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AGRICULTURE'S LENDING POSSIBILITIES AFTER THE EU ACCESSION

POȘIBILITĂȚI DE CREDITARE A AGRICULTURII DUPĂ ADERAREA LA UE

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The banking sector manifests abstentions in what concerns the granting of loans to economical agents in agriculture, and it doesn't seem to be any competition between banks concerning the offer of this banking product. The commercial banks use their own funds for agriculture's lending in a small measure and in the conditions in which the respective loans are guaranteed by different funds or agencies.

Beginning with 2003 there have been conditions that agriculture's lending market to be labeled with an expansion process in Romania, as a consequence of the start off of the rural financing project clinched between Romania and The International Bank for Reconstruction and Development in 2001. Another important factor is constituted by the improvement of the legal framework concerning the agricultural insurances.

Key words: *Agricultural credit, banking system, guarantees, rural development.*

The lack of suitable warranties, the decreased profitability registered in the agricultural sector, the economic instability, as well as other specific factors for a transitioning economy have had a negative impact on agriculture's sector evolution, it being perceived as a high-risk sector. Moreover, it was of no interest to any investment in other countries also from center and middle Europe, that were in a market transition process, as Slovakia, The Czech Republic, Hungary and Poland.

In the central and East-European countries like The Czech Republic, Slovakia, Poland, Hungary, the agriculture and the economic sectors interconnecting with it, are in a more advanced stage of development and the producers' organizations have an important role in agriculture, farmers receiving financial support through these organizations. The investments' financing in cash flow actives, cars and agricultural equipments are insured

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in a greater and greater measure through commercial loans and not through loans granted by commercial banks. In many central and eastern-European countries leasing and other contraction forms between the economic agents from agriculture tend to develop, these contractual relationships being more adequate for satisfying the short and medium term financial needs and having different forms [Isarescu, 2001].

Beginning with 2003 there have been conditions that agriculture's lending market to be labeled with an expansion process in Romania, as a consequence of the start off of the rural financing project unfolded on basis of the Loan Agreement clinched between Romania and The International Bank for Reconstruction and Development in 30 of April 2001. Another important factor is constituted by the improvement of the legal framework concerning the agricultural insurances, by adopting the Law no 381/2002, regarding granting of compensations in case of natural disasters from agriculture and OUG nr. 157/2002 in completion The Law of Lease no. 16/1994, both normative acts stimulating from different directions the insurances for agricultural crops and of the animals. Concomitantly, it is to be noted the underlining of the agricultural loan Law for production, no. 150/2003, who's putting in practice had consequences starting 2004 [Neagu, Margarit, Copaciu, Racaru, Mircea, Andrassy, 2006].

The Ministry of Agriculture, Forest and Rural Development signed a government agreement, within which the level of public funding was approved for 2007, granted in conformity with the stipulations of the law for agricultural loan no. 150/2003, according to which MAPDR will support in a total of 20% the volume of the granted loans by the commercial banks for production activities in the vegetable and zootechnic system [National Bank of Romania, 2007]. This quantum was 10% bigger than the medium level of public funds granted for 2005 and 2006 and was conceived in order to compensate in total the banking costs of the contracted production loans – bank's interest and commission.

At the beginning of 2007, MADR begun a series of discussions with banks' representatives in order to establish banking products destined to farmers who will unroll rural development projects. One of MADR recommendations refers to the granting of a gratuity period to farmers who appeal to a banking lending for the co-finance of rural development projects.

The loans are granted from the lending investments fund in agriculture, made up of allocations from the budget to the Ministry of Agriculture, Forest and Rural Development, according to Law no. 231 of 2005. The fund is administrated, also, by MAPDR. The sums for reductions granting are given from the same fund.

For the loans destined to purchasing of cars and agricultural equipment for vegetable and zootechnic farms, the level of the repayment sum is of 25% and for investment loans in cereal and oleaginous deposits, the repayment sum is reduced by 30%. The level of the reduction for the volume of the granted loan is established and approved periodically by Government's decision, at the proposal of The Ministry of Agriculture, Forest and Rural Development.

By Law no. 23/ 2005 the facilitating of the access to loans is pursued, as well as the increase of the volume of loans granted to the agricultural sector and to sectors collateral with it. It is also pursued the support of loan beneficiaries by taking-over the loan risk by the warranty, as well as the transparent administration and in conditions of the market of the granted sums [Stoica, 2005].

The support refers to entrepreneurs that don't benefit from co-financing for the investments financed from communitarian programs, as well as the ones that don't benefit from un-reimbursements public co-financing from state budget for investment projects that represent the object of Government's Emergency Ordinance, no. 59/2006, concerning the insurance from the state budget un-reimbursable for investment projects in the framework of the SAPARD Program.

Momentarily, many banks grant agricultural loans, but the peasants can't guarantee the loan. It would be ideal for them to be able to guarantee the bank with there own production, but the banking institutions don't accept a kind of guarantee. A solution to the problem could be that the farmers to appeal to the services of the Fund of Rural Loan Guarantee (FRLG) [National Bank of Romania, 2005]. But this doesn't mean that any farmer can obtain a guarantee, because FRLG has, like bank do, its own conditions. The customers for which the bank can solicit guarantees from the Fund have to develop a profitable activity and not to be in the incapacity of payment or of reorganization and bankrupt. Concomitantly, farmers don't have to have debts, arrears in state budget or the local one, nor do they have to have arrears loans and interests that haven't been acquitted on due time,

according to eligibility conditions of FRLG. Also, those who choose to have a guarantee at FRLG, besides the interests and commissions imposed by banks, have to acquit also the commissions of Fund guarantee that represent about 2% of the total of the lended sum.

