

## ECONOMIC-FINANCIAL SUPPORTING MECHANISMS AND TOOLS IN THE AGRICULTURE OF BOTOȘANI COUNTY

Călin-Lucian BÎZU <sup>1</sup>, Aurel CHIRAN <sup>2</sup>

<sup>1</sup>Agency for Payments and Interventions in Agriculture Botoșani

<sup>2</sup> University of Agricultural Sciences and Veterinary Medicine of Iași

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### Abstract

At present, the development of the agriculture of Botoșani County will stand on the economic-financial aid realized by appropriate mechanisms and tools in keeping with the laws in force.

The economic-financial aid for the vegetal production covered the seeds, the fertilizers and the pesticides according to the Government Emergency Decree nr.65/2006 and consisted in delivery of 10080 value tickets.

The European Union financial support consisted also of direct payments reported on surface, as well as national complementary payments.

The economic-financial aid aimed at the animal breeding sector and providing services.

The authors present also the mechanisms of forming the prices and rates. They emphasized the supporting of farmers through these mechanisms.

**Key words:** mechanism, agriculture, economic-financial.

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Within the transition process from the centralised economy to the market economy, the Romanian agriculture has continued to represent a main branch of the national economy, even if its performance and competitiveness were reduced. There is still necessary more time to finalise the started politics and reforms, in order that the Romanian agriculture become competitive under the aspect of agricultural products' quality and prices.

In the period 1990-2006, the reform's objectives in agriculture have been changed many times, due to adapting of the agricultural structures to the exigencies of the competitive market and to establishing of a policy to promote technical and economic-financial performance.

The analysis of state's interventions in the agriculture, as well as their effects discloses the frequent changes of the financial policy, the lack of a coherent and sure legal and institutional framework to apply appropriate mechanisms and instruments of financial support, inadequately administration and control of budgetary resources. This represents a critical conception concerning the agricultural markets organisation.

In the transition period to the market economy, the agriculture subsidization was influenced by the governments' agricultural policies, which often occupied different places comparing to the necessity of performing the structural reform in agriculture. Each government

employed a large variety of economic-financial instruments and mechanisms.

In the transition period, the agriculture supporting system was rather complicated and unstable, because of different government policies and platforms. However, some positive effects related to agricultural producers were observed for short periods, in the case of some products and activities. The performance was lower than expected and the level of internal offer in some agro-alimentary products decreased. Due to these facts, the imports realized with lower costs occupied an important part in the human consumption and the small and medium sized agricultural farms gradually reached to a pronounced status of subsistence.

The competitiveness of some agricultural products both on the external and domestic market, have decreased very much, even in the years with higher budgetary allowances.

The government interfered in the main directions related to the agriculture, such as: the prices, the budgetary allowances for the production recovery and maintenance and the trade policy. The size and the amplitude of these demarches were different on phases and components of agro-alimentary products.

The prices of agricultural products offered by processors better organized in real "corporation cartels" have not ensured compensated incomes and the agricultural producers have become less

competitive, due to an insignificant efficiency and disorganised marketing chains, which were not formed either until now.

The domestic market for some agricultural products has limited itself especially for livestock products, because of the increasing prices on channel. The exports of traditional agricultural products have diminished dramatically and the imports of sugar, pork and poultry meat and certain vegetables and fruits have increased. Romania imported wheat and wheat flour in the years with unfavourable climatic conditions.

In the first transition's decade, the effects of the budgetary support for the whole agriculture did not retrieve themselves in the setting up of agricultural structures, which are specific to the functional free market. The agricultural producers, who were the beneficiaries of subsidies from the state budget, did not foresee any resolute responsibilities in their use and the agricultural sector lose significant segments on both the domestic market and the external one.

## MATERIAL AND METHOD

The study concerned the agriculture of Botosani County and aimed at the analysis of mechanisms and instruments, which characterize the economic-financial support allowed to farmers, by the Romanian state budget, as well as by European funds. The studied fields referred to the vegetal production and the animal breeding.

## RESULT AND DISCUSSIONS

**The market mechanisms** represent the protection actions of agricultural producers both up against the competitors from outside the European Union and the prices changes of agro-alimentary products. The main market mechanisms to be applied in Romania after the entry into the European Union have been as follows:

- **the intervention price**, which represents the state's buying or selling action of quantities of agricultural products to protect producers and the market in the conditions of overproduction or underproduction. This mechanism is previewed firstly for crops and it will ensure a correct price of the wheat for producers;

- **the subsidies for exports** represent amounts of money allowed to Romanian exporters, who sell agro-alimentary goods outside the European Union, in the conditions where the sale price is smaller than the one on the European Union market.

