

# THE IMPACT OF GLOBALIZATION ON FARMERS INCOME. EVIDENCE FROM POLAND AND ROMANIAN AGRICULTURE



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# INTRODUCTION

Globalization has become the symbol of the times we live in. It is believed that the driving force that directed the evolution of the world to this point is the "mirage" of free market capitalism, with all the benefits that come from here. Integration into the mechanisms of this politico-economic system in order to benefit fully from its effects is a desideratum of all peoples belonging to European and other European culture.

Those who have once known, directly or indirectly, the superiority of free market capitalism in comparison with other types of economic and political societies are irreversibly attracted to it.



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Romania enjoys its development potential, but is underutilized. It joined the European Union almost three years after Poland joined. According to the National Institute of Statistics, it has an area of 238 thousand km<sup>2</sup>, 6% of the total area of the European Union and a population of 18.5 million inhabitants, representing 4% of the total EU population.

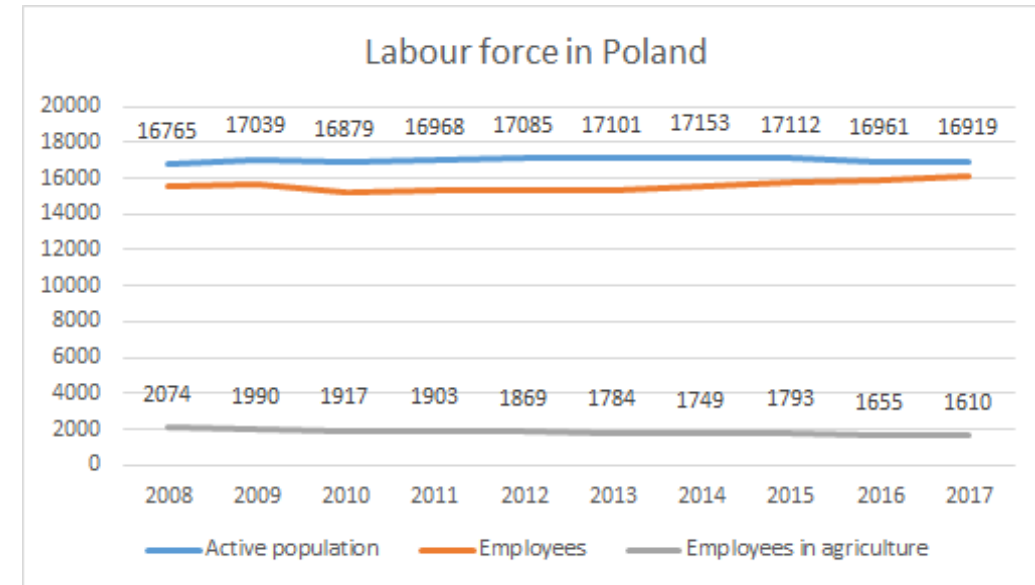
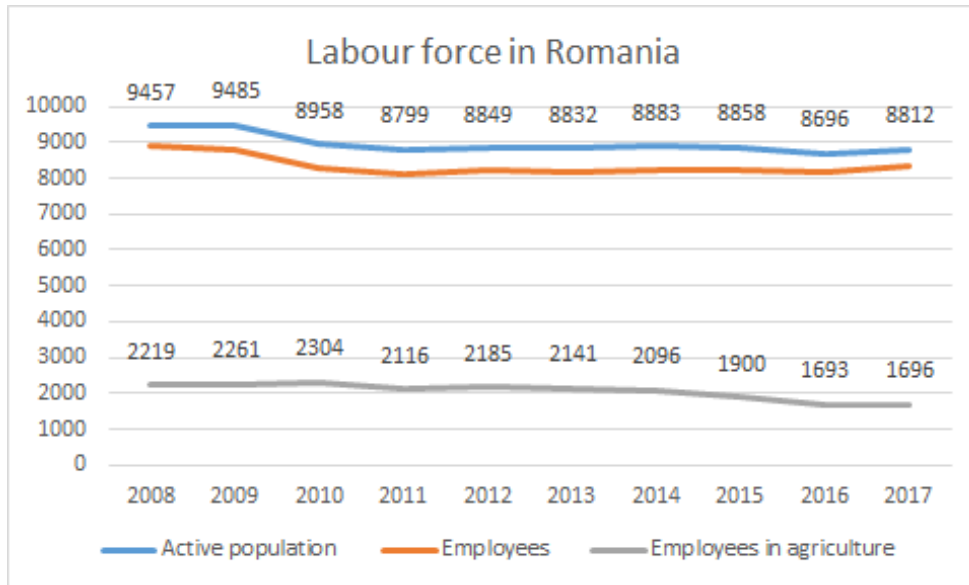
With a remarkable rural occupation, with an area of 87% of the country's population, with a population of 46.2% and 8.54 million, their basic activity is agriculture, giving it a vital and social role. Studying the effects of globalization would be meaningless if we did not focus on studying it on the most important sector, namely the agricultural sector.



