

# **DEVELOPING ECOLOGICAL AGRICULTURE IN ROMANIA IN TIME OF ECONOMIC CRISES. ANALYSIS ON NATIONAL AND EUROPEAN REGULATIONS AND MEASURES**

**Ionuț-Bogdan BERCEANU**

National University of Political Studies and Public Administration,  
Faculty of Public Administration, Bucharest, Romania  
*bogdan.berceanu@administratiepublica.eu*

**Abstract:** *The aim of the study is to analyze the way in which the national and European regulations regarding the developing of ecological agriculture can be a measure of reducing the impact of the economic crisis on the public agriculture policy in special and on the whole economy, in general. Through this paper, academics and practitioners will understand why in the time of economic crisis is important to develop new programs like that of ecological agriculture, which can contribute through its investments and by helping small business and cooperatives to the reduction of the crisis impact in the agricultural sector and in economy*

**Keywords:** *ecological agriculture, economic crisis, regulations, marketing instruments, European Union.*

## **1. INTRODUCTION**

The consequences of the economic crisis extend well beyond the economy itself. It affected the entire World, with a great impact on the EU Member States, because of the Common Market to which all the 28 Member States are part. The economic positions of most countries have been altered dramatically.

The agricultural policy of all 28 EU members was dramatically affected by the crisis. The Common Agricultural Policy (CAP) is the agricultural policy of the European Union. It implements a system of agricultural subsidies (member states agricultural policies) and other programs and it address to all member states.

Revitalizing the economy involves increasing government spending, thus accepting the budget deficit and currency devaluation to boost exports. This economic policy was planned by British economist J. M. Keynes. He proposed, to increase public investment for a better income distribution and controlled limited inflation.

The assumption of this study is that developing ecological agriculture; represents a type of State public investment in the agriculture sector, and it can be an opportunity in surpassing the effects of the economic crisis.

This paper attempts to provide an answer to a number of main research questions: In which consisted the economic crises in Europe, especially on agricultural sector? What were measures and regulation taken in Romania for developing the ecological agriculture?

Which are the marketing strategies and instruments used for developing the ecological agriculture and how they contribute to the success of this measure?

The study will be mainly qualitative and it will try to identify in which consisted the impact of the economic crisis in the agriculture sector in special, and it will analyze the measures and regulations contributed to the developing of the ecological agriculture. The paper will focus on Romania, as case study, a country member of the EU and subjected to the EU regulations.

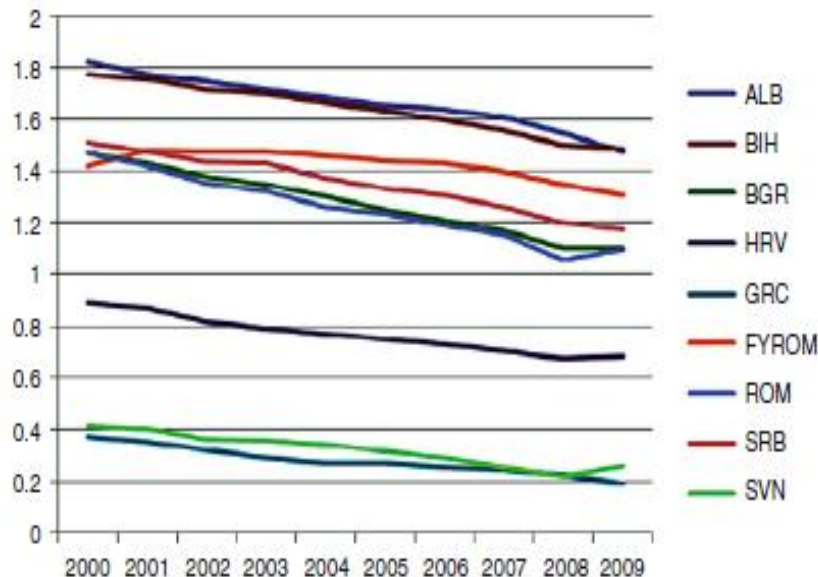
The qualitative analysis will try to identify the benefits of such a measure and also the importance of the marketing strategies in promoting this measure.

