

THE EFFECTS OF THE LIFE ANNUITY PROGRAM ON THE AGRICULTURAL LAND EXPLOITATION AND PROPERTY DIMENSION

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Abstract

This paper aims to show the link between the evolution of the land property structure and exploitation and the life annuity program. In order to establish the modification that this program brought to the agriculture it is essential to study it as a program adopted from the French model as a need to relaunch the agriculture by supporting the medium and large sized farms so the main purpose of this paper is to demonstrate the direct connection existing between adopting this program and the increase of the exploitation dimension. As a measure with the main goal of concentrating the agricultural surface in a country such as Romania, which is facing as a huge problem the excessive fragmentation of the agricultural land, fact that makes a profitable and competitive exploitation impossible, life annuity, as this article will conclude had an important role and impact on transforming small sized exploitation into medium and large sized exploitation. The main methods utilized in elaborating this article were collecting and interpretation of statistical data.

Key words: annuity, rural development, development region, rent, annuitant.

INTRODUCTION

Title XI-Life annuity from the Law No. 247/2005 defines the agricultural life annuity as “the amount of money paid to the agricultural annuitant who sells or leases the extravilan agricultural land found in his property or he signs an agreement with the investor with the provisions of article 4, align. 13 from Law No. 1/2000 for reconstructing the right of property on the agricultural and forestry land, solicited according to the provision of the land Law No. 18/1991 and of the Law No. 167/1997 with its ulterior modification and completions having the safety of a life annuity source of incomes guaranteed by the state”.

By the practiced policy the life annuity sustains the idea of formatting large dimension exploitations with a high level of competitiveness on the agricultural market by the utilisation of annuity as an extremely efficient instrument in the process of agricultural land alienation from aged farmers to young farmers in order to develop the processes in agriculture. Therefore, the mains purposes followed by life annuity are: the removal of aged persons from the agricultural

circuit, the increase of physical dimension of the agricultural exploitations, the ensuring of a stable income for the annuitant and encouraging young population to conduct agricultural activities.

The life annuity program has its origin in the ground rent in France which in the XIX century from its apparition created controversy due to the ambiguity with which it was described. Generally the controversies were highly related to the separation between the production phenomena and the repartition one. The complexity of the land as production input forced to a differentiation regarding the life annuity and therefor the volume of annuity was granted depending on: intrinsic qualities of the soil, terrain positioning qualities unrelated to its natural qualities, intensity annuity marked the influence of holder and property of soil on exploitation and implicitly the results obtained.

MATERIALS AND METHODS

In order to explain the impact that the life annuity program had on the property structure, some statistical data will be analyzed and interpreted. The data are collected from the

operative documents of the Agency for Payments and Intervention in Agriculture for the year 2010.

RESULTS AND DISCUSSIONS

In the past the problem of the connection between life annuity and property structure was vaguely approached but the beneficial effects that life annuity has led to deepening the interest manifested for the purpose of increasing the productivity in agriculture by the modification produced on the property structure by life annuity.

According to the Agency for Payments and Intervention in Agriculture, in the year 2010 the situation regarding life annuity was as follows:

Table 1. Agricultural surface-total, sold and leased with rent objective for every development region

Crt. No.	Development region	Agricultural surface(ha)	Sold surface(ha) with rent objective	Leased surface(ha) with rent objective
1.	South-East	2325122	71167.01	37178.67
2.	North-East	2123395	13003.84	7492.15
3.	West	1872375	25728.51	9457.23
4.	North-West	2069766	10843.86	11381.69
5.	Centre	1901554	5752.85	5304.30
6.	South	2063821	39260.05	14135.87
7.	South-West	1799230	13507.01	2487.58
8.	Bucharest/Ilfov	102122	242.23	159.86
9.	Total	14632399	195217.24	84404.49

Table number 1 presents the surface sold and leased with rent objective and the agricultural surface at the level of the eight development regions in the year 2010. It can be noticed from the table that in each development region in the year 2010 existed both rented and leased agricultural surface with rent object. The total sold agricultural surface with rent objective in the year 2010 was 195217.24 hectares and the total leased agricultural surface with rent object was 84404.49 hectares. The values regarding the sold and lease surface are relatively small considering the fact that life annuity begun to operate since 2005. It is necessary to mention that for this situation the fact that the economic measures of increasing the agricultural surface of the holdings are still hard to apply and the rural population was poorly informed regarding life annuity. It can also be talked about the conviction of a population that lived in the communist period to alienate the land, either

the property or the utilization process whose complication is also deep by the modest and insufficient amount of rent.

