

Petre, Ionut Laurențiu; Dumitru, Eduard Alexandru

Conference Paper

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Provided in Cooperation with:

The Research Institute for Agriculture Economy and Rural Development (ICEADR), Bucharest

Suggested Citation: Petre, Ionut Laurențiu; Dumitru, Eduard Alexandru (2016) : Economic efficiency of leased lands in Romania lease versus association, In: Agrarian Economy and Rural Development - Realities and Perspectives for Romania. 7th Edition of the International Symposium, November 2016, Bucharest, The Research Institute for Agricultural Economy and Rural Development (ICEADR), Bucharest, pp. 121-125

This Version is available at:

<https://hdl.handle.net/10419/163362>

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ECONOMIC EFFICIENCY OF LEASED LANDS IN ROMANIA LEASE VERSUS ASSOCIATION

PETRE IONUȚ LAURENȚIU¹, DUMITRU EDUARD ALEXANDRU²

Summary: *Leasing is an effective method of using agricultural land in Romania? This paper will answer this question, it will analyze the impact assessment produced by leasing land, the benefit to the farmer concerned. Take into account the causes of the lease, such as inability plot work, the health of the owner, etc. It will consider the Lease Law, but also statistics on the soils in this stage. It will analyze the benefit derived by the landowner, but a comparison in terms between cooperation and farmers association. The comparative study will be made in two distinct cases: first, the owner gives the agricultural goods and the second the same beneficiary can be integrated or may give rise to an association of owners. In the end will determine whether leasing land is indeed an effective method of "exploitation" of the land, or if is a more "comfortable". It will make some recommendations, some relating to negotiating and arranging the lease, others about association, but also recommendations about legislation.*

Keywords: *leasing land, producer associations, economic efficiency, legislation.*

Jel classification: Q12, Q15.

INTRODUCTION

In the current period, they shout across agricultural land are often not worked, forgotten over time by the youth heirs of the rightful owners of these lands, owners are no longer living or are inability to further exploit the land. A partial solution, we learn and how effective is giving this land on lease in exchange for agricultural products or counter-value.

At the basis of the lease is a contract concluded in the agreement of two parties, one of which is "lessor" which transmits agricultural assets (land and livestock), the "lessee" he exploiting those assets for a period of time determined by contract, in exchange for "rent" (price).

Lease Law (No.16 / 1994) was repealed, with the advent and adoption of the new Civil Code on 1 October 2012, which is found in section three, jurific on lease arrangements.

In accordance with art. 1836 of the New Civil Code, agricultural goods are considered the following:

"- Agricultural lands, namely productive agricultural land - arable, vineyards, orchards, vineyards tree nurseries, the fruit trees, hops and mulberry trees, wooded pastures, land occupied by construction and installation agricultural buildings, facilities fisheries and land reclamation technological roads platforms and storage facilities serving the needs of agricultural and unproductive land that can be arranged and used for agricultural production; "

"- Animals, buildings of any kind, machinery, and other such goods for agricultural use."

Causes Release lease of agricultural land can be varied: from poor health related to age, the lack of machinery for processing terrain and lack of knowledge and information necessary to difficulties in production.

Given the variety of relationships that are established in the domestic agriculture, and between agriculture and other areas of the economy, there are a variety of relations Association. Thus, in agriculture, according to the law, you may encounter the following types of association "agricultural companies and other forms of association in agriculture" (L.36 / 1991), "associations" (L.246 / 2005), "agricultural cooperatives" (L.566 / 2004).

According to law number 246 of 18 July 2005 approving the GO issued. no. 26/2000 on associations and foundations, art. 4 specifies that:

¹ ASC- specialized agri-food economy, The Research Institute for Agriculture Economy and Rural Development, email: petre.ionut@iceadr.ro

² ASC- specialized agri-food economy, The Research Institute for Agriculture Economy and Rural Development, email: dumitru.eduard@iceadr.ro

"The association is a legal entity of three or more persons, on the basis of an agreement, pooling and no right of return material contribution, knowledge or their work contribution in the development of activities in the general interest of some communities or, where appropriate, in their private patrimonial. "

Considering the two methods of land use, we analyze the economic profitability and efficiency and we each put in antithesis to observe the advantages and disadvantages held by each of them.

Beneficiaries of this study can be represented by owners of agricultural land, both individuals and those authorized; tenants and homeowners associations.