## 2. SHORT PRESENTATION OF THE ECONOMIC CRISIS IN EUROPE

The economic crisis in Europe has brought forward the complex interaction among States and Markets. At first instance, the European crises seemed to be originated in, and dominated by the Markets' financially-motivated preferences, especially in the case of Greece, Spain and Italy. However, the balance in the interplay was gradually restored due to the unrehearsed yet coordinated and still mighty, at the European Union, State-based Political decisions to overcome the crisis, apparently in favor of a political union throughout the EU (Koutsoukis & Roukanas, 2014).

The consequences of the crisis were not the same for all the countries of the region. Thus, some countries (Romania, Bulgaria, the Baltic countries) showed a stronger growth rate momentum compared with other countries, whereas countries that had serious structural problems (Western Balkan countries) benefited less from the boost in international demand for exports of their products. Finally, countries such as the Czech Republic, Poland and Slovakia experienced growth rates that supported their efforts to address the serious debt problems they were facing.

Figure 1. The performance of the GDPPC differentials from EU15 average



Source: Karasavoglou & Polychronidou, 2013, p. 26

Romania. Romania has been a member of the EU since 2007 and of NATO since 2004. After 1989, the country had a large period of economic imbalance. There was a need of structural reforms and industrial renewal. From 2000, the Romanian economy showed macroeconomic stability expressed through high growth rates, low unemployment and low inflation rates. The global crisis affected the economy and a decline in growth rate was marked down. It should be mentioned that Romania has significant natural resources and important industrial activities such as metallurgy, petrochemicals and machinery.

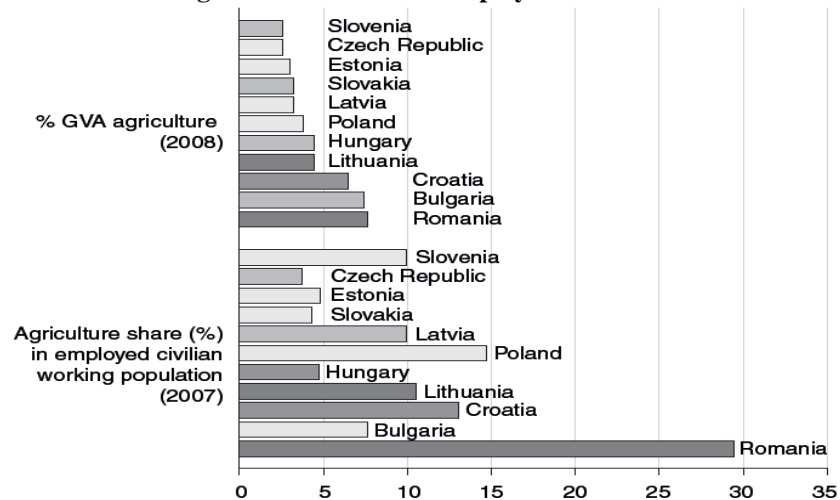
### 1.1. The agricultural sector and the economic crisis

The Common Agricultural Policy emerged with the signing of the Treaty of Rome in 1957 by six EU original member states. CAP objectives were pursued “by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilization of the factors of production, in particular labour”, by providing a “fair standard of living for the agricultural community” and by ensuring that “supplies reach consumers at reasonable prices” (European Community, 1957: art. 39.1).

The early CAP introduced a system of guaranteed prices through public intervention, and some funding for structural actions, such as improving farm size and infrastructure. By bringing stable prices and a predictable planning horizon, the CAP helped the modernization of agriculture and the diffusion of technological change. At the same time, a considerable restructuring of the sector took place, with a rapid outflow of labor to jobs in the growing manufacturing and services sectors in the 1960s and 1970s, which resulted in larger average farm size (Bureau, 2005).

