



Romania's Viticulture Farm. Quantitative and Qualitative Assessments of the Vine Sector

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Romania's integration into the European Union, where countries with tradition in viticulture, such as France, Spain, Italy, Greece, Portugal, can be found, raises new restructuring and modernization requirements for the Romanian vine sector in order to increase its domestic and international competitiveness in this sector. The increase of economic efficiency in viticulture and wine processing requires large investments, asking for a higher contribution of foreign capital.

The characteristics of viticulture farms in Romania

Romania's agriculture has gone through great structural changes as a result of the land ownership right reedited by Law 18/1991. The main change, consistent with the transition to market economy, was the enlargement of private ownership and the diminution of public ownership and of the private domain of the state. Private ownership's influence upon the surmounting of the agrarian crisis and the progress of agriculture has a quite contradictory nature: on one hand, private ownership is a stimulating factor, as it removes the drawbacks of the collective – co-operative and state ownership; on the other hand, it is manifested as a factor that hinders this process, as private ownership exists under the form of very small and small-sized private land properties, which limits the land owners' possibilities of action¹. The statistical data published after the General Agricultural Census (GAC) provides an overview of the vine farms, starting from their number and areas cultivated with vine plantations, even though there is a certain lack of concordance between the different statistical sources² regarding the vineyards areas. In Romania's viticulture, there are both individual farms and farms with legal personality. More than 170 thousand farms operate in the production of noble grapes for wine; as for the grapes (hybrid vine) that go to processing for other wines, more than 950 thousand farms are operating; the grapes destined to consumption are produced in 17 thousand farms. Their size is extremely different, while their grouping according to this indicator has a special importance. The fragmentation of the statistical series on the vine farm size was based upon a characteristic methodological principle, which takes into account the frequency of the similar size values, the extreme (minimum and maximum) values and the medium size values.

The following aspects are worth mentioning in relation to the viticulture farms:

- the farms with bearing noble vineyards feature a situation of extremes:
 - ✓ the farms of up to 10 ha and those with over 100 ha almost entirely own the bearing noble vineyards (over 39 thousand ha each, of each category);
 - ✓ between these extremes, the other farms (between 10 and 100 ha) have a lower share, only 5,5% of the area;
 - ✓ more than half of the area cultivated with noble vineyards (50,85%) is operated by individual farms;

¹ Popescu Marin (2003), The agrarian crisis in Romania at the end of the 20th century and beginning of the 21st century, IAE, NIER, Bucharest.

² 244,4 thousand ha in 2001; 242,9 thousand ha in 2002 – Romania's Statistical Yearbook; in the census we can notice that only an area of 185.575.93 ha belongs to the agricultural farms.

- the hybrid vineyards belong to farms up to 10 ha, accounting for 93% of the total area; among these, most are individual farms;
- the farms as legal entities, from the category "over 100 ha", have the intention to invest in vine plantations (land area under preparation for vineyards);
- the vineyards with grapes destined to consumption (8306 ha) are operated by legal entities in a proportion of 67%.

Table 1. Viticulture areas owned by farms – share by categories of size.

Types	Total (ha)	Farm categories on size (%)		
		up to 10 ha	10 – 100 ha	over100 ha
a) Bearing vineyards with grapes for:				
Noble wines	83.114,6	47,4	5,5	47,1
Other wines	94.154,65	93,0	2,3	4,7
b) On bearing vineyards with grapes meant for consumption	8.306,68	29,4	5,5	65,0
c) Young vineyards that are not yet bearing	2.117,67	71,0	2,5	26,5
Viticulture nurseries and rootstock plantations	369,81	8,5	6,1	85,4
Land area under preparation for vineyards	6.588,37	8,2	4,3	87,5

Source: own calculations, based upon NIS, General Agricultural Census, general data, 2002.

The individual viticulture farms do not operate on a commercial basis.

Out of the 62 thousand individual farms which are market oriented, only 7% sell more than half of the grapes and 4% of the wine production.

The agricultural companies and associations are mainly oriented towards the sale of grapes. Out of the 225 commercial companies, 33% sell more than half of the grapes production, while 39% more than half of the wine production.

Table 2. Agricultural farms selling viticulture production by legal status.

Type of sold products	Share of sold production	Individual agricultural farms	Legal entities, out of which:			
			Companies/Associations	Commercial companies	Public administration units	Other types
Grapes	< 50%	25.751	8	40	13	31
Grapes	51 -100%	4.559	24	74	31	48
Total		30.310	32	114	44	79
Wine	< 50%	30.178	3	23	8	19
Wine	51 -100%	2.254	6	88	15	23
Total		32.432	9	111	23	42
Total		62.742	41	225	67	121

Source: INS, GAC, 2002 General data

The information supplied by GAC is not sufficient enough to provide a full picture of the viticulture farms in Romania. We should not overlook the fact that both profitable and non-profitable units may exist within the same category of farms. Farm classification taken into account from the perspective of size, based on their area of production, does not represent the only factor of farm profitability and viability. In order to compare the average results of the viticulture farms in the EU Member States and Romania, a case study proved to be necessary. Technical and economic information from the viticulture farms were used. Seen from the perspective of economic results, the investigated Romanian viticulture farms show similarities with the Spanish ones. The labour force load per hectare and the intermediary consumption rate are alike, demanding almost the same effort; gross production is by 40% lower, this being reflected not only in the low offer but also in the non-attractive prices on the Romanian market.