MATERIAL AND METHOD

The comparative study will be conducted on a small farm size (3-5ha) in two separate cases: first, the owner gives the agricultural goods and the second the same beneficiary can be integrated or may give rise to an association of owners. The two cases will be interpreted economically, given the new Civil Code regulations (for rent) and Law No. 246/2005 (if the producer group). It will establish operating income differences, differences in profit, for both the beneficiaries and service providers.

The size of agricultural property that underlies the comparative analysis will be correlated with the average size of area in the case of 3.8 million producers, reaching a value of 3.5 hectares. It will conduct an economic analysis will highlight the benefit of the lessor and the respective member association of producers or pecuniary benefit either naturally correlated with the costs in each case. The advantages and disadvantages of these two systems can be observed in a comparison table.

RESULTS AND DISCUSSIONS

At the end of 2015, in Romania there were about 800,000 farmers who own property between 1 and 5 hectares of farmland, representing in total about 4 million. Hectares of land.

"The economic activity of a country is conducted on branches, sub-branches and manufacturing sectors, each with specifics and actual working conditions, which of course put their imprint on the organization of the production process."

Land Fund resources attracted in agricultural output circuit is a factor of production - which, by volume (area), characteristics, quality (low fertility) and determine the potential cost, organization, structure and economic efficiency of agricultural production.

Leasing Land

As set out in Chapter Material and Method, leasing is based on rules of the new Civil Code; this is done under contract in which two parties, lessors and lessees, determine the period of time to the Agreement and the payment amount (rent) that a landowner will receive the predetermined time period all through that contract. Usually the amount of rent are at the level of 30-35% of gross income.

Therefore if an owner has an arable area of 3.5 hectares and decides to give on lease, it will also endeavor, and will benefit from certain effects; by simulation for this area and it will grow wheat assuming we have the following situation:

Table 1. Renter's efforts and effects

| 3.5 ha land lease | |
|--|----------------|
| Land tax (RON) | 147 |
| Total expenses (RON) | 147 |
| Production came (kg) 30% * 3590 kg/ha | 3769.5 kg |
| Production value (RON) 3769.5*0.65 | 2450.175 |
| Value of subsidy | - |
| Income tax (16%) | 392.03 |
| Total income (RON) | 2058.15 |

Source: Own calculations

As can be seen in Table 1, the only major expense in this situation, the lease is the tax on land. This was calculated given the area where the land, considerându the Village area (Rank village being V- which means a correction coefficient of 1.00. This correction coefficient multiplying by 42 the amount of tax for arable land and the surface of 3.5 ha). Therefore tax expense, but so total expenditure amounts to 147 lei for the 3.5 hectares.

The price or rent it receives it is the natural value of 3769.5 kg. It was calculated given the average production of wheat in 2014, according to 13.1.2 ADER project supported by the Research Institute for Agricultural Economics and Rural Development is 3590 kg per hectare; share of 30% negotiated in the lease multiplied by the average yield on the 3.5 ha and assimilated led to this amount of agricultural product. From an economic perspective, this amount valued at the price of 0.65 lei per kilogram would mean a gross value of 2450.17 lei. It is by applying to income tax of 16% owner will charge the amount of 2058 lei. Thus it will achieve a net result of 1911 lei for three and a half hectares.

Producer associations

Currently speaking increasingly efficient agriculture forms only in conjunction with the Association of owners or agricultural cooperatives. More and more Reves specialized in agriculture publishes articles that suggest no association or cooperative farming will not have a future.

The producer group is based on Law 246/2005 which can create associations and foundations with interest and common purpose. Thus simulating a similar situation with the lease will have the following structure of expenditure and revenue:

