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# Agricultural entrepreneurial orientations. Case Study: Romania

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## Introduction

Being an entrepreneur in a transition economy is, in fact, *a socio-economic innovation*. Learning this new role represents a great challenge, considering the main characteristics of the Romanian rural area:

- *the high share of total population working in the farming sector* – which is mainly the result of the extremely low capacity to absorb the labour force surplus by the non-farming sectors;
- *the mono-sectorial and mono-occupational character* of this sector, to which the aggravating circumstances of population's *ageing process* has been added in recent years. This situation amplifies the inertial economic behaviour of households;
- *land into private ownership of households farmer was and remained low-sized* (1,6 ha nowadays). This low-sized land areas, in the conditions of an extensive type of farming and poor technical endowment, result in low productivity, maintaining the rural households at the simple reproduction limit;
- *the "closed" character of peasant households* is not only the result of the low-sized land properties, but also of the *internalisation of the paternalistic model values*.

Seen from the perspective of these regularities, one can understand that assuming an entrepreneurial behaviour in a context in which the alien (behaviour) elements are rejected for not corresponding to the cultural pattern, represent a great challenge.

The Romanian rural area is by excellence agrarian, patriarchal, bearing the imprint of a high conservative character at the level of attitudes. Hence, we can speak about rural area modernisation only at the moment of adopting the behaviour innovation at the level of the most common activity for the 47% of the people living in the rural area, i.e. farming. The presence of the entrepreneurial spirit in the great mass of farmers is a measure of the market economy penetration in this production area. One cannot speak about a real market economy in agriculture in the absence of profit-oriented farmers, of farmers willing to invest, searching for highly advanced raw materials for their activities.

## Problem statement

Transition farmers in Romania are mainly self-consumption oriented. They produce for their own needs, with minimum input rates (fertilisers, pesticides, fungicides, specialised services etc.) for farm production. The entrepreneurial behaviour is alien to them, they do not buy, do not invest and they do not have any farm investment plans. In this context, we define *the area of entrepreneurial behaviours in agriculture* by the following main characteristics:

- *the sale of products and obtaining profit*;
- *use of modern technologies and inputs*;
- *investment flows* (already in place or/and intended in the future);
- *tendency to increase farm size* by purchasing animals, buying and/or leasing in certain land areas.

This idealised entrepreneur image in the farming sector can take, from the behaviour standpoint, a multitude of manifestation forms, defined by the combination of the entrepreneurial behaviour signs, in different proportions. Household typology measuring the extent to which they have adopted active entrepreneurial attitudes differentiates four main categories of farmers in Romanian rural sector:

- *fully subsistence farmers* – using traditional techniques and producing only for their own benefit;
- *partially subsistence farmers* – using minimum inputs, selling a small part of their production, i.e. the small amounts of production surplus remaining after consumption for the household;
- *total entrepreneur* – who maximises the investments, sales and procurement of production means, in order to obtain a longer term profit;
- *partial entrepreneur* - represented by the trader focusing on sales and oriented towards profit on shorter term. The rate of production entries, although higher than the average, is relatively low. Sales have a more intense rate than entries, which define the type of profiteer entrepreneur.

### Research question

Our study aimed at testing three work hypotheses:

- whether the incidence of entrepreneurial manifestations is dependent upon the rural development level of areas where the investigated localities are located;
- if the proximity to the urban market, and the high accessibility level imply a concerted entrepreneurial action in the agri-food sector of inhabitants from the rural areas benefiting from the position rent;
- to what extent the occupational status and the land ownership structures influence the entrepreneurial manifestations and to what extent these two elements increase/compensate the simulative/restrictive character for the rural development of areas investigated.

### Methodology

The study that has as conclusions the object of this presentation was elaborated on the basis of field surveys<sup>1</sup> conducted in 2002 in two rural areas benefiting from relatively similar position rents, however located in opposite zones as regards the factors related to modernisation and rural development. Thus, the following localities were investigated: Tărtășești commune, Dâmbovița county and the Daia, Oinacu and Frătești communes, Giurgiu county. The data collection methodology consisted of the application of a questionnaire for a representative sample of investigated communes. The data were electronically processed afterwards.

### Results

If the communes investigated have similar situations from the point of view of agricultural land area suitability for the development of farm activities and accessibility to urban agri-food markets, they belong to net differentiated areas from the point of view of socio-economic development. Thus, the commune from Dâmbovița county is located in a rural area in which the factors favouring rural development prevail, while the communes from Giurgiu are located in a “poverty bag”.

