

CHALLENGES OF AGRICULTURAL COMPANIES FROM THE PERSPECTIVE OF LABOUR PRODUCTIVITY AND FUNDING ACCES

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Abstract

The development of agriculture was a priority for the member states of the European Union since its foundation, the Common Agricultural Policy being one of the most ancient politics at the European level. Agriculture is a sector which has a special economic and social importance for Romania. The paper aimed to identify the challenges of the agricultural companies from the perspective of labour productivity and funding access. In this respect, a series of economic indicators as the contribution of agriculture to GDP, the value of agricultural production, the evolution of reference interest rate, the evolution of credits for agriculture, were studied. the conclusion was that in order to improve labour productivity, it is needed a higher qualification of the occupied population in agriculture and the significant improvement of technological endowment of this sector and, from the point of view of funding access, it is necessary the continuous support of the companies which carry out their activity in agriculture, but not only by the diminution of difference interest rate.

Keywords: agricultural machinery, companies, labour productivity, production value

INTRODUCTION

The development of agriculture was a priority for the member states of European Union since its foundation, the Common Agricultural Policy being one of the most ancient politics at European level. Agriculture is a sector that presents a special importance for Romania both economically and socially. However, the contribution of this sector to the formation of GDP continuously decreased, reaching 5.2% in 2014 according to National Commission for Prognosis.

Within this sector, in 2014, around 102,000 companies carrying out agricultural activities were registered at the Trade Register [7]. Most of these companies are opened in the sector of animals growing, their number exceeding 43,000 and on the second place, it is the sector of perennial plants, where the number of companies is 32,000.

The crisis had also negative consequences on the companies that carry out their activity in the agricultural sector and pointed out numerous vulnerabilities of this sector. As it is mentioned within a study elaborated by PWC, the most important challenges that the

agricultural sector has to face now are the low productivity and the big necessity of funding [3].

MATERIALS AND METHODS

The purpose of this research paper consisted in the identification of the challenges of the agricultural companies from the perspective of labour productivity and funding access. In this respect, I analysed a series of economic indicators as the contribution of agriculture to GDP, the value of agricultural production, the evolution of reference interest rate, the evolution of credits for agriculture, etc. This study is a descriptive and comparative one and the data used were taken from the database of World Bank and Eurostat.

RESULTS AND DISCUSSIONS

The productivity of agricultural sector is influenced by a series of factors including the quality of biological and bio-capacity of plants and animals [10], the characteristics of this sector and the access of farmers to professional qualification. From the point of

view of this sector's characteristics, Romania is distinguished by:

- the significant proportion of the agricultural lands [1] of the total surface of the country (59.7% in 2012 according to World Bank Data , being on the fifth place in the European Union, after Great Britain (71%), Denmark (61.6%), Ireland (65.8%) and Greece (63.3%);
- numerous agricultural exploitations (3,8 million) with a medium surface of almost 3.4 hectares [2];

- the most significant proportion of the employees in agriculture, 29 % , from the total of employees at national level in the European Union in 2012, compared to Croatia (14%), Greece (13%) and Poland (13%).

All these characteristics denotes the fact that the agricultural sector of Romania is low developed. As expected, this fact is also supported by the low level of labour productivity, as we can see from the table below[9].

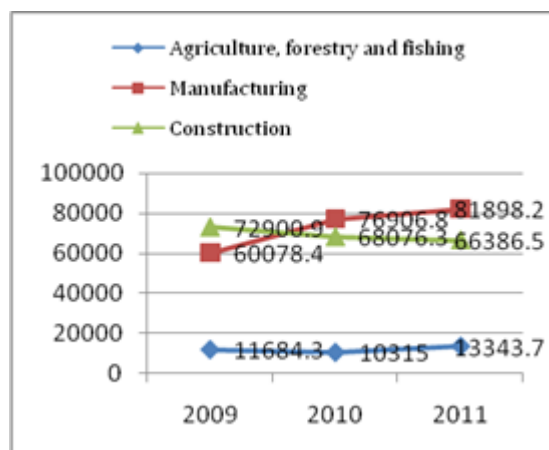


Fig.1.Labour productivity by employed person in Romania, 2009-2011 (Lei/person)

Source: National Institute of Statistics

Though the contribution of agriculture to the formation of GDP was constantly reduced in Romania according to the graphic below, the level is still over the European average.

However, 6.3% of GDP in 2013 values only Euro Million 4,500.89 according (Fig.2.)[6]. In 2013, the total value of agricultural production in the EU-28 was Euro Million 53,848.2 and the value of agricultural production of Romania represented only 8.4% of it.

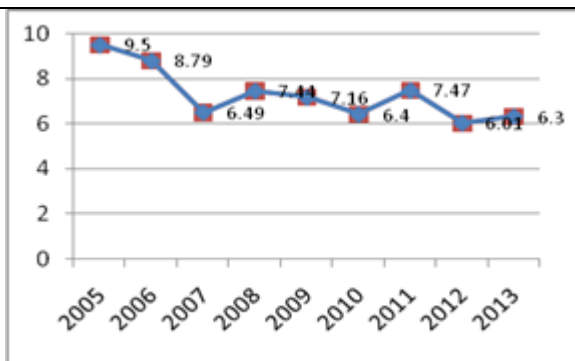


Fig.2. Agriculture, value added in the EU, 2007-2013 (% GDP)

Source: data.worldbank.org

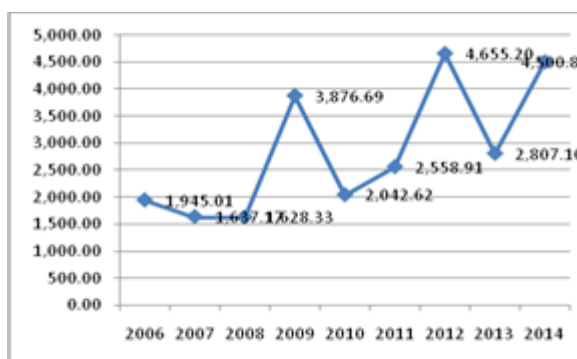


Fig.3. Production value for agriculture at basic price (Euro Million)

Source:http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=aact_eaa01&lang=en

Therefore, the agricultural sector of Romania is characterized by numerous small farms with a lot of employees and therewith by a low value of agricultural production but with a significant proportion of GDP.

