Investments and Growth in Agriculture

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Abstract
The economic growth of all countries, during the past centuries had aimed to balance the global raising number of population with the food production, as a basic requirement for mankind survival. Unlike the pessimistic view of Malthus and neo-maltusianists, who considered population and food resources a given disequilibrium, from the individual entrepreneurs and farmers up to the macroeconomic decedents of the rural policies, they all prove a continuous commitment to feed consumers with their basic requirements. This is why investments and subventions in agriculture have important particularities and consequences, and play a major role on the global market.

Keywords: balance, investments, subventions

1. Introduction
The elected leaders and all the politicians are assumed to secure the lasting growth of the society, as a warranty of all citizens’ welfare, in all the spheres of the development and progress. Mainly in economic life, the European decedents are to act in order to consolidate the single market that function to fulfill the human needs mediating the distribution of the basic merchandise. European Union is now to maintain its role as an important player on the global market, but meanwhile to re-enforce its own market by continuing the reform of the whole economic and financial system, on legislative basis, in an original mixture of competitiveness and social security. Enlightened by the relatively recent evolution of the crisis and slowing downs of the macroeconomic output, the common policies keep up with the imperatives of raising employment, diminishing unemployment, improving the fiscal and financial in use tools, and many other objectives among which the food security is not the last, but the most important.

2. Materials and methods
The economic policies appropriate principles should ground on the fertile soil of the best theory. This is why, the research in agricultural economics will be granted with more founds from the European Union, and is focused to open new direction for the business to follow. To do a realistic study, one must start observing the statistic data and analyze the ideological context that caps them; for this, specialized institutes such as National Institute of Statistics, National Bank of Romania, European Statistics are the best sources of verified information. Comparing phenomena levels or ideas helps explore by using the reasoning the future of the agricultural achievements and thus give us all a support for better organizing our life. Not last, communications and the internet are indispensable tools used by scientists to watch and verify in an objective manner the context of their work.

3. Results and discussion
Investments and growth in agriculture seem to be the successful pattern of gaining hope for the poor people and profits for the entrepreneurs.
While capitalists aim to enrich themselves and receive more money, which would ground the general growth, the poor and unemployed expect a wage of a higher salary as a result of their work: in a classical view, this concordance among all interests was achieved, but in the contemporary context, the society raise more problems to be solved.

In his “The New Economics”, 1983, Nicholas Georgescu-Roegen argued the importance of a wise decision upon the questionable “what to do with investments?”

While studying the entropy in economy, he reached an ecological vision upon the opportunity of excessive growth and investments, no matter how limited the resources are. Somehow ironical, he gave an example of questionable investments in agriculture, under the long term scarcity of some natural resources threatening: “the most glaring example is the highly mechanized agriculture, which has replaced the best known solar cell, the beast of burden, by the tractor, which is produced and driven by terrestrial resources and which calls for an immense additional terrestrial energy and matter in the form of chemical fertilizers.”[1]

Taking a similar position, Herman Dali, 1977, [2], starts the analysis of “how much economy can grow” from the sense of maturity or sufficiency included in the definition of the growth concept, believing that growth gives way to a steady state, a state beyond which point physical accumulation gives way to physical maintenance.

If this phase of steady state is not in accordance with strictly the physical maintenance, this situation corresponds to “excess investment” or “misallocation”. In his “Steady State Economics” Dali explains: “misallocation is defined with respect to the competitive market equilibrium of the plans of savers with the plans of investors, not with respect to physical relations of the economy with the ecosystem. Positive net investment means growth, which means an increasing throughput and increasing biophysical disequilibrium.” [2]

The malthusianist dilemma “limited resources versus more population” is not for ever solved by the raising productivity and high-speed machinery, because “technologists are not interested in improving Technologies of lower level such as those by which two thirds of the world population now live.”[1]

As we can easily, empirically observe, the huge scientific and technological progress did not solve yet the poverty and disparities problematic.

Under the pressure of the world economic crisis, in 2010, European Commission released “Europe 2020: A Strategy for Smart, Sustainable and Inclusive Growth”. An important goal of this plan was to implement reform, structural change and efficiency, on March, 3, 2010 [3].

This document designs the future ten years evolution of the United Europe starting from the given socio-economic elements of our continent: an aging population, scarcity of some traditional resources and their getting more expensive, globalization and climate change.

Putting an optimistic label on our future, by using the economic growth as a strategic target, it aims to encourage the foreseen solutions for recession and slowing downs: more jobs, higher productivity, and economic, social and territory cohesion.

It is now sure that we have a unique market in European Union and the mechanism of demand supply requires permanent adjustments for those economic agents who do not obtain profits under the given prices conditions restrictions.

Agriculture, like every other sector of the economy, has some particularities, mainly connected to the restrictive production factors and to solve this fundamental antagonist position, between small, weak competitors and power ones on the prices battle, European Union started and continues a wise agricultural polity of supporting in diverse formulas this primary and vital sector.

Competitiveness in agriculture and rural development could be simplified by controlling the amount of costs and profits forming the final prices, but reality is much more complex than that, because of the fluctuant dynamic of the competition, of the cost-price ratio, of the final returning to the farming units.

The agricultural European convergence goal adds on more nuances in the financing agriculture plans, according to the increasing demands of diminishing the existing gaps among the regional achievements of this sector of activity, achievements which vary from one member state to another.