*Giurgiu county* is situated inside the “bag” of poverty, which includes the rural area of the Teleorman Plain, where the weak points, unfavourable for the rural modernisation and development are prevailing:

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<sup>1</sup> The field surveys were conducted by the researchers of the Rural Economy and Sociology Department from the Institute of Agricultural Economics, Bucharest.

- *from a demographical point of view* - demographical involution brought by the accentuated ageing of the population, birth rate generally inferior to the average value, great death rate, reduced capacity for demographical rejuvenation;
- *from an economic point of view* - reduced degree of labour occupation, reduced share of non-agricultural activities;
- *from the dwelling point of view* - the dwellings made of non-durable materials are prevailing, a very reduced water supply installation equipping;
- *from the equipment point of view* - a minimum percentage of the population supplied with water from the centralised system;
- *from social point of view* - high level of infant deaths;
- *from an ecological point of view* - soils strongly and very strongly degraded, lack of forests (PHARE, 1998, pp. 33–34).

The Daia, Oinacu and Frătești communes belong to Giurgiu county, there are placed in plane areas, over 85% represents available land from the agricultural area of the three communes. They are situated between at 45–50 km from the capital of the county and 10–15 km from the county residence, so between two urban poles. There are *benefiting from a good accessibility to the car transport infrastructure*, being placed along or in the very neighbouring area of the European road, which connects Bucharest to Giurgiu.

*Dâmbovița county* is located in an area where the favourable factors for the rural economic and social development prevail:

- *from a demographical point of view* - big density of the population especially in the south half, demographical stability, capacity for natural demographical rejuvenation and renewal of the labour force;
- *from an economic point of view* - high degree of labour training, possibilities for cooperation with the urban centres, high share of non-agricultural activities;
- *from the dwelling point of view* - high share of dwellings made from durable materials;
- *from the equipment point of view* - water supply in centralised system and natural gas distribution on around 50% of the zone's area (PHARE, 1998, pp. 24–25).

Tărtășești commune belongs to Dâmbovița county and has three component villages: Tărtășești, Baldana and Gulia. Placed in a plain area, of the total area of the commune 94,11% is represented by agricultural land. Situated at a distance of 50 km from Târgoviște municipality and 30 km from Bucharest, *Tărtășești commune is in the medium area of the capital's polarisation*. It benefits from a good accessibility to transport infrastructures, being located along the national road which connects Bucharest to Târgoviște.

The data collected on the basis of survey questionnaires applied to the representative sample were interpreted on the basis of theoretical premises previously listed; the goal was to capture the incidence of different forms of overall entrepreneurial spirit manifestation on the basis of two predictors – occupational status and land ownership structures – that were considered to have a significant influence upon entrepreneurial manifestation.

From the perspective of elements defining what we have previously named “area of entrepreneurial behaviours” (trade, modern inputs, investments) we can interpret the position of the entrepreneurial class of investigated communes as being “suspended” between partial subsistence agriculture and partial entrepreneurship. These positions are justified by the entrepreneurial configuration specific for each area.

Thus, while in Tărtășești more than 22% of households develop commercial activities, for the communes from Giurgiu, this indicator is less than a half, i.e. 9,6%, compared to the area from Dâmbovița county.

In Tărtășești, a relative *specialization in vegetable farming* is noticed on commercial farms, resulting in a higher value of sales compared to the areas from Giurgiu county, where the farms have rather sporadic and non-specialised commercial activities.

The endowment in agricultural equipment of households is scarce in all the investigated communities; it is more deficient in Giurgiu, where only 4,8% of households have a tractor compared to 7% in the commune from Dâmbovița.

At the level of the commune from Dâmbovița county, 4% of the inquired persons made investments in agricultural equipment and they have an almost complete range of machines and

devices, but the value of these investments is minimum, showing the speculative nature of the entrepreneurial behaviours.

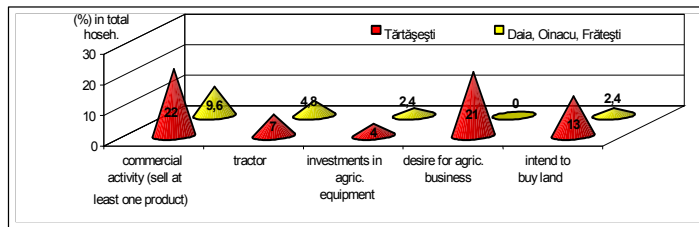


Figure 1. Incidence of entrepreneurial manifestations in investigated areas.