The CAP has been subjected to further modifications through passing a “Health Check” in November 2008. They represented a follow-up of the 2003 reforms aimed at modernizing, streamlining and simplifying the CAP.

**Figure 2. The contribution of agriculture to national employment and Gross Value Added**



Source: Eurostat database, online, available at: <http://epp.eurostat.ec.europa.eu> and World Bank's World Development Indicators database, online, available at: <http://databank.worldbank.org>

Figure 2 shows the importance of the agriculture in the economy of each member states. It can be observed that in both cases, the population working in agriculture and the added value were higher for Romania, demonstrating that the agricultural sector plays an important role of the Romanian national economy.

## **2. COMBATING THE ECONOMIC CRISIS THROUGH ECOLOGICAL AGRICULTURE**

Some studies made in the EU regions, demonstrated some similar characteristics of the regions in particular in areas where the development of ecological products as niche market products can be an important element for the improvement of the competitiveness of the products are produced within their area and therefore for the increase of their GDP (Karasavvoglou & Polychronidou, 2013: 137).

The development of organic area in the EU should also be seen in light of the support provided for this farming practices through rural development and as a method of surpass the economic crisis. For this fact, in the last years, for the EU, the developing of ecological agriculture in the Member States became an important aspect of the CAP.

### **2.1 Some aspects regarding ecological agriculture**

The ecological agriculture appeared as an alternative to intensive industrialized agriculture, being an accomplishment of agriculturists affectionate by nature, based on efficient methods and meanings for production, especially from the economic perspective.

The practice of ecological agriculture involves building the strengths of natural ecosystems into agro-ecosystems, purposely disturbed to produce food and fiber. The overall strategies include using practices that (Magdof, 2007: 109–117):

- grow healthy plants with good defense capabilities,
- stressing pests, and
- enhancing populations of beneficial organisms.

According to 2092/1991 regulation revised and completed through 834/2007 regulation, approved by Economic European Community Council, the community countries use with the same meaning the following terms:

- *organic agriculture* (England),
- *biological agriculture* (Greece, France, Italy, Netherland and Portugal)
- *ecological agriculture* (Denmark, Germany, Spain and Romania).

In the EU states, like in Romania, during communism, agriculture was not considered a strategic branch for a nation's development. An ecological consciousness did not figure high on the agendas of authoritarian regimes. After 1990, some post-communist farm economies progressed slower than others, and environmental pressures mostly diminished with agricultural restructuring. In parts of Central and Southeastern European countries, increases in numbers of low-input small farms have resulted in some, though largely unintended, ecological benefits.

Central and Southeastern European countries capitalized on such potential to different degrees, also in response to increasing demand for organic products from

Western Europe and other developed countries. The more advanced economies (e.g. the Czech Republic, Hungary) supported organic farming via regulatory and institutional arrangements, such as issuing certifying procedures. Others (e.g. Romania) lagged behind, often being labeled as countries with emerging ecological agriculture as opposed to countries with rapidly expanding organic agriculture (Znaor, 2001).

EU accession and pre-accession preparations have partly helped to develop agri-ecological legislation in these countries. They have geared to some extent the agricultural and rural development process towards more environmentally aware pathways. The compulsory adoption of CAP elements under its second pillar (Rural Development Regulation) has acted as an important catalyst the economies of these countries to initiate ecological programs in agriculture (Bennett, 2001).

From 2014 onwards, the new Common Agriculture Policy (CAP), is a *greener* CAP. All Member States, all rural areas and all farmers will take simple, proven measures to promote sustainability and combat climate change. Between 2014 and 2020, over EUR 100 billion will be invested in the European Union's rural areas to help farming meet the challenges of soil and water quality, biodiversity and climate change (EC, Agriculture and Rural Development official website):

'Greening' of 30% of direct payments to farmers will be linked to three environmentally-friendly farming practices: crop diversification, maintaining permanent grassland and conserving 5%, and later 7%, of areas of ecological interest as from 2018 or measures considered to have at least equivalent environmental benefits.