In the period 2007-2013, Romania will benefit of about **12 thousand millions Euros** from the European funds, for agriculture and rural

development, which represent a percentage of 40 % out of the total funds allowed to Romania by the European Union in the next 7 years.

The main instruments and mechanisms of intervention and support, which were used in different phases during the transition and pre-adhesion period into the European Union, were allowed on short term, during one – two years or just for only an agricultural campaign, with a very large variation of them.

Thus, in the period 1990 – 2006, the following measures were applied:

- **administrative control of prices on main agricultural products**, which were liberalized gradually or accompanied by subsidies in the form of bonus included in the price;
- **controlled prices on main agricultural inputs**, which were accompanied by subsidies and liberalized gradually;
- **subsidies for consumers and the administrative control of prices** on main alimentary products;
- **subsidies applied on inputs** (seeds, fertilizers, water for irrigation, equipments purchase)
- **subsidies on outputs (products and agricultural services)**, in the form of bonus included in the prices of main products;
- **subsidies to store certain agricultural products**;
- **subsidies for specific services**, such as: soils' amelioration, plants' protection, veterinary services, in cases of natural catastrophes;
- **direct support of producers** (value coupons, direct support per hectare, vouchers);
- **credits with subsidized interest for investments or production**, in the limit of yearly fixed amounts and just for certain categories of farms;
- **subsidies for production of some products in deficit**;
- **support of commodity production**;
- **subsidies for organic products**;
- **custom regime** (subsidies for export of agricultural products, quota or restraints on exports or imports)
- **subsidies for young farmers**.

**Financing the agriculture from the state budget** has had as a result the land transfer in private property and the individual use, as well as the breaking up of the big agricultural structures, which were inefficient. This was the most difficult duty in agriculture.

The main steps in this process consisted in:

- reconstitution of property rights on land to former owners and their successors, assignment of other persons according to the law (cooperative members who didn't hold any land in own property, veterans, other rightful persons);
- privatization of agricultural state enterprises, which administrated lands in private state property with agricultural destination;
- leasing of agricultural land in public and private state property;
- creation of new structures of agricultural farms.

According to the Decree nr.45/2006, the agricultural producers in the mountain zones (physical persons, juridical persons, associations of cattle, sheep and goats breeders or other associations constituted according to the laws in force) who hold surfaces of meadows up to 100 hectares, to ensure the necessary fodder to cattle, sheep and goats, benefit of a direct support from state.

Financial support was provided in the form of vouchers (100 lei/ha of meadow) in the purpose of certified leguminous plants' seeds and evergreen gramineae in mixture purchase (excepting the lucerne and clover seeds). Financial support was

also provided for chemical fertilizers purchase (azoth, phosphor and potassium), with a view to increase the soil fertility and the vegetal production, as well as to perform the works of soil amelioration.

In addition, according to the Emergency Decree nr.65/2006, the agricultural producers who planted crops in the autumn of the year 2006, have received a financial support of 150 lei/ha for the purchase of seeds and/or fertilizers and/or pesticides (*tab. 1*).

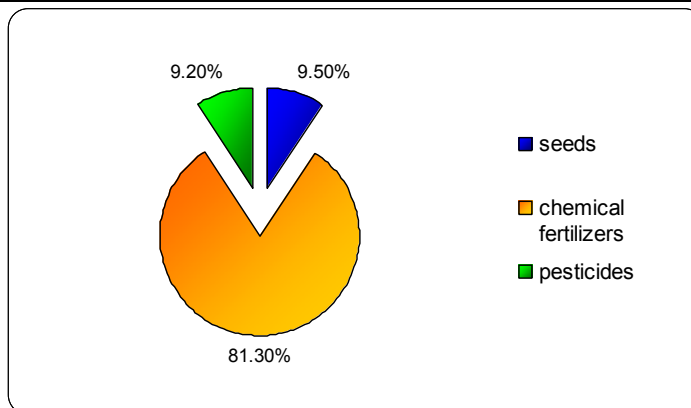
If we analyse the structure of the state financial support, we observe that the biggest portion was awarded to chemical fertilizers (81.3%), followed by seeds and pesticides (*fig. 1*).