For Daia, Oinacu and Frătești, the endowment with agricultural equipment of the households registers a more accentuated deficit than Tărtășești – 4,8% of the households have only a

tractor and plough at much, the other equipment lacking at all in the technical endowment of the farm, 2,4% of the respondents of the three communes from Giurgiu county made investments in agricultural equipment in the previous year; with an average value of 2.800 Euro, these investments get the households they supported closer to the type of a *total entrepreneur*.

The agricultural inputs are used on quite a large number of households in both areas; however, the appetency for using agricultural inputs is decreasing, both as a share in total user holdings and as a value – from certified seeds to fertilisers and pesticides on one hand due to budgetary constraints; on the other hand out of the willingness to obtain maximum results at present with a minimum effort, running the risk of soil exhaustion in nutrients and infestation with different pests and weeds that will affect negatively the efficiency of land operation in the future. This strategy, a passive one, to make agricultural business is the result of the dominant attitude of “PRO maximal state” (Sandu, 1998, 52–55), through which the state should intervene in order to control the economic activities, should support financially agriculture, to take care of the taking – over and sale of production. In the commune from Dâmbovița county a clear interest is noticed for the growth of commercial farms, while the Daia, Oinacu and Frătești communes are characterised by a lack of interest in the development of this business type. While for Tărtășești a great agricultural business potential is found, as 21% of the investigated persons are willing to develop a farm business in the future and other 13% intend to buy agricultural land. For the communes in Giurgiu county, the potential for intentional activation in agricultural business is very small, only 2,4% of the households investigated manifesting the wish to purchase land in future or to improve their productive actions. Moreover, no one of the respondents do intend to open an agricultural business and only 3,6% of them wish to open a non-agricultural business. The main obstacle invoked by most of respondents is the lack of necessary funds for initiating such a business, together with the difficulty in getting a loan from the bank. The correlation between the economic and social development of the investigated areas and the other two elements considered to be entrepreneurial orientation predictors, i.e. occupational status of household head<sup>2</sup> and the size of land property aims at testing the way in which these two elements condition each other; this means revealing the cumulative conditions that can increase entrepreneurial actions of the farm. For this theme we consider very important to study the entrepreneurial manifestations a two extreme status category from a point of view of the agricultural dependency: the employees households, which obtaining important and constant incomes from the off-farm employment and the farmers households for which the subsistence and incomes of households member depends almost exclusively from agricultural activities.

*The occupational status structures* react in a different way to the economic and social environment conditions. The interest in the extending of the agricultural farm, both through investments in agricultural land purchase and also in lease is manifested at the level of the same status categories in both areas studied, but it is more intense in Tărtășești commune. The areas entered by purchase in the land property of the households in Tărtășești are small (in average – 0,75 ha for household farmer and 0,65 ha for household employee) fact for which we consider that these occupational categories give to land ownership a value of social prestige than interest manifested in agricultural business. Though for the communes in Giurgiu county, the averages of the areas purchased are larger (1 ha for household farmer and 2 ha for household employee). Not the farmers’ households are the ones that buy land but the employees, who have bigger incomes from elsewhere.

<sup>2</sup> The occupational typology was established in function of the stated occupation of the head of household.

The household farmers is the occupational category who seems to be interested in agricultural business in both areas – those households leasing-in 58,2% in Tărtășești and 78,4% in the communes from Giurgiu county from the total of the area making the object of this land transaction type. There are significant differences between the two rural areas regarding, on one hand the average area leased in by the household farmers (3,4 ha in Tărtășești, 2 ha in Daia, Oinacu and Frătești) and on the other hand, the share of those operating on this market segment from the total of household farmers (8,7% - Tărtășești and 4% - Daia, Oinacu and Frătești).

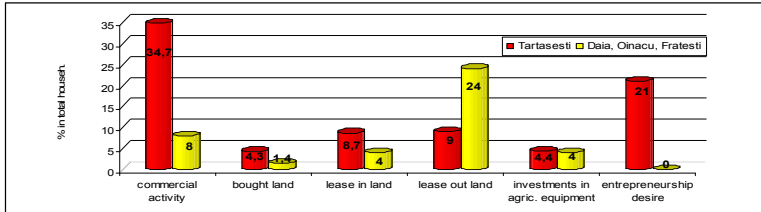


Figure 2. Entrepreneurial manifestation in households of farmers.

These data reflect the more restricted incidence of the entrepreneurial behaviours in the vulnerable area –

Giurgiu. Moreover, for the latter, the tendency to lease-out land – seven times more households are practising this arrangement in land operation in comparison with Tărtășești was generalised. If this fact can be explained for the household employees benefiting from other incomes sources, it enters in contradiction with the farmer status that does not have any other supplementary income sources.