At least 30% of the rural developments programmes' budget will have to be allocated to agri-environmental measures, *support for organic farming* or projects associated with environmentally friendly investment or innovation measures.

## **2.2. Measures and regulations regarding ecological agriculture in Romania**

The new EU member states have adopted the EU legislation (the so-called *acquis communautaire*) pertaining to agriculture starting from the date of their accession.

As part of the EU, Romania, not only adopted the *acquis communautaire* regarding the CAP, but also implemented and created the framework for a good developing of the ecological agriculture.

In the E.U. organic agricultural products and food stuffs are defined by Council Regulation EEC 2092/91 as it has been amended up to date. This regulation with its amendments has established a specific framework within the EU as regards organic farming; it has also defined the requirements for agricultural products and food stuffs in association with the production methods used in organic farming as well as the development of the market of organic food.

The Regulations EC 834/2007 and EC, 889/ 2008 set a new course for developing organic farming further, with the following aims:

- sustainable cultivation systems;
- a variety of high-quality products;
- greater emphasis on environmental protection;
- more attention to biodiversity;
- higher standards of animal protection;

- consumer confidence;
- protecting consumer interests.

Furthermore, the European Commission launched its Organic Farming Campaign in 2008 aiming to inform consumers about the importance and benefits of organic farming and food production (EU 2011). The campaign focuses on increasing consumers' awareness and recognition of organic products.

Apart these regulations, which are applied directly on the national level, there are also some national regulations. The Order no.181/2012 for the approval of rules on the organization of inspection and certification, approval and certification and inspection bodies and supervising control bodies.

There are created bodies of inspection and certification. Operators complied with production rules will receive a certificate of organic product will be labeled with the words, environmentally friendly products. On an organic product label affixed following entries are required: refer to organic production, logos, names and code inspection and certification body which carried out the inspection and issued the certificate of organic product.

National Logo,, ae "specific organic products, together with the Community logo are used to supplement labeling for consumers to identify products produced in accordance with organic production methods.

**Figure 3: National Logo on Ecological Agriculture**



*Source: <http://www.madr.ro/ro/agricultura-ecologica.html>*

The right to use the logo,, ae "on products, labels and packaging of organic products are the producers, processors and importers registered with MARD. In order to obtain the right to use the logo 'ae' certification and logo "ae" communication, applicants will complete the request form.

### **3. MARKETING INSTRUMENTS IN DEVELOPING ECOLOGICAL AGRICULTURE**

In order to develop the ecological agriculture, Romania and EU, created also a marketing strategy, in order to complete the legislative framework in the area. The

strategy, wants also to underline the importance to change the attitude of persons to consume organic products and to understand the importance of ecological agriculture.

As marketing instruments which are used in the public administration and which are influencing the change of the system, we can underline: product, price, brand, distribution, personal sale, paid publicity, sales promotion, and packaging, manner of presenting, post-sale services, logistics and marketing research (Borden, 1964; Fernández Bendito & Ramírez, 2011).

The logo (see Figure 3, below) and the labeling rules are an important part of the organic regulations. With this regulatory framework the European Union provides conditions under which the organic sector can progress in the line with production and market developments, thus improving and reinforcing the EU organic farming standards and import and inspection requirements.

The main objective of the European logo is to make organic products easier to be identified by the consumers. Furthermore it gives a visual identity to the organic farming sector and thus contributes to ensure overall coherence and a proper functioning of the internal market in this field.

