Chapter 3
The Influence of Common Agricultural Policy (CAP) on Development of the Agricultural Production Structures in Romania and EU-28

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ABSTRACT

Agriculture represents without any debate a fundamental economic sector, with significant implication in achieving not only the food safety standards for a growing population, but also in promoting rural communities' cultural values and providing good living standards and revenues for farmers and rural population. In this context the evolution of agricultural production structures represent a major concern for all decision-makers involved in this sector. Achieving competitive results in valuing the agricultural potential impose a great convergence between inland agricultural policies and the Common Agricultural Policy in order to integrate the best measures in designing an economically efficient agricultural structure. The chapter aims to analyze the evolution of some of the agricultural production structures under the Common Agricultural Policy reform and the pressure to adapt and achieve the most functional decision in a better valorization of the inland agricultural potential.

DOI: 10.4018/978-1-4666-7521-6.ch003

INTRODUCTION

The agricultural exploitations define one of the most important social and economic constructions aiming to highlight the superior value of agricultural potential, with strong reverberations on rural communities, their evolution representing an echo of different agricultural policy measures adopted over time, both at national but especially aggregate level in the EU-28. Understanding the implications of the Common Agricultural Policy (CAP) has in shaping the structures of agricultural exploitations triggers the often extensive polemics both the policy makers and the rural communities strongly affected by the measures adopted under the CAP reforms.From this perspective, the Common Agricultural Policy (CAP) is a dimension with major implications on the evolution of the European economy and the community space as a whole, being a policy with a deep tradition in the European Union (EU-28).

Despite the fact that the impact of Common Agricultural Policy reforms and transformation has already been analyzed in recent studies (Anderson et. al.2014; Matthews et al.2013; Andrei and Darvasi, 2012; Andrei and Untaru, 2012), there are important aspects that needs further approach. The transformations that have occurred in the last two decades have marked the evolution of the European policy effectively, modifying its radial philosophy, under the pressure of European economy are always into confrontation and evolution. Thus, starting with the reforms of the period 2003-2004, there was established a new approach slightly different than the old application method by introducing the separation of direct payments under the Single Payment Scheme (SPS) in most sectors governed by the principles of the first pillar of the CAP and strategizing efforts of rural development policy, which also represents the second pillar.

This approach has been continued by the reforms from the sugar sector in 2006 and those from the fruit and vegetables sector in 2007. The separation of allowances and the financial support from the size of agricultural production itself and its reorientation towards market exigencies allow producers to reduce the dependence degree towards financial support measures and to increase the competitiveness of the agricultural sector as a whole.

As the literature states (Sassi, 2011), *agriculture shows the fastest convergence pace, followed at a considerable distance by services and industry*. This situation can be explained by the important role the agricultural sector holds in the EU-28 and the effects that it generates for the rural communities, most of the times dependent on the agriculture's evolution.

To complete this situation, as it has been shown (European Commission, 2007), the competitiveness of European agriculture indicates a significant increase in some important fundamental sectors, making the EU-28 one of the largest exporters of agricultural products with high added value although in the case of basic agricultural products it has been registered a decrease in market share.

The special importance of the Common Agricultural Policy made the European policy since the beginning of its existence hasdefined clearly objectives with impact on the community space. Thus CAP must ensure the achievement of major objectives, which are otherwise set forth in the European Treaty, and reflect the European coordinates in the domain of agricultural policy, such as (Andrei and Untaru, 2012):

- To increase agricultural productivity and rational use of production factors in order to improve the living conditions of the rural population and the development of appropriate agricultural production;
- To stabilize markets;
- To assure the supply of competitive agricultural products and high level of food safety;
- To ensure reasonable prices of agricultural products to consumers.