The frequency of trade acts is influenced also by the status structures and by the regional characteristics. For Tărtășești, the highest propensity registers at the level of households, which do not benefit from any other income source – household farmers (34,7% are selling at least one agricultural product). The percentage of household employees who are selling agricultural products is smaller due to obtaining the greatest part of the available income from salary activities. For the communes from Giurgiu county, the share of households making trade acts is half than the Commune from Dâmbovița county. The highest incidence of the trade activities is registered for the households having multiple income sources – the employee households – from who 18,7% are selling at least one agricultural product. The household farmers have a mainly autarchical behaviour – only 8% of them making acts of trade. Farmers sale mainly wheat in small quantities representing the surplus of satisfying the own needs for consumption, a product that has a small unit price so, as result, the income obtained is small. So, if for Tărtășești, agriculture is an income source at farms level, for the communes from Giurgiu county, the agricultural production has more a role of ensuring food security of the household farmers and has less a commercial role.

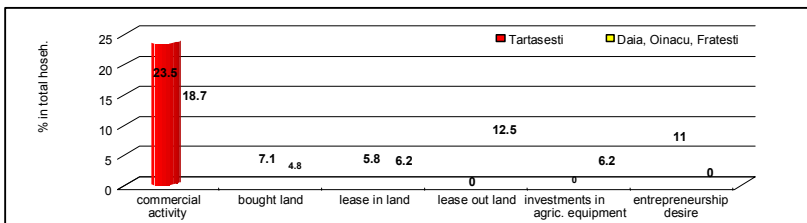


Figure 3. Entrepreneurial manifestation in households of employees.

Only approx. 4% of the household farmers made investments in agricultural equipment in

both rural areas. If for Tărtășești these investments are supported exclusively by farmers and so coming from the farm incomes, from Daia, Oinacu and Frătești communes, the non-agricultural incomes are a more important source to cover expenses for agricultural investments.

The wish to develop an agricultural business characterised exclusively the rural area of the better developed county from social and economic point of view for both status groups (employees and farmers), because this presents favourable conditions for this activity (the sales market and solvent demand for agricultural products, more advantageous prices for the producers).

In the areas with factors favouring development, the household farmers are entrepreneur representatives. For Tărtășești commune, entrepreneur-like behaviours are found in the households farmers, being manifested by the growth of agricultural production activity and intensification of commercial activities. Furthermore, these households feature high shares of those willing to initiate an agricultural business, while the employees are rather interested in off-farm business.

In the areas with factors constraining development, the household employees are the bearers of agricultural initiatives – in the communes from Giurgiu, the entrepreneurial behaviours are lower than in the areas from Dâmbovița, being mainly found with household employees. The desire to develop an agricultural business in the future is not present in any of the occupational status structures. The entrepreneurial appetite is also low for non-agricultural business. The inhabitants of this area do not consider the use of the agricultural and position potential as a possible opportunity. This is also revealed by the manifest desire of the households of the most entitled persons to develop an agricultural business, i.e. peasants to initiate a non-agricultural business.

*The land typology* re-groups the households sampled depending on the size of land ownership revealing another series of dependence among these structures and the entrepreneurial behaviours for the ensembles studied - on one hand, and pertaining to antagonistic development zones, on the other.

At the level of Tărtășești commune, the insufficiency of the land ownership, necessary to ensure food security for the category under 1 ha led to an active economic behaviour of this landowner category in the segment of purchasing agricultural land. The average area purchased is small (of 0,32 ha/household) because the precariousness of financial resources and lack of interest in agricultural business. The interest in purchasing land decreases together with the increase of area under ownership. For the commune in Dâmbovița county, the share of area got by purchase in land area for each category increases as the increases the areas held in ownership. The households with land property under 1 ha do not see in agricultural practices any opportunity, because they do not have the necessary land resources for the development of an agricultural business and neither the necessary financial resources to expand the economic range of the farm. These households are getting close to the characteristics of a *fully subsistence farmers*, consuming almost wholly the agricultural products owned. As the land size of the farm increases, also the number of the households that invested in purchasing agricultural land increases - but the areas got this way are small (in average 0,5 ha for the households with land properties between 1 – 2 ha; 1,5 ha for the households with 2-3 ha; 1,2 ha for households with more than 3 ha), reflecting the social prestige attributed to land ownership.