As compared to the EU competitors, the investigated farms in Romania feature gaps regarding the situation of the main production factors, except for the land resources. Large discrepancies are still present in the use of technological means.

A restrictive factor in the economic efficiency growth of the Romanian viticulture farms is represented by the incapacity to invest in new plantations which is a particularly costly operation.

Table 3. Economic results on viticulture farms from EU Member States and from a case study for Romania.

Country	Farms in sample (no.)	UAA (ha)	Annual labour units/ha	Gross prod/ (ha thou.Euro)	Interm. Consum./ha thou.Euro	Depreciation /ha thou. Euro	NetVA /ha Thou.Euro	NetVA/ALU Thou.Euro
Germany	283	8,92	0,23	9,87	4,27	1,53	4,74	20,47
Spain	432	19,45	0,08	1,44	0,40	0,15	0,94	11,59
France	1.054	20,12	0,11	7,69	2,83	0,90	3,95	5,5
Italy	1.333	5,6	0,21	5,73	1,44	1,01	3,48	1,54
Luxembourg	21	10,03	0,25	12,71	4,46	2,58	6,62	26,5
Austria	72	12,26	0,16	4,98	1,69	1,03	2,97	18,77
Portugal	206	6,95	0,21	2,38	0,70	0,37	1,43	6,74
Case study Romania		124	0,08	0,87	0,52	0,03	0,33	3,74

Source: own calculations based on "Résultats Standard par Orientation Technico-Economique de 2001/2002", Comité Communautaire du Réseau d'Information Comptable Agricole – and a case study.

After the accession, the premium for changing and restructuring may have a good effect, but, considering the high costs of this operation, the farm could benefit of it only on the condition that the State participates as a co-financer.

Aspects regarding the vine and wine common market organization

Seen from an international perspective, the European vine and wine sector holds a top position. EU is on the first place in matters of production, consumption and trade. The common market organization in the wine sector is among the most complex and vast within the common agricultural policies. This is due to the fact that the common market organization covers not only the classical problems, characteristic for each common market (prices, intervention, trade, etc.), but also other specific problems for the wine sector.

The vine and wine common market organization, that was gradually established beginning with 1962, gave birth to a regulation which is among the most complex regulations within the Common Agricultural Policy (CAP). This regulation was modified in several stages and later on it became the EEC Regulation no. 822/87 of the Council, of March 16, 1987.

Having in view that the market situation had evolved and that the Regulation 822/87 did not offer the flexibility necessary for the adjustment to the new situation anymore, starting with August 1, 2000, it was replaced by the Regulation no.1493/1999 of the Council regarding a new organization of the vine and wine market.

The common vine and wine market organization involves rules regarding: the wine production potential, the groups of producers and the bodies in the chain, the oenological practices and treatments, indication, appellation, presentation and protection of products, quality wines produced in well-defined regions, market mechanisms and trade with third countries.

The market mechanisms, specific for the common market organization, use a system consisting of fixed prices, supports, prices granted for production orientation (e.g. intensification, agro-environmental etc.), intervention, and private storage, all this having as a final goal the quantitative and qualitative adjustment of the supply and demand and the providing of reasonable incomes for producers. Rules for the protection/equilibration of the domestic market were established in the trade regime with third countries. The structural mechanisms envisage measures for the young farmers, for the modernization of the farms located in less favoured areas, as well as measures for the processing or marketing enterprises.

The interventions on the vine and wine market. The interventions on the vine and wine market refer to: *the control of the production potential, the obligatory distillation* of the by-products resulting from wine production, of the wines obtained from grapes with double use (for example, also for cognac production), which are in excess and are not exported, *the optional distillation* (preventive and price supportive) of the table wines, aiming at wine market support, as well as other support modalities.

Until 1999, the minimum price paid to producers for the quantities that went to distillation had been a modulated function of the orientation price in conformity with different types of distillation. At present, the wine producers get a fixed amount of money for distillation, function of the alcoholic contents (% volume/hl) of the distilled product.

Expenditures on the wine common market organization. The budgetary expenses in this sector have in view only the table wine, the quality wines produced in well-defined regions not benefiting directly from any support measure, market intervention or export refunds.

They largely differ from one year to another, function of the production risks; in the years with normal production, they account for between 2,5 and 5,5% from the total EAGGF, "guarantee" section.

The total expenses in the wine sector reached, on the average, slightly over one billion ECU in the period 1989-1997, out of which 76% were dedicated to market measures and 24% to measures for definitive abandonment of areas with vine plantations, followed by their significant diminution in the period 1998-2000 and a return to the previous levels in between 2001-2003¹.