The total financial support awarded to producers was shared as follows: a percentage of 81.2 % was provided to producers physical persons, who had benefited of over 10 thousand vouchers, as compared to the other side of 50 juridical persons. The biggest amount was provided to the Territorial Centre of Botosani (28.9%), followed by the Territorial Centre of Trusesti (28.1 %), the Territorial Centre of Darabani (22.1 %) etc. (*fig. 2*).

Table 1

**Financial support provided for seeds, chemical fertilizers and pesticides in the agriculture of Botosani county**

Territorial centre	Total surface which support is requested for (ha)	Approved financial support, as follows:				Issued vouchers (pieces)
		Approved amount for seeds (lei)	Approved amount for chemical fertilizers (N,P,K) (lei)	Approved amount for pesticides (lei)	Total amount (lei)	
Botoșani	2 814.21	33 242.70	346 787.30	42 101.50	422 131.50	2 231
Dorohoi	15.27	0.00	1 630.50	660.00	2 290.50	22
Săveni	969.83	2 179.00	135 04.00	8 250.50	145 474.50	1 056
Trușești	2 740.18	85 244.50	296 856.50	28 926.00	411 027.00	3 701
Darabani	2 156.64	15 124.25	280 901.75	27 470.00	323 496.00	1 717
Flămânzi	1 054.19	3 249.50	128 466.00	26 413.00	158 128.50	1 353
<b>Total per county, out of which:</b>	<b>9 750.32</b>	<b>139 039.95</b>	<b>1 189 687.05</b>	<b>133 821.00</b>	<b>1 462 548.00</b>	<b>10 080</b>
- juridical persons	1 833.85	8 524.00	229 203.50	37 350.00	275 077.50	50
- physical persons	7 916.47	130 515.95	960 483.55	96 471.00	1 187 470.50	10 030



**Figure 1 Structure of the state financial support provided on destinations in the vegetable sector, in Botosani County – %**

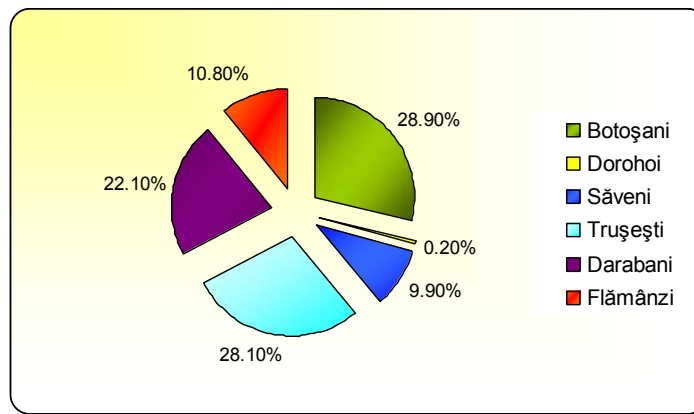


Figure 2 Structure of the financial state support provided to territorial centres in the agriculture of Botosani County - %

In 2006, agricultural producers from the vegetable sector benefited of a direct support from

state, according to the Emergency Decree nr. 20/2006 (tab. 2).

Table 2

Direct state support provided to agricultural producers in the vegetable sector, in the agriculture of Botosani County, in the year 2006

Crt. no.	Culture	Surface ha	Vouchers pieces	Total amount thousand lei	Seeds thousand lei	Diesel oil thousand lei	Chemical fertilizers thousand lei	Pesticides thousand lei
1	Sugar beet	203.41	403	152.6	58.8	46.3	26.7	20.8
2	Barley	152.37	7	30.5	-	16.8	12.0	1.7
<b>TOTAL</b>		<b>355.78</b>	<b>410</b>	<b>183.1</b>	<b>58.8</b>	<b>63.1</b>	<b>38.7</b>	<b>22.5</b>

According to the Decree nr.600/10 May 2006, the greenhouse vegetables and mushrooms producers received financial support of 800 lei/tonne, the total sum being of 450,5 thousand lei in 2006.

The state provided financial support for using officially certified seeds to sowing in the agricultural campaigns 2004-2005 and 2005-2006, according to the Decree nr. 1238/2004, as follows:

- 752.2 thousand millions lei for the production of seeds necessary to sow in the autumn of the year 2004;
- 100.0 thousand millions lei for the production of seeds necessary to sow in the spring of the year 2005;
- 752.2 thousand millions lei for the production of seeds necessary to sow in the autumn of the year 2005;
- 100.0 thousand millions lei for the production of seeds necessary to sow in the spring of the year 2006.