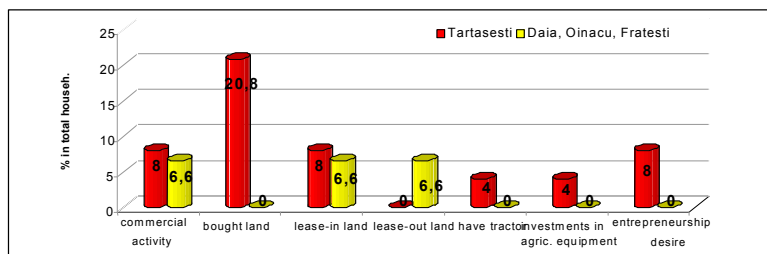


Figure 4. Entrepreneurial manifestation in households under 1 ha.

The incidence of the space for land structures upon the lease land contracts is influenced significantly by the socio-economic features of the

area where the studied communes are located. Thus, for Tărtășești, the share of households leasing-in land is bigger for the size classes-inferior dimensionally that have as goal expanding the land size of farm which implicitly generates an increase in income. For the commune from Dâmbovița county, this indicator registers the highest value for the households over 3 ha, only these ones being able to assume the risk of such a contract in case of a weak agricultural year, in such a way as not to put in danger food security of own households members.

The lease-out land increases in intensity with the enlargement of the owned area, but this fosters significantly disparities between the two areas. So, if in Tărtășești one of the households with over 3 ha, only 9% lease-out land, this percentage reaches to over 45% in the communes from Giurgiu county.

For both rural areas, we can see the existence of an inverted dependency between the size of land ownership and the acts of purchasing and leasing agricultural land, which shows the fact that to the size of agricultural land farm is attributed only the role of a regulator for ensuring the food security of the household members. The intensity with which these phenomena are occurring is different in Dâmbovița and Giurgiu communes, respectively. For Tărtășești land market have a positive impact because leasing contracts have, in general, as a goal the consolidation of an agricultural farm economically viable. But the predominant behaviour for giving-in the land use in the communes from Giurgiu county affects their capacity to support the supply for agricultural products on the market; only 13% of the households with

over 3 ha in ownership selling at least one agricultural product, in comparison with 43% of the same category of households for the commune from Dâmbovița county.

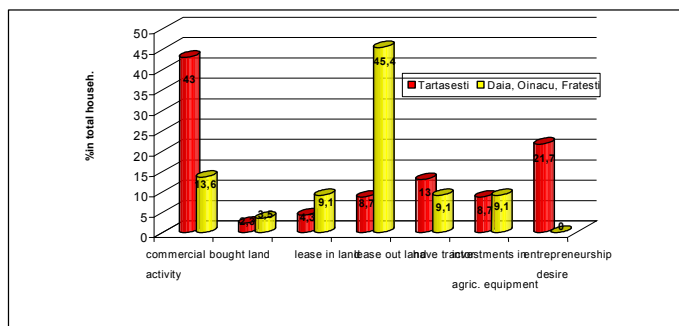


Figure 5. Entrepreneurial manifestation in households with more than 3 ha.

The other major element that defines the entrepreneurial behaviour - the percentage of the households which sell agricultural products - is circumscribed to one general increasing trend, as the size of land ownership increases. As a result, the probability that one household should fructify the entrepreneurship spirit

increases together with the farm land size getting bigger.

In Tărtășești, the desire to open an agricultural business is amounting to over 20% for all land categories, except the households with land properties under 1 ha which do not have the necessary land resources for this enterprise and neither the capacity to purchase them. In exchange, the interest of the latter category is oriented towards non-agricultural business, which could ask for smaller initial capitals and would imply smaller risks. For the communes from Giurgiu county neither of the respondents manifested the wish to establish an agricultural business, their interest being oriented towards non-agricultural business - 13,3% of the households under 1 ha and 4,5% of the ones with land properties of over 3 ha, wishing to open non-agricultural business.

## Conclusions

For Tărtășești commune, the data reveal getting closer to partial entrepreneurial parameters, while the communes from Giurgiu county are rather closer to subsistence agriculture parameters. A higher community-regional development level is a catalyst for entrepreneurial manifestations when the factors favouring rural development prevail. There is a significant positive correlation between the community-regional development level and the entrepreneurial manifestations.

In the areas with factors favouring development, the agricultural holding is an income source. In the areas with factors constraining development, the agricultural land plays rather the role of regulating the food security for the household members.

In conclusion, the degree of community-regional development involves different evolutions upon the concept of entrepreneurial behaviours. The economic dynamics of the proximity zone in which a rural community is placed, exercises a contagious process upon the agricultural initiatives. Thus, a zone where favourable factors for the development are predominant (Dâmbovița county) exercises a greater conformity pressure on the rural households, determining it to fructify the agricultural potential with the goal of improving the income level. In the areas with a low development degree, the economic dynamics is slow and also induces a character which is more a subsistence one to the rural household production activities.

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