The expenditures for the market measures can be divided into two categories:

- The first group includes export refunds, the support for the wine and grape must storage and the support for the grapes must use. The export refunds have a ceiling tendency, tending to decline, in conformity with the GATT/WTO commitments. The last two measures represent about 22% of the total expenditures for market measures and are relatively stable.
- The second group includes the wine distillation measures, the alcohol coming from the obligatory distillation falling into the authority of the competent authority. The average expenditures for these account for about 70% of the market measures expenditures, and are stable for those regarding the wine production. The expenditures for other distillations have significant variations from one company to another, as the balance is either in equilibrium or more or less in surplus.

Complementary support measures. The instruments within the common wine market organization are accompanied and completed by the rural development measures. Within this framework, the measures regarding the wine sector could be classified into two categories: agro-environmental measures and structural measures.

The structural measures have in view the improvement of the processing and marketing structures. At the same time, for wine and alcohol, the diminution of the processing capacities is envisaged.

The agro-environmental programmes have in view introducing or maintaining the productive methods compatible with the environment protection, the preservation of nature and landscape. The support goes to the agricultural farms that are willing to participate to the agro-environmental programmes.

The projects in the wine sector should mainly have in view the following objectives:

- the diminution in the use of fertilizers and/or of phyto-pharmaceutical products or maintaining the already diminished level in the use of these substances;
- the introduction or maintaining of the biological farming practices;
- measures for production intensification or for maintaining the already existing extensive production, through other means than those mentioned above;
- the use of other production practices having in view the preservation of the natural space and landscape.

The results of negotiations. Measures for a best use of the opportunities

The main short-term actions regarding the integration of the viticulture and wine sector into the Single European Market are determined both by the obligations assumed, and by using the opportunities provided by the negotiations results. Besides adopting the *acquis communautaire*, Romania should also have a clear policy on each sector, administrative structures capable to respond to the requirements of the common market organization, financial resources to implement the *acquis communautaire* and to revitalise the viticulture sector.

The necessary measures to reach these objectives are the following:

¹ In 1998 the expenses amounted to 700 million euro; in 1999 to 614 million and in 2000 to 765 million; they reached 1196.7 million euro in 2001, 1348.7 million in 2002 and 1213 million euro in 2003.

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1) The development of the viticulture Register and the review of the figures regarding the viticulture heritage, including the harmonization of the statistical reports to different bodies: IVO, European Commission etc.

Table 4. The negotiations for the viticulture and wine sector focused upon the following issues.

Box 1. Aspects regarding the negotiations with the European Union in the viticulture and wine sector	
ROMANIA'S SOLICITATION	EU POSITION
A period of transition of 4 years, until 31.12.2010, for the inventory of the viticulture plantations and the organization of a Community viticulture Register.	The period of transition was not accepted - it was considered that Romania has sufficient time to complete the viticulture Register until the accession moment.
A period of transition of 8 years, until 31.12.2014, for the elimination of hybrid vine varieties from cultivation.	Reformulated solicitation (next Table).
Classification of the viticulture zones from Romania into the EU categories.	The Transylvanian Plateau: zone B. The Hills of Muntenia, Oltenia, Moldova, Crişana, Banat and Maramureş, Ştefanesti de Argeş, Sâmbureşti, Drăgăşani and Craiova Hills: zone C I a. The Hills of Muntenia, Oltenia, Buzău, Dealu Mare, Severin, Drancei Pasturelands, Dobrogea's Hills, Danube Terraces, South of the Country: zone C II.

SOLICITATIONS WITH FINANCIAL IMPACT		
Name	Romania's solicitation	EU offer
Vine		30.000 ha
Replantation rights for the hybrid varieties forbidden in the EU (replacement will be made within 8 years from the accession) supplementary replantation rights.	30.000 ha	With the possibility of granting state support of maximum 75% of the investment value 1,5% of the area of 188.700 ha (2.830 ha).

2) The introduction of the obligatory distillation system for the wine by-products. This measure should be implemented and be functional until January 2007. The implementation of this measure means: the selection of some large distillation units in each vineyard or viticulture centre, the modernization of distillation units for the complex processing of the by-products resulting from wine production, the accrediting of the distillation units by the state bodies, having in view the absorption of the subsidies envisaged by this measure.

3) The implementation of the intervention systems: wine distillation (obligatory and voluntary), support for the private storage of table wines and grape must; support for processing grape must into juice, the aid for private storage of the table wines and of the grape musts, support for the use of grape musts in increasing the alcoholic contents of wines.

4) A national programme for the revitalization of the viticulture sector, based upon the information supplied by the Register of the viticulture plantations and upon market information, with clear objectives and financial support by the state.

5) Encouraging co-operation for the small producers; a beneficial effect for the small producers would be the capital attraction (foreign, eventually) in wine production and distribution in parallel with accessing the SAPARD funds for changing and restructuring.

6) Initiation of programmes for product promotion; the quality wines, which are not subjected to intervention measures, will need an aggressive promotion policy. The success of some countries on the world market is achieved to the detriment of others, in the conditions in which the consumption is in decline.

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