FINANCING GRASSLANDS AND FORAGE CROPS

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Abstract: This research aims both the analysis of financing sources, as well the conditions of accessing them by farmers that use grasslands and forage crops. Considering the fact that grasslands and forage crops are organic crops (along with grain, oilseeds and protein), they are funded by the European Union, which supports organic agriculture through a global approach to sustainable agriculture. The projects submitted by farmers using grasslands and forage crops are financed from European funds at a rate of up to 80%, following that investors pay only 20% of the expenditures. Another source of funding may be a bank loan, whose mechanism, size and share are being explored in this research. The main methods used in this research are: the method of criteria, classifications, and a systematic information processing method provided by observation. Materials used covered the European regulations in financing agriculture, as well as the banking rules and legislation on agricultural credit.

The increase of surfaces on which organic agriculture is practiced in Romania led to the increasing interest of farmers for new sources of financing. Development of organic agriculture in Romania is favored by the existence of traditional agricultural systems, mostly extensive, and the low consumption of fertilizers and pesticides compared with the EU average. The surface on which organic agriculture is practiced has increased 5 times between 2000 and 2004 respectively from 17,348 ha to 75,500 ha. European Union supports organic agriculture through a global approach on sustainable agriculture.

Key words: financing sources, grasslands and forage crops, bank credits, agricultural farms

INTRODUCTION

The growth of areas upon organic agriculture is practiced in Romania led to an increased interest of farmers to find new sources of financing.

The development of organic agriculture in Romania is favored by the existence of traditional agricultural systems, mostly extensive, and as well as the low consumption of fertilizers and pesticides in comparison with the EU average.

The organic crops are represented by grasslands and forage crops, cereals, oilseeds and protein plants. The surface on which organic agriculture is practiced has increased 5 times between 2000 and 2004 respectively from 17,348 ha to 75,500 ha. European Union supports organic agriculture through a global approach on sustainable agriculture.
The development of organic agriculture is financed by the European Union with about 7.5 billion euros, from European funds.

Since 2007, Romania, as an EU member state can provide financial support to farmers within the following direct payments:
- the single area payment scheme;
- complementary national direct payments;
- compensatory payments to farmers in areas with natural handicaps - mountain areas;
- the payment scheme for energy crops.

To gain access to European funding sources, Romania has developed the National Rural Development Program (NRDP) 2007-2013 in accordance with the Community legislation in force. This program respects the rural development strategy lines of the European Union that govern this area, as well as the realities and the needs identified in the Romanian rural area.

Another important source of funding grasslands and forage crops is represented by bank loans. These loans have specific access conditions in accordance with the banking regulations in force.

To access bank loans, farmers who own grasslands and forage crops should have a vocation to credit and repayment possibilities.

MATERIAL AND METHODS

The main methods used in this research are: the method criteria, classifications, and a systematic information processing method provided by observation. Materials used cover the European regulations in financing agriculture, as well as the banking rules and legislation on agricultural credit.

To be eligible for irredeemable financial support from the European funds, farmers must voluntarily assume the environmental commitments for a period of 5 years. They must also keep a record of agricultural activities correlated with the implementation of environmental requirements.

For grasslands with high natural value, the farmers that use EU funding sources must meet the following requirements:
- not use chemical fertilizers and pesticides;
- the traditional use of manure is allowed equivalent to maximum 30 kg N s. a/ ha;
- mowing may begin only after July 1 and the vegetal mass mowed should be gathered from the grassland area no later than two weeks after the mowing;
- grazing is carried out with maximum 1 LU per hectare;
- plowing, seeding or tillage of the grasslands that are under commitment is prohibited.

The grasslands with high natural value are in areas where the activity is not as profitable as a conventional practice. Hence, a compensation payment is given for them, of 124 euros per hectare, which is a compensatory premium for the loss of income.

The compliance of the European rules imposed in financing high-value natural grasslands, mentioned above, leads to a loss of income for farmers who apply them, in comparison with the ones who apply the conventional agricultural practices.

To receive European funding, farmers must maintain the existent surface of permanent grasslands, on January 1, 2007. Also the overgrazing of grasslands is not allowed, and their burning is allowed only with consent of the competent authority for environmental protection.

Under European regulations and from the EU funding practice we can observe that to obtain financing, farmers are required to keep records of agricultural activities that take place
by completing the environmental notebook. Keeping farm records is a prerequisite for eligibility according to which the farmer must keep records of the agricultural activities conducted on the farm area and especially of the commitment assumed for a period of 5 years from the date of signing of environmental commitment. This environmental notebook should contain data referring to:

- the use of manure;
- the periods and manner of operation of mowing and raising hay;
- the manner of operation of grazing and the use of flooded grasslands;
- the hay production technology and the unfolding of manual mowing;
- the technology of incorporating into soil the biomass resulted from green crops, etc.

From the performed analysis we notice that the access to financing grasslands and forage crops from European funds requires the compliance by farmers of rules imposed by the European Union, by following the eligibility criteria.