Another support in the agriculture of Botosani County was provided as **direct payments per surface** and was introduced in the year 2007. The state decided to allow 50 Euros/ha in 2007, following that gradually to reach 200 Euros/ha until 2013.

The beneficiaries have had to respect the following conditions:

- the worked surface of agricultural land (arable land, meadow, vineyard, orchard) to be **at least one hectare** and to be composed of **parcels at least 0.3 ha each**;
- the land to be registered in the **Farms' Register**;
- the owner or the holder to apply until 15<sup>th</sup> May 2007.

Since 2007, **National Complementary Payments** were introduced, to be paid by the Romanian estate from the budget of the Ministry of Agriculture.

**The National Complementary Payments** will be provided based on the cultivated surface, respectively, on animal, by token of the European model. The National Complementary Payments were provided for the most significant cultures in the Romanian vegetable production and they were framed in two categories:

- 30 Euros/hectare/year** for the first group of cultures (wheat, rye, barley, oat, sunflower, maize, colza and leguminous beans);
- 216 Euros/hectare/year** for the second group of cultures (sugar beet, soy, hop, rice, tobacco, linen, common hemp).

The agricultural producers who have agricultural land, animals, fowls, families of bees and fish in their administration or exploitation, benefit of compensation in case of natural

catastrophes produced in the agriculture, according to the Law nr.381/2002, as follows:

a) for agricultural cultures and plantations affected by natural catastrophes, in case that the damages overdraw 30 % of the total production. The maximal compensation could be up to 70 % of expenses performed until the moment of catastrophe producing.

b) for animals, fowls, families of bees and fish. The maximal compensation reaches 80 % of insurance value, diminished with the value of resulted subproducts, which can be sold, according the laws in force.

In addition, a subsidy is provided to agricultural producers and cattle breeders, if their cows or buffalo cows are individualized in the national system according to the laws in force and are artificially inseminated or naturally served by authorized bulls:

- 200 lei (RON)/cow at calving, if it gave birth due to an artificially insemination;
- 100 lei (RON)/cow, if it gave birth due to a natural mount done by an authorized bull;
- 200 lei (RON)/calf at the age of 6 months, if it was born due to an artificially insemination;
- 100 lei (RON)/calf at the age of 6 months, if it was born due to an authorized bull.

The financial support was provided to breeders, if their cows and/or buffalo cows had given birth to calves and/or their calves had reached the age of 6 months in the period of 1<sup>st</sup> January- 31<sup>st</sup> December 2006.

An additional financial support is provided, such as:

- 300 lei (RON)/cow, if it is submitted to the official control of performances (COP);
- 100 lei (RON)/cow, if it is registered in the genealogical Register (RG);
- 200 lei (RON)/cow, if it is certified as being an ecological animal.

Agricultural producers and cattle breeders benefit of a subsidy of 700 lei/animal for male young cattle with a minimal weight of 450 kg/animal.

A yearly gratification is provided to agricultural producers and cattle breeders, on average foraged cow, if their cows or buffalo cows are individualized in the national system according to the laws in force, as it results from the monthly and cumulated circulation of animals. Their value is differenced on levels, based on milk physical production delivered to milk processing

enterprises, to collecting centres or to their own approved processing units, such as:

- 75 lei/cow, if it supplies a minimal quantity of 500 l/cow/year;
- 85 lei/cow, if it supplies a minimal quantity of 750 l/cow/year;
- 100 lei/cow, if it supplies a minimal quantity of 1000 l/cow/year;
- 150 lei/cow, if it supplies a minimal quantity of 1500 l/cow/year;
- 200 lei/cow, if it supplies a minimal quantity of 2000 l/cow/year;
- 250 lei/cow, if it supplies a minimal quantity of 3000 l/cow/year;
- 300 lei/cow, if it supplies a minimal quantity of 3500 l/cow/year;
- 400 lei/cow, if it supplies a minimal quantity of 4500 l/cow/year.

Agricultural producers will be subsidized with **0.3 lei/ 1 litre of milk** for the cow milk sold without any processing to buyers, if the milk satisfies the required quality standard imposed by the European Union, namely: if the total number of germs/1 ml of milk is smaller than or equal to 100.000 and the number of somatic cells/1 ml of milk is smaller than or equal to 400.000. The results have to be obtained from analyses performed in an authorized lab.