**Figure 3. European Logo on Ecological Agriculture**



Source: [http://ec.europa.eu/agriculture/organic/downloads/logo/index\\_en.htm](http://ec.europa.eu/agriculture/organic/downloads/logo/index_en.htm)

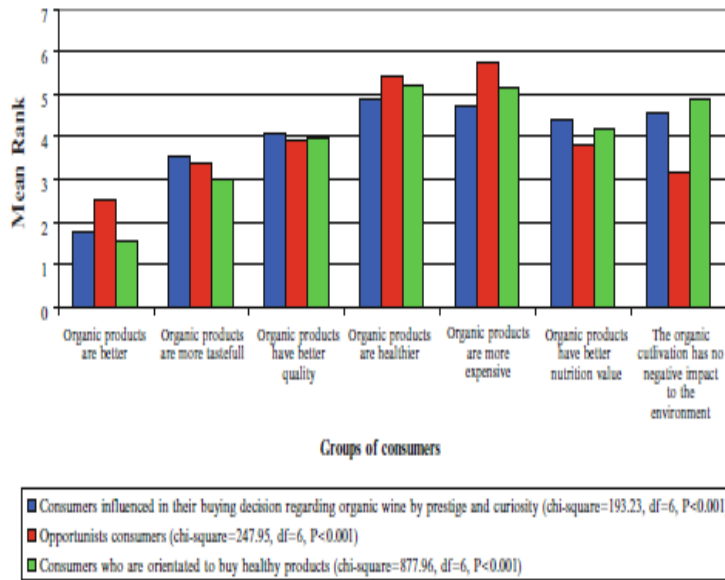
The use of the logo and correct labeling is obligatory for all organic pre-packaged food produced within the European Union. In certain cases, it is also possible to use it on a voluntary basis. This means that non pre-packaged organic food produced within the EU or organic products imported from third countries might display the new logo.

A large number of studies on *branding*, *product differentiation*, labeling issues and consumer behavior are mentioned in marketing and business literature. According to some authors (see Booth, 1988:39-54), cultural and economic factors, consumer's personality and attitudes, as well as values and emotions have an impact on consumers' decision making process regarding food selection. It was also argued that biological, psychological and socio-demographical consumer characteristics, marketing of the product, economic and cultural environment affect consumers' purchasing decisions. (Steenkamp, 1996)

Kotler (1994) as well identified that cultural, social, individual and psychological factors influence consumers' buying behavior.

In a study developed, it was identified that consumers mainly buy organic food products due to health reasons and the fact that they consider them more nutritious for kids. On the other hand, the main reasons consumers do not purchase organic food products are their high price and low availability in the market (Hutchins & Greenhalg, 1997).

Figure 4. Consumer perception regarding ecological products



Source: Tsourgiannis L., Karasavvoglou A., 2013, p. 143

The opportunists comprise the 21 % of the sample and are the consumers who act opportunistically. They buy organic wine but they are not influenced either by health and environment protection or by their curiosity or prestige (Tsourgiannis *et al.*, 2013).

On the other hand, consumers who are orientated to buy healthy products consist of the 60 % of the sample. These consumers are interested in buying products with no chemical additives. Furthermore, the environmental consequences of the product as well as the nutrition value of the product are also some factors that affect consumers buying behavior (Tsourgiannis *et al.*, 2013).

#### 4. CONCLUSIONS

The early transition disruption of output or economic recession has had a much greater impact than the effects of other factors such as budgetary allocations, foreign credits and political pressure from environmentalists. In some cases, these unintended benefits were taken forward via improved formulation and enforcement of environmental protection legislation, particularly in the more advanced CEE economies. A dimension of



this environmental protection legislation is also the *ecological agriculture*, which can be an opportunity to surpass the economic crisis.

Due to the support of the EU policies and regulations the agriculture from Romania and from Central and Eastern countries is economically recovering, bringing along a host of environmental problems specific to the intensification of production. The organic farming sector in Europe has rapidly developed in the past years. This increase characterizes not only the area under organic farming, but also the number of holdings and of overall organic operators registered in the EU-28. The EU's newest Member States have shown encouraging developments in this respect, in particular in the context of additional financing provided by the EU for this type of production since their accession.

Rendering any environmental improvements that have emerged throughout the post-communist region long lasting would require the support of robust regulation and institutional build-up at the national, regional and local level. Stronger and context-specific measures, in addition to general CAP regulations addressing environmental protection and animal welfare, would need to be incorporated into farm modernization strategies of states economies.

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## **NOTE**

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