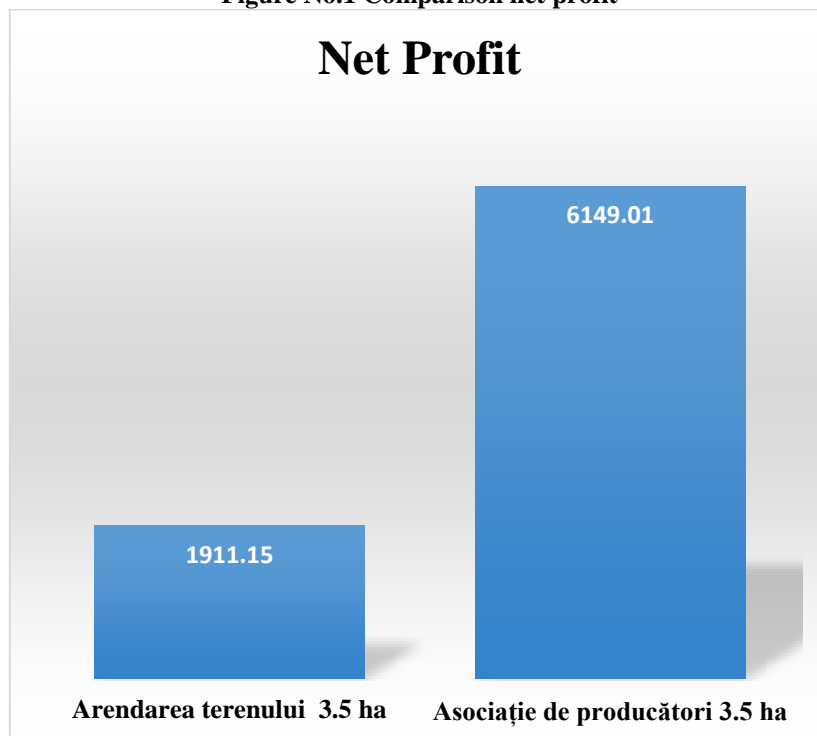
Table 2 Member's association efforts and effects

| Association of producers 3.5 ha | |
|---|-----------------|
| a) Manual works - Served equipment | 112 |
| b) Direct expenses | 5813.5 |
| c) Operating expenses (10%) | 581 |
| Production cost (RON) (a+b+c) | 6506.5 |
| Land tax (RON) | 147 |
| Total expenses (RON) | 6653.5 |
| Production value (RON) 5000 kg/ha*0.65 | 11375 |
| Value of subsidy 165euro/ha | 2598.75 |
| Total income (RON) | 13973.75 |
| Gross profit | 7320.25 |
| Net income | 6149.01 |

Source: GD 216/2016; <http://m.business24.ro>;

In the second case, the owner is part of an association of producers, the total expenditure amounting to 6653 lei will include production costs for the 3.5 hectares - 6506 lei (1859 lei / ha) and tax 147 lei field. Out of total income gains that will highlight up, recovery of production at the same market price, given the high output of 5 t / ha and the amount of 165 euro subsidy areas 1-5 hectares (on a course valutar 1 euro = 4.5 lei). Thus the net result of the member association is 6149 lei, representing a profit rate of 42%.

Figure No.1 Comparison net profit



From the above figure can be seen the difference in net profit between the two cases analyzed, namely leasing of land of 3.5 hectares or employment in the same field a producer.

CONCLUSIONS

This study had an objective in which were found two cases approach or agricultural land, was not intended to benefit or disadvantage one of the two systems, each application depending on many factors internally or externally owners .

The conclusion of this study explains the benefits and disadvantages of the two methods outlined by the proprietarii earth will get some benefit from them:

Table no.3 Advantages and Disadvantages

| Leasing land | | Producer Associations | |
|---|--|---|---|
| Advantages | Disadvantages | Advantages | Disadvantages |
| <ul style="list-style-type: none"> • The overwhelming rate of profitability (80%) ; • Convenient use of the land; • The level of expenditure is low; | <ul style="list-style-type: none"> • Low level of rent or of benefit;; • In some cases, tenants are required to categorical agreement between the parties, sometimes borderline illegal; • Limiting exploitation of diversified crops; • Failure to receive subsidies cumulative pay property tax; | <ul style="list-style-type: none"> • Possibility decision after negotiation higher prices for inputs and selling prices; • Issuance responsibility of the owner of sale; • Expanding production; • Access to information; • Easier access to EU funds; • Increasing capital; • The profit level is high; | <ul style="list-style-type: none"> • Farmers reluctant to associate; • Find at least two members of management and the establishment of the association; • Investing large amounts; • A high rate, in practice, the failure associations; |

In this study we highlighted features and benefit to the owner by using one of two methods of land exploitation, leasing of agricultural land or the establishment or integration into a producer. These owners will choose subjectively possibility of PRIMS and factors are influenced, with we age, inability land use, area of residence, training, and other resources available.

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