Agricultural producers will touch a subsidy of **0.15 lei/1 litre of milk** for the cow milk sold without any processing to buyers, if they conform the requirements of the “*Programme of actions to ameliorate the quality and sanitation of milk, as a raw material*”, approved by the Minister of Agriculture, Forests, Water and Environment Order nr.1106/2003 and its later changes, namely: if the total number of germs/1 ml of milk is smaller than or equal to 1.000.000 and the number of somatic cells/1 ml of milk is smaller than or equal to 600.000. The results have to be obtained from analyses performed in an authorized lab.

Agricultural producers and sheep and goats’ breeders who hold a minimum number of 50 sheep and/or a minimum number of 10 goats and the animals are individualized in the national system according to the laws in force, will touch subsidies, if their sheep/goats had given birth to lambs/kids at least once in the period of 1<sup>st</sup> January- 31<sup>st</sup> December 2006 and for rams/he-goats which are registered in the Agricultural Register in the mentioned period, namely:

- 20 lei (RON)/animal (sheep/goat);
- 50 lei (RON)/animal (ram/he-goat) registered in the Genealogical Register (RG).

Other national complementary payments are provided for breeders who sell animal products on market, such as:

- for milk cows (about **6.5 millions old lei/animal**, if the milk satisfies the required quality);
- for fattened young bulls (**67 millions old lei/animal**, if the animal weight overdraws 500 kg);
- for adult bovines delivered to the slaughter-house (about **4.5 millions old lei/animal**);
- for sheep and goats (**200.000 old lei/animal**).

## CONCLUSIONS

In the period 1990-2006, the reform's objectives in agriculture have been changed many times, due to adapting of the agricultural structures to the exigencies of the competitive market and to establishing of a policy to promote technical and economic-financial performance.

The analysis of state's interventions in the agriculture, as well as their effects discloses the frequent changes of the financial policy, the lack of a coherent and sure legal and institutional framework to apply appropriate mechanisms and instruments of financial support, inadequately administration and control of budgetary resources. This represents a critical conception concerning the agricultural markets organisation.

In the transition period to the market economy, the agriculture subsidization was influenced by the governments' agricultural policies, which often occupied different places comparing to the necessity of performing the structural reform in agriculture. Each government employed a large variety of economic-financial instruments and mechanisms.

In the transition period, the agriculture supporting system was rather complicated and unstable, because of different government policies and platforms. The performance was lower than expected and the level of internal offer in some agro-alimentary products decreased. Due to these facts, the imports realized with lower costs occupied an important part in the human consumption and the small and medium sized agricultural farms gradually reached to a pronounced status of subsistence.

The government interfered in the main directions related to the agriculture, such as: the prices, the budgetary allowances for the production recovery and maintenance and the trade policy. The size and the amplitude of these demarches were different on phases and components of agro-alimentary products.

The prices of agricultural products offered by processors better organized in real "corporation

cartels" have not ensured compensated incomes and the agricultural producers have become less competitive, due to an insignificant efficiency and disorganised marketing chains, which were not formed either until now. The domestic market for some agricultural products has limited itself especially for livestock products, because of the increasing prices on channel.

The Romanian agriculture's performance has decreased, as compared to those in the European countries in the latest years. The budgetary resources were rather wasted and used, either for the social protection of subsistence household, either in the benefit of some big agricultural state enterprises, whose managers expended them in an inefficient way.

The agricultural producers, who were the beneficiaries of subsidies from the state budget, did not foresee any resolute responsibilities in their use and the agricultural sector lose significant segments on both the domestic market and the external one.

The main instruments and mechanisms of intervention and support, which were used in different phases during the transition and pre-adhesion period into the European Union, were allowed on short term, during one – two years or just for only an agricultural campaign, with a very large variation of them, such as: administrative control of prices on main agricultural products, which were liberalized gradually or accompanied by subsidies in the form of bonus included in the price; controlled prices on main agricultural inputs, which were accompanied by subsidies and liberalized gradually; subsidies for consumers and the administrative control of prices on main alimentary products; subsidies applied on inputs (seeds, fertilizers, water for irrigation, equipments purchase); subsidies on outputs (products and agricultural services), in the form of bonus included in the prices of main products; subsidies to store certain agricultural products; subsidies for specific services, such as: soils' amelioration, plants' protection, veterinary services, in cases of natural catastrophes; direct support of producers (value coupons, direct support per hectare, vouchers); credits with subsidized interest for investments or production, in the limit of yearly fixed amounts and just for certain categories of farms; subsidies for production of some products in deficit; support of commodity production; subsidies for organic products; custom regime (subsidies for export of agricultural products, quota or restraints on exports or imports); subsidies for young farmers.

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