For the modern European policy is important to shape and support the recorded per capita disposable personal income, but also, using a pattern similar to all industries, the income per
business, no matter how many people are involved; more over, the smaller the business is, the steady flat support is meant to be granted. This wise optic upon the large-scale economy and agriculture is closely coordinated with the authorities measures of decreasing the unemployment and raising employment on our continent, objectives with dramatic implications on the evolution of the sustainable society. Theoretic arguments show that the map of profits on the market and indirect the structure of the sales orient with great accuracy the behavior of the firms, of the farms, of all economic agents. Because of this functional observation, the efforts will be directed towards linking the productivity, the profits, the performances and competitiveness of the activity: the reasonable thinking of “making money” would thus inject the financial flows into those specific activities which promise to bring up the higher returns in the shortest time frame. So there is an incentive attitude of the banks to offer credits with higher and higher rates, assuming that the most profitable firms will address their financial services. Practice has proven that only a small number of firms or corporations are able of gaining so much, especially in crisis conditions, so that they can afford absorb new markets and eventually create new jobs. A recent survey of this phenomenon, “The Wealth Report per 2012” [4], states that in European Union the innovation and expansion alert dynamic is embarrassed by the excessive regulation of the single market and it is for sure that the economic performances could be higher. In other words, even if the corporation and smaller entrepreneurs can access credits, they avoid them most of the times, and even if the business switched to more savings, the employment does not raise at the same rate as the expanding activities should need. This situation, at least for agriculture, fortunately is on its way of being solved, once implemented the new proposals. One of the most important of these is concerning the principle of European agriculture financial discipline, a principle that reformed since 2003 the Common Agricultural Policy and entailed the mechanism of adjusting the amount of the direct subvention for the farmers and agricultural entrepreneurship when the previsions show that CAP budget will be exceeded in a given financial year. European Council concluded and decided to maintain this mechanism and set the level as of which any reductions of direct support would apply to farmers who receive more than EUR 2000 of direct support [5] as the 2013, “Reform of the Common agricultural policy (CAP) - Main elements of the Council position” expresses. Justified by the easier access to credits and to a higher competitiveness on the market of big business, the European Council stated that each member state will have the possibility and right, if they consider appropriate, to reduce the sums allocated to the direct support for farmers who receive more than EUR 150 000 per year. In this way, a fair competitiveness will be financed, by injecting in the cost originating mechanism, in order to control the final products and food prices. The current phase of the CAP reform is changing the agricultural financial mechanism in the sense of diminishing its bureaucratic burden for the beneficiaries and administrative national apparatus: for instance, the current Single Payment Scheme (SPS) and the Single Area Payment Scheme (SAPS), will fusion and improve, in order to form one Basic Payment Scheme; this will be applied leaving the choice for each nation to rule the limits of the top-up payment on first hectares of each farm, a stipend known to be a “redistributive payment”. Economic shrinks re-orientate the resources more quickly and more profitable, and in this trend, rural development is expected to get helped, financed and supported from the macroeconomic managers, in the directions indicated by the market balances. The present and future conditions in agriculture need more common and coordinated measures to be taken, such as flexible financial support for farmers, because of the higher labor intensity in small farms and economies of scale on larger farms, for instance. Such flexibility in financial aid go for strengthening the convergence in agriculture of all member states, to diminish the existing gap among direct payment levels in Member States; this will lead to fix minimum and maximum limits to the value of payment entitlements in relation to their national or regional values. A novelty for the new expected agriculture reform is the “small farmers’ scheme” proposed by the Commission which gives a flat-rate payment to
farmers who do not receive more than EUR 1000 of direct support. This scheme aims to bring about a significant reduction in the administrative burden on both farmers and national authorities. Watching the slow progress in the diminishing gaps among rich and poor countries of the EU, and especially the agricultural gaps, European Council has introduced specific support for regions with a GDP per capita for the 2007-2013 period less than 75% of the average of the EU-25, but whose GDP per capita for the next programming period is above 75% of the GDP average of the EU-27. These territories were called “transition regions” and they will get additional support.
To improve the financial discipline, the Council has set the level as of which any reductions of direct support would apply to farmers who receive more than EUR 2000 of direct support.
The Council has provided for increased flexibility in the transfer of funds between the two CAP pillars: the national authorities may transfer up to 15% of their direct support envelopes under pillar 1 to their rural development envelopes under pillar 2, or vice versa.
Under the guidance of the new reform principles, the governmental functions seek to promote competitive markets in socially acceptable ways, according to the EU agricultural, rural and environmental policies.

4. Conclusions
Our conclusion starts from the observation of Georgescu-Roegen, in his “New Economics”: “Malthus was wrong because he was not Malthusian enough he allowed for population to grow ad infinitum, provided it did not grow too fast. The same error is committed by the Club of Rome, which sees the ecological salvation in the steady state.” [1]
As far as the European Union and Romania are concerned, the food production capacity and quality must be preserved with priority and from this point, we are in the position of accepting investments in non-sustainable, oil-fueled, technological systems, but we rather convert them to ecological and long-term fueling systems.
We totally agree that a larger share of the EU financing and granting flows must go to a committed research in this field.
No matter the growth and development ratio fluctuations, agriculture must remain powerful, as long as we do not largely consume synthetic food.
By updating European policies to such imperatives, the EU will gain a more prominent position on the global market.

References