Another important source of financing is the bank credit. Commercial banks, in granting credits, require clients the compliance with conditions aiming at:

- minimum size for a commercial agricultural holding, so it will be profitable;
- obtaining incomes that would allow the repayment of the outstanding rates of the loan and of the afferent interests;
- compliance technologies related to cultivated natural grasslands and forage crops;
- constitution of a guarantees for bank insurers, which must cover the minimum amount of the debt until the repayment of the first installment;
- the farmer's participation with hi own fund, which ensures the sharing of the bank's credit risk with the requesting client.

The maximum credit volume which the bank grants to the farmer is the maximum level of the expenditures related to the credited crop technologies. Farmers can access bank loans only if they have a vocation to credit and provide guarantees insurers for the bank; guarantees that should cover the maximum value of the debt, respectively the loan plus the afferent interest until the repayment of the first installment.

RESULTS AND DISCUSSIONS

In financing grasslands and forage crops, an important place is occupied by the European funding sources. The financial support granted by the European Union through the conducted programs for disadvantaged areas and categories of measures aim:

- the underdeveloped mountainous area for which the annual support value is 50 euros / ha;
- significantly disadvantaged areas, other than the mountain area, for which the annual support is 90 euros / ha;
- disadvantaged areas by specific natural conditions, other than the mountain area, for which the annual support is 60 euros / ha.

If the case of farms with areas exceeding 50 hectares, the payment value decreases for the agricultural areas that exceed this value, according to the table below:

<table>
<thead>
<tr>
<th>Surface (ha)</th>
<th>Value of the financial support</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 50</td>
<td>100% of the payment value per hectare</td>
</tr>
<tr>
<td>50,01 – 100</td>
<td>75% of the payment</td>
</tr>
<tr>
<td>100,01 – 300</td>
<td>50% of the payment</td>
</tr>
<tr>
<td>Over 300</td>
<td>35% of the payment</td>
</tr>
</tbody>
</table>

Source: Agency for Payments and Intervention for Agriculture, Measures 211 and 212 Guide, Appendix no. II
From the performed analysis we notice that financial support digressively decreases with the increase of surfaces of the forms.

Results of the conducted analysis on financing grasslands and forage crops, lead to the conclusion that the projects submitted for financing from EU funds can be financially supported up to 80% of their value. Results that the investor will pay at the end of the investment only 20% of total expenditures incurred.

Also, by analyzing another important source of financing grasslands and fodder crops, respectively bank credit, we find that the banking practice is more expensive and difficult to access for agricultural forms. The lack of flexibility of the crediting mechanisms and the difficulties in constituting the agricultural lending collateral insurers approved by commercial banks creates great difficulties to farmers in accessing bank credits.

The share of loans to agriculture in total loans granted by banks, as well as their development in 2005-2009, shows the difficulty in accessing them by farms and the lack of interest of commercial banks for agriculture. The crediting activity, in general, and the agriculture crediting, in particular, represents the most risky banking activity. That is why commercial banks are more reserved in granting agricultural credits.

The results of the analysis on the share of credits for agriculture and their development for the period 2005-2009 are presented in the table below:

<table>
<thead>
<tr>
<th>Period</th>
<th>Total granted credits</th>
<th>From which:</th>
<th>Share of agricultural credits in total credits (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>For agriculture, forestry, fishing</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>74,694</td>
<td>1592</td>
<td>2.13</td>
</tr>
<tr>
<td>2006</td>
<td>117,997</td>
<td>2978</td>
<td>2.52</td>
</tr>
<tr>
<td>2007</td>
<td>186,371</td>
<td>3949</td>
<td>2.12</td>
</tr>
<tr>
<td>2008</td>
<td>252,549</td>
<td>5872</td>
<td>2.32</td>
</tr>
<tr>
<td>2009</td>
<td>253,208</td>
<td>6742</td>
<td>2.66</td>
</tr>
</tbody>
</table>

*Source: BNR, Monthly Bulletin, January 2010 (Statistics section) no. 195/2010, p.54*

The data presented above show a very small share of agricultural credits in the total credits granted by commercial banks, namely only 2.12 up to 2.66%.

It results that Romanian agriculture has benefited in a very small extent of this important financing source, represented by bank credit.

**CONCLUSIONS**

With all the advantages presented by the development of organic agriculture in Romania, from the research made results that it didn't benefit sufficiently from the necessary financing sources, and particularly from bank loans.

For financing grasslands and forage crops, the farmers that use financing sources from funds must comply with a number of rules and requirements that lead to a loss of income for farmers who apply them, compared with those that apply to conventional agricultural practices.

Analyzing the share of agriculture credits and their evolution during the years 2005-2009, we ascertain difficult access agricultural holdings and the lack of interest of commercial banks to agriculture in general. The share of agriculture credits in total bank credits, of only 2,1- 2,6%, is totally unsatisfactory and leads to the conclusion regarding the lack of flexibility of the mechanisms for granting agricultural credit, but also lack of vocation to credit of agricultural holdings.
BIBLIOGRAPHY