# GLOBALIZATION IMPACT ON RURAL AREAS – RURAL INCOME AND AGRICULTURAL INCOME SI AGRICULTURAL TRADE BALANCE

Globalization is a current trend being a complex phenomenon and a process of integrating the global economy. It has an influence on all sectors, also on the agricultural one, finding positive aspects and trying to solve the negative ones. Globalization of agriculture means that every country in the world should have free access to markets in other countries.





Compared to Romania, Poland has constant values for the active population and generally employed, at a time when the phenomenon of globalization is becoming more and more pronounced. The farmers of both analyzed countries face the situation when they have to bring specialized mechanizers from the EU member states, being paid much more than the average of both states.

## The number of farms

According to the FADN database, the number of farms in both Poland and Romania has fallen sharply, being a constant change to the adaptability of market demands. The decline of farms does not necessarily manifest itself negatively, which means greater collaboration in order to succeed together in the new conditions created by common policies.

Year	2007	2010	2013	2016
Romania	3.931.350	3.859.040	3.629.660	3.422.030
Polonia	2.390.960	1.506.620	1.429.010	1.410.700

*Source: Farm Accountancy Data Network*

## Gross farm income

Whenever you talk to a Romanian farmer, they always say the same thing, such as that the selling price of agricultural products is too low, and the revenue obtained by marketing it does not cover the costs incurred.

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Romania	5861	7881	6015	7284	8270	7519	7812	7316	6250	7659
Poland	15548	15173	12073	15913	17018	17160	16685	15635	14868	14651

*Source: Farm Accountancy Data Network*

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Family farms have a key role in the development of the Romanian economy through their share in the production of food, the fuller use of the labor force, the subsistence of the population, the economic diversification and the increase of the activity of the rural areas.

The family farm has a historical tradition since the time when everything was done in the house and in the household. It is then passed into the era in which family farms need to exchange as often as possible with the market, consuming goods that they no longer produce in the household, which they can not buy unless they market on the market some of the products they the household produces them. Market price and capital need dictate to the farmer what to do, that is, to produce what the market wants, which has a good price.





## Unpaid labour input

Using our net farm income and farm income, considering that only family members are working in the farmhouse, and they, through their work, devote themselves to both the market and the self-consumption, will be able to calculate the average number of people they work in the farms of the states under analysis, who do not receive remuneration for their work. This result is expressed in the Family Work Unit (FWU).

$$\text{FWU} = \text{FNI} / \text{FFI}$$

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Romania	0.97	0.97	1.01	1.06	1.1	1.2	1.19	1.33	1.44	1.68
Poland	1.43	1.43	1.46	1.47	1.49	1.49	1.47	1.47	1.53	1.52

Source: Farm Accountancy Data Network

### Total Agricultural trade – Romania

	2010	2011	2012	2013	2014	2015	2016
	U.M. mil. \$						
Agricultural Imports	5,200	6,197	6,161	<b>6,579</b>	6,797	6,710	7,512
Agricultural Exports	4,122	5,581	5,193	7,042	7,371	6,572	6,823
Agricultural Trade Deficit/Surplus	-1,078	-615	-967	463	575	-132	-689

*Source: Global Trade Atlas*

Due to its fertile soil and location, Romania has become a leading exporter among competing European countries. The agricultural sector contributes significantly to national economic performance due to the fact that the products are being exported worldwide. In 2016, total foreign trade in agricultural products, mainly wheat and maize, summed approximately EUR 7 billion, this is more than 9% of total Romanian exports.