The most important challenge of agricultural companies, from labour productivity perspective, is the qualification of the occupied ones because they are a lot and less productive.

At the same time, the increase of labour productivity is also a consequence of the technical endowment. According to the World Bank [5], in Romania, in 2009, there were almost 200 tractors per 100 sq. km of arable land, six times less than in Poland and four times less than in Spain.(Table 1).

The low level of technical endowment is both a consequence of the difficult access to funding and of the credit conditions.

Though the monetary policy promoted by the National Bank of Romania is expansionary, the reference interest rate reached 2.25% in

February 2015 and the access of the companies to funding is still difficult.

Table 1. Agricultural machinery, tractors per 100 sq. km of arable land

Year	2005	2006	2007	2008	2009
Romania	192.6	195.3	200.6	200.4	201.2
Poland	1,183.7	1,209	1,242.5	1,246	1,257.9
Spain	759.6	786.3	807.3	825.1	831.2

Source: 2014, World Development Indicators, The World Bank,

<http://data.worldbank.org/indicator/AG.LND.TRAC.ZS?page=1>

In the period October 2013 - March 2014, the bank funding was not an option frequently used by companies and this fact is also mentioned in the semestrial report elaborated by NBR and concerning the access of the companies to funding [4]. These companies used rather the internal funding sources. Therewith, the perceptions of these companies concerning the practiced founding conditions were not modified beside those mentioned in the previous report that analyses the period April - September 2013.

The reference interest rate was continuously decreased, being now at 2.25%, by 1.75 % less than in November 2013 (Table 2).

Table 2. Evolution of reference interest rate in Romania in period August 2013 - February 2015

Date	Reference interest rate(%)
6 August 2013	4.50
1 October 2013	4.25
6 November 2013	4.00
9 January 2014	3.75
5 February 2014	3.50
5 August 2014	3.25
1 October 2014	3.00
5 November 2014	2.75
8 January 2015	2.50
5 February 2015	2.25

Source: Benta Adrian, Reference interest rate of Romania' National Bank reduced to 4%. Consult its dynamics in the last 3 years, <http://legestart.ro/rata-dobanzii-de-referinta-bnr-ului-fost-redusa-la-4-consulta-evolutia-acesteia-ultimii-trei-ani/Official> Monitor No.. 683/2013 where it was published The RNB Note No.33/2013 concerning the RNB reference interest rate

Besides the high level of the interest rates, the high level of fees, the requirements concerning the guarantees, the contract

clauses and the bureaucracy are also considered important obstacles in order to obtain the funding.

The constant reduction of the reference interest rate influenced positively the evolution of the credits granted to agriculture, forestry and fishing.

Nevertheless, although the bank credits destined to agriculture increased constantly[8], their percentage for the total granted credits is still very low (3.9% in 2012) in comparison with the big necessity of funding of agricultural sector.

Table 3. Evolution of credit granted to agriculture, forestry and fish-farming, 2009-2012

		2009	2010	2011	2012
Total credits from which:	Euro Mil.	54,811	65,279.9	70,822.6	69,076.1
	%	100	100	100	100
Agriculture, forestry Fishing	Euro Mil.	1,512.9	1,918.6	2,489.9	2,668.5
	%	2.7	2.9	3.5	3.9

Source: Presidency Commission for Public Policy for Agriculture Development

Analysing the funding sources of the companies on fields of activity, according to NBR poll, one may notice that the companies which had more borrowings in period October 2013 - March 2014 are those which carried out their activity in agriculture and industry.

However, though 34% of the agricultural companies that participated to NBR poll appealed to bank credits, these perceived more difficult the access to funding than the companies from the other sectors.

Besides the productivity and the access to finance, the performance of companies from agriculture sector is influenced also by the regulatory framework, the decisions regarding fiscal policy, infrastructure, the performance of companies from industry, etc.

The increase of labour productivity requires a higher qualification of the occupied population in agriculture and the significant improvement of technological endowment of this sector.

Regarding funding access, it is necessary the continuous support of the companies which carry out their activity in agriculture, but not only by the reduction of interest rate.

CONCLUSIONS

The development of agriculture was a priority for the member states of European Union since its foundation. Agriculture is a sector that presents a special importance for Romania both economically and socially. Even though the agricultural sector has potential (a large agricultural land, numerous holdings, significant proportion of the employees in agriculture from the total of employees at national level), it is not effectively used.

The contribution of agriculture to GDP is approximately 3 times higher than that in the European Union, but the value of agricultural production represents only 8% of the entire EU agricultural production.

The development of agricultural sector it is a priority for public policy due to its importance in feeding population, increasing employment and ensuring sustainable economic growth. In order to increase the performance of agricultural companies, it is necessary to simplify the crediting conditions and also for increasing labour productivity a better technical equipment and higher qualified people are required.

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