006	Amount paid (December 31, 2009) -euro-	Consumption percentage of the allocation 2000-2006
Measure 1.1 "Improving the processing and marketing of agricultural and fishery products"	379.513.279	337.407.826,18	88.91%	351.024.392,26	92,49%

Source: AFIR, *Final Report on the implementation of the SAPARD Program in Romania, 2021*

It is found that the share of this measure is 25% of the total allocation, the proportion remaining in both employment and consumption. Measure 1.1 used 92% of its financial allocation, which is a higher value than the general trend of the SAPARD Financial Plan which averaged about 89%, demonstrating a high-cost efficiency.

NARDP 2007-2013 stage

Following the SAPARD Program in Romania, the implementation of the second stage of programming NRDP 2007-2013 starts, which manages the funds provided by the Union. The program is structured on 4 priority axes and 2 measures: Axis 1 "Improving the competitiveness of the agricultural and forestry sectors"; Axis 2 "Improving the environment and rural areas"; Axis 3 "Improving the quality of life in rural areas and diversifying the rural economy"; Axis 4 LEADER; Measure 511 Technical assistance; Measure 611 Complementary direct payments (AFIR, 2021). In order to increase the added value of agricultural products, it was necessary to invest in processing capacity and obtain quality products, so that they are competitive at European level. The financial support provided by PNDR - Measure 123 "Increasing the added value of agricultural and forestry products" supported 592 processing units that managed to successfully implement the proposed projects. Even if initially a higher amount was estimated for this measure, it was reduced by a third, achieving a contracted public value of 632.21 million Euros. In the first phase, 935 financing contracts were signed, of which only 592 projects were completed. This phenomenon can be caused, on the one hand, by the reduced capacity of entrepreneurial management to manage complex investments that involve long implementation periods and on the other, on the other hand, the impossibility of adapting to market fluctuations and economic problems that have arisen in a short period of time. However, funding through Measure 123 has supported the agri-food industry through its contribution to refurbishment, adaptation to Community standards and last but not least maintaining employment in this sector, creating and maintaining over 21,000 jobs. the work (*Study-evaluation-ex-post-PNDR-2007-2013, 2021*).

Considering the implementation period of the funded projects, we can say that the time required to reach maturity reaches 2015. The added value of these investments must be reflected in the trade balance and maintain a correct ratio between what we produce and export and what we import. According to Eurostat, in Romania the value of imports of agri-food products in 2012 was considerably higher than that of exports. Between 2012 and 2013 there is a

considerable increase in exports, and in the coming years the ratio between imports and exports should be maintained at a relatively constant level, but still in the negative register.

Table 2: Trade balance of agri-food products in Romania in the period 2012-2015

TIME	Export -thousand euros -	Import - thousand euros -	Trade balance
2012	575.474,99	1.031.841,86	-456.366,87
2013	821.958,09	931.615,20	-109.657,11
2014	824.094,86	961.018,75	-136.923,89
2015	847.664,69	1.068.272,16	-220.607,47

Source: Eurostat, 2021

NRDP 2014-2020 Stage

Starting with January 2014, Romania - a full member of the EU, starts the implementation of NRDP 2014-2020 for the management of the funds made available to the Union. The program complies with the three major objectives set out in European regulations (EU Regulation 1305/2013) aimed at increasing the competitiveness of agriculture, combating climate change and the balanced development of the rural environment. In order to achieve the set objectives, a set of measures with a total public allocation of 9,438,536,731 Euros were selected for support (MADR, 2021).

Increasing the competitive level on the common market of processing units, remains a priority for Romania, this goal can be achieved by developing and modernizing equipment, processes and processing technologies. Measure 4.2 "Investments in the processing / marketing of products in the agricultural sector" within the NRDP 2014-2020, facilitates the access of entrepreneurs to refurbishment, adaptation to quality standards, introduction of innovation in production processes. The measure benefits from a total public allocation of 529,777,605 Euros, of which 35,429,439 Euros are destined for the fruit sector. At the end of 2020, 612 projects were contracted with a value of 445,329,980 Euros, with an average of 700,000 Euros / investment in agricultural processing and an average of 550,000 Euros / investment in the fruit sector. In the period related to the implementation of PNDR, the data registered at EUROSTAT reflect a decrease of imports compared to previous years and maintaining the trade balance in the negative register, with increasing values (from - 365,268 thousand euros in 2016 to - 638,738 thousand euros in 2019).