### Total Agricultural trade – Poland

	2014	2015	2016	2017
	U.M. mil. \$			
Agricultural Imports	2,858,761	2,465,127	2,310,513	2,497,933
Agricultural Exports	738,798	889,574	916,612	949,390
Agricultural Trade Deficit/Surplus	-2,119,963	-1,575,553	-1,393,901	-1,548,543

*Source: Global Trade Atlas*

According to the Economic Complexity Observatory (OEC), Poland is ranked 22th in the world in regards to the export economy. Market liberalization favored increased commodity exchanges with the largest countries in Central and Eastern Europe. At the beginning of 2016, the total amount of goods exported abroad increased compared to the same period of the previous years (2014-2015). However, the import dynamics index was much higher than the dynamics of exports.

Following an overall analysis of the two tables above, we note that both communities face a continuing trade deficit, even though Romania recorded a slight surplus during the period 2013-2014.

# GLOBALIZATION IMPACT ON SMALL FARMERS - FOREIGN INVESTMENT IN ROMANIA AND POLAND

Today, the prerequisites of a country's economic development lies in the abundance of capital. Public investment are often limited by the various national interests that tend to gain priority - payment of wages and pensions, control of the budget deficit, etc. In the absence of investment, the economy loses. If public resources are limited, then it should be encouraged private financing. Unlike Romania, Poland has a medium-term vision to attract investments, developed through the 12-year program to support major investments for the period 2011-2023, and is the main basis for granting subsidies.



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In a global agricultural economy, large farms will continue to replace the small farms on the world market. More and more, large farms will be controlled by giant multinational corporations. Romania has one third (33.5%) of the total number of farms in the European Union in 2013, while Poland ranks second (13.2), most of the farms in both states being considered as family farms and semi-subsistence farms (European Union report, 2017). Considering this, a concern arises regarding the fact that this high number farmers won't be able to maintain their only source of income and they will be bought by the large ones. One solution for them could be association and cooperation so that they can produce and sell as one large farm in order to be able to compete on the market.



# CONCLUSION

Considering the structure of property and households and other factors such as youth migration, lack the desire to associate for production, processing and marketing products, the aging population and the increase in numbers pensioners and social assistants, the peasant household is threatened as being, many villages being depopulated.

At the same time, the aggressive invasion of imported food considerably reduces the marketing of small-scale agricultural products farmers. In this context, the problem of small property dichotomy - the large holding can only be solved by considering complementary to the two forms, according to the specific each economic area, with the historical evolution and the stage in which it was social-economic development.



We hope the development and consolidation of households will be assured by the farms vocation for survival, exercise taken over several generations and succeeded most of the time. Actually, the village has become a synergistic economy in which it has a field of action the principles of competition and free initiative in the effective use of resources, with the role of the farmer.

In an international scenario marked by uncertainty and anticipation after, the European Union pays particular attention to the application of a territory of effective policies in response to increased competition in markets, and represents an interesting tool for government intervention in development rural area in a defined area of quality products. In this direction in the last years, the European Union has authorized state aid for implementation supply chain contracts, as well as the sector for the purpose promoting and modernizing agriculture, as well as technological development enterprises.

Because of the big number of young persons with no direct interest in agriculture, we suggest to create more attraction and involvement by creating more agricultural college.

Sometimes the household needs help in some work, as those of cultivation where they do not face the quantity of work and they do not find anyone to work with, even if they pay a good value for it. The unemployed prefers to live out of social benefits and they do not need more. Also, they prefer to do the same work in agriculture in Italy or Spain, where they have a better salary and as they are used to say, a better life.