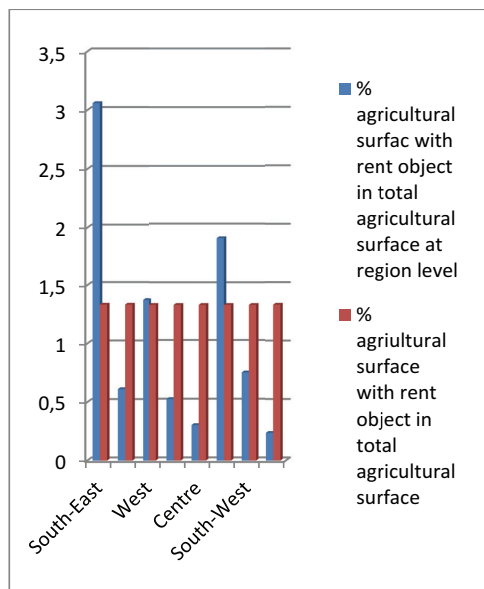


Figure 1. The share of sold agricultural surface with rent object in the agricultural surface

The figure number 1 presents the share of agricultural land sold with rent object in total agricultural surface at each region level and compares it to the share of total agricultural land sold with land object in total agricultural surface in Romania in the year 2010. It can be observed that the regions South-East, West and South exceeded the average while the other development regions are a lot under this average. This situation can be explained by the rural development level of each region, the type of agriculture practiced and the degree of information of persons over 65 years old and which not holds more than 10 hectares of agricultural land cumulated. The decisions to sale explanation can be found in their incapacity to exploit the land and to obtain satisfying production after a potential exploitation.

Therefore in order to contribute to the rural development it is very important to take this fact into consideration when the policies and strategies are constructed and especially when it is applied. This represents the necessity to

adapt to each region needs but also to each region current situation.

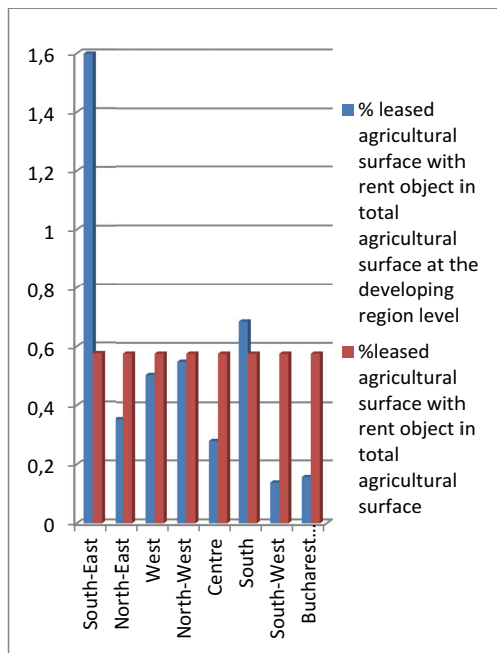


Figure 2. The share of leased agricultural surface with rent object in the agricultural surface

The figure number 2 presents the share of leased agricultural surface with rent object in the total agricultural surface at the development regions level and realises a comparing with the share of total leased agricultural surface with rent object in total agricultural surface. By analysing this figure it can be observed that only the South-East and the South regions exceed the average while the others regions are below the average. The agricultural surface leased with rent objective is below the one sold with rent objective in the year 2010. A potential explanation in regarding this situation can be consider to be found in the provisions of the Law No. 16/1997 updated by Law No. 20/2008(Published in the Official Gazette No. 170 from 05.03.2008) concerning the land lease contract which offers more freedom and decision power to lessee than to lessor. Therefore there is considered that the fear of lessor of losing the rights on his land is one of the impediments that block the aged population to lease their agricultural land and puts them into the situation of choosing to exploit their

land on their own, even if the results are not so satisfactory and implies work and resources.