Table 3: Balance of the trade balance of agri-food products in Romania during 2016-2019

TIME	Export -thousand euros -	Import - thousand euros -	Trade balance
2016	806.453,9	1.171.722,31	-365.268,41
2017	882.826,78	1.356.859,50	-474.032,72
2018	933.211,3	1.401.111,69	-467.900,39
2019	917.743,7	1.556.481,91	-638.738,21

Source: Eurostat, 2021

Through European funding for agriculture, 22,631 jobs and 1,891 newly created jobs were maintained in the processing sector, so we can see an improvement in employment.

Conclusions

Following the analysis of the trade balance of agri-food products in the period between 2012 and 2019 - a period that partially overlaps with the implementation period of NRDP 2007-2013 and 2014-2020, there is an increase in the value of both exported products and those imported by over 60% in 2019 compared to 2012. It should be noted their considerable increase of 70% in 2013 compared to 2012, from 575,474 thousand euros to 821,958 thousand euros, while the value of imported products decreases from 1,031,841 thousand euros in 2012 to 931,615 thousand euros in 2013. In the period between 2013 and 2019 there is an increasing trend both in terms of exports and imports, in a

range between 800,000 thousand euros and 880,000 thousand euros for exports and between 930,000 thousand euros and 1,350,000 thousand euros for imports, as it can be seen in Figure 1.

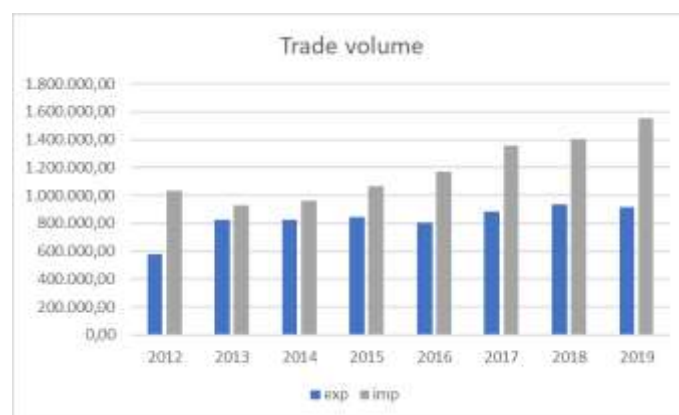


Figure 1: Evolution of imports and exports of agri-food products in Romania in period 2012-2019

Source: Eurostat, 2021

Because the trade balance stagnates in the negative register, it must be an alarm signal for the economy of the agri-food sector. In the next period, it is necessary to adapt the public sector policy to the market reality and to develop a strategy to support both the increase of technological capacity of processing units and the use of the most efficient production processes and marketing aimed at meeting consumer requirements. The evolution of the agricultural product processing measures in Romania may be seen in Table 4.

Table 4: Evolution of agricultural product processing measures in Romania

	Financial allocation -euro-	Amounts paid -euro-	Absorption level	No. of projects implemented	Average cost per project -euro-
SAPARD <i>Measure 1.1 "Improving the processing and marketing of agricultural and fishery products"</i>	379.513.279	351.024.392,26	92,49%	459	764.759,02
NRDP 2007-2013 <i>Measure 123 "Increasing the added value of agricultural and forestry products"</i>	674761.233	518.213.797	84,27%	935	657.694,42
NRDP 2014-2020 <i>Measure 4.2 - "Support for investments in the processing / marketing of agricultural products"</i>	386.748.166	199.431.117	51,57%	440	801.302,77

Source: authors' analysis

Analyzing the results of the three programming periods, in which Romania received support for agriculture, it is found that in the processing sector there was a substantial financial input and about 2000 processing units had the opportunity to adapt to the latest standards of quality both in terms of the technology used (based on innovation and environmentally friendly) and the resulting products, which have become competitive in the internal and intra-Community market.

An important aspect is the impact of these financings on the labor market, thus through the establishment and modernization of the processing units were created and maintained at the level of 2020 over 45,000 jobs. We can see that as funding programs run and the employment situation improves, so since 2000 - when 141,317 people were

employed in the food industry, we reach the end of 2020 with 163,904 people active in this sector (NIS, 2021), of which jobs work created due to non-reimbursable funding represents 27%.

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