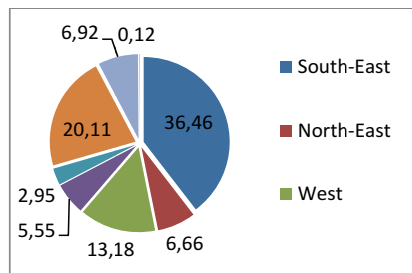


Figure 3. The share of every region agricultural land leased with rent objective in total agricultural land leased in Romania in the year 2010

The figure number 3 presents an analysed related to the structure of agricultural land sold with rent objective at the development regions in Romania in the year 2010. According to this figure the region with the highest sale of agricultural land with rent objective is the South-East region with 36.46%, followed by the South region with 20.11 and West region with 13.18%; the others development regions brings their contribution to the total with less than 10% each. This situation can be explained by the total surface of agricultural land that every region holds, the number of persons that fulfils the annuitant criteria but also by the rural development strategy that every region has.

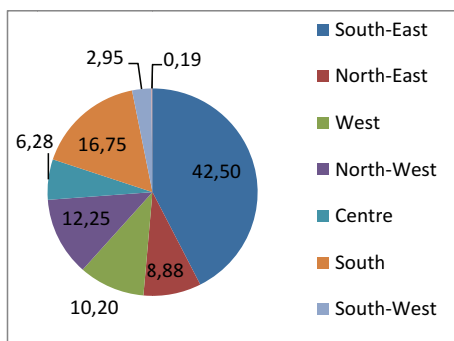


Figure 4. The share of every region agricultural land sold with rent objective in total agricultural land sold in Romania in the year 2010

The figure number 4 present the analyse of the structure of leased land with rent object at the development regions level in Romania. It can be observed that the South-East region

maintains the highest share regarding the lease of agricultural land with rent objective compared to other regions holding 42.5% from the total agricultural surface with rent objective at the country level. As in the case of agricultural land sale with rent objective the South region occupies the second place with a contribution of 16.75% to the total agricultural surface sold with rent objective at the country

CONCLUSIONS

Data analysing regarding the sale or rent of agricultural land with annuity object at the level of the year 2010 indicates the fact that this program has a positive effect on development the agriculture because it encourages the alienation of both property and exploitation of agricultural land.

However there are also barriers in this respect such as:

- the reluctance of the aged people concerning renouncing to their property;
- the poor amounts granted as annuity which are not sufficient in order to ensure some income stability;
- the reduced level of information of people that fulfils the annuitant criteria;
- the excessive bureaucracy and the slow and hard process which allows aged people to obtain the annuitant card;
- interrupting the life annuity program by stopping the grand of annuitant title.

Eliminating these bounds and reviewing the life annuity program can lead, according to the French model, to the agriculture development and even to the rural space development. The main explanation in this respect is given by the current situation of the land fund in Romania characterised by excessive fragmentation, that determines subsistence and semi-subsistence agriculture and blocks the evolution toward a performing and competitive on the market agriculture.

Therefore the life annuity can contribute to the merging by reducing this fragmentation if not at the property level at exploitation level for sure, decreasing the number of small sized holdings incapable to produce important

level. The explanation are similar to the lease and can be formulated starting from the agricultural surface that every region holds, the number of persons with annuitant criteria, the degree of information of these persons and the rural development strategies adopted by each region.

economical results to the detriment of medium and large sized holdings powerful and capable enough to resist on the market. On the other hand life annuity also contribute to the rejuvenation of rural population by attracting their interest into carrying out agricultural nature and by allowing aged population to retire from this kind of activity.

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