No less than 13 banks (BCR, BRD, CEC, Raiffeisen Bank, The Commercial Bank, Carpatica, Bancpost, Transilvania Bank, UniCredit Tiriatic Bank, Romanian International Bank, Eximbank, ATE Bank, Alpha Bank and ING) have shown their interest in lending the farmers in the framework of The National Program for Rural Development (NPRD), through which the farmers and the local authorities can obtain money for investments in farms, un-agricultural activities and villages' development. Although, theoretically NPRD looks like the pre-adhesion SAPARD program, the beneficiaries of the rural development program have a new series of facilities.

The most important one, up to 75% out of the money requested can be un-reimbursable. In the case of SAPARD, a maximum of 50% of the money were un-reimbursable. Among the facilities, there are the possibility of contracting an advance of up to 10% from project's value and a longer period for money reimbursement, as well as the elimination of the obligatorily payment of presenting a letter of banking guarantee when depositing the project.

The banks consider also the possibility of offering farmers interests smaller than the regular ones. These situations will be negotiated with every farmer alone. The Ministry of Agriculture will bid large sums for the commercial banks, in view of granting farmers with loans. Also, the types of investments and the limit of the afferent loans for 2008 will be established. The Ministry of Agriculture also says that the loans from these funds will have an interest below the market, but also bigger reimbursement terms and gratuity periods than the usual ones.

By this form of support it is pursued the encouragement and support of the active persons of the rural environment, who wish to develop their agricultural production on market principles, contributing, in this manner to the formation and reinforcement of the middle class from the rural environment. About 30% of the active population works in agriculture. In spite of this fact, the contribution of this branch to PIB is still small, because off the large number of households that produce only for own

consummation and that aren't in agriculture's fiscal area. By stimulating the production loans, the number of fiscal activities will increase implicitly.

The agricultural lending contracted in 2008 will be able to benefit from a medium contribution of 17% from public funds, of the volume of the granted loans. The government approved, by a decision, the level of public funds that will be granted in 2008, according to Law no. 150/2003 of agricultural loan of production. According to this decision, the medium volume of the loans for the agricultural production, taken into consideration when granting the public funds, can't surpass the level of medium production expenses, established by Government's decision. The normative document aims the support of the production activities from agriculture, the public funds' level, and the eligible expenses for the granting of public funds that are granted differently on crops, plantations and animal species. The public funds are allocated differently, function of crops, plantations and animal species.

Among the facilities that the Rural Development Program offers is the fact there is no more need of a guarantee banking letter from the beneficiary before depositing his project. After signing the contract, he will go to the bank in order to negotiate his loan. The beneficiary will be able to solicit an advance of up to 10% from the total eligible value of the project. This advance can be favorable also in the way in which the bank calculates the risk of granting the loan and of the conditions in which the loan is granted. Another facility is that the beneficiary can use as warrantee the investment and the equipment [National Bank of Romania, 2007].

The granting of agricultural loans for agricultural producers represents the only chance of re-launching the Romanian agriculture- it's the opinion of most bankers, officials from the Ministry of Agriculture, but also of the farmers. Both farmers and banks have to understand that the granting of agricultural loans represent the only viable support, both for the agriculture investors and the agriculture producers. Until now, Romania has had subsistence agriculture, from one day to the next. Romanians have raised and are continuously raising money, in autumn time, at the end of the crop, so that they could have with what to produce again. This kind of situation is inadmissible, in the case in which we wish to develop the agricultural system. By waiting for the autumn money to be able to sow the fields again, peasants are going to reach a "dead-end".

Agriculture's lending is still marinating at low levels, even in the conditions of the unfolding of the communitarian programs of financing from the European Union. Thus, 3% of the total volume of loans granted by Romanian banks is destined at present for agriculture. Then, in agriculture has rooted the producer's loan through which seeds, fertilizers, pesticides, etc are purchased and the payment takes place at harvest. Although it is approximately 50% more expensive than the banking loan, the fact that the user pays only 20% in advance, and the rest at harvest represents an advantage. The payment facilities from the suppliers substitute the banking documentation, making from this financing type a modality preferred by the farmers. The Law concerning the loan for investments in agriculture tries to solve the problem [National Bank of Romania, 2005].

Based on this, a budget fund has been constituted that will put at banks' disposal a lending source, and the money will be reimbursed after the obtaining of the agricultural production. The loans will be granted for a long-term, of up to 10 years, destined for investments' development in agriculture. The Law will encourage especially young entrepreneurs who start doing business in agriculture and who will receive as a bonus 30% of the value of the realized investment, sum that will decrease from the loan.

One of the facilities will be that the Fund for Rural Loan's Guarantee will warrantee 100% the investment. We don't know yet the amount allocated from the budget for the new fund. With all these, we practically wish to absorb all the SAPARD funds.

Banks have money, but it has to be allocated under conditions specific to agriculture and the lending sources for ten years are few, most of them being on short and medium term. By bidding the interest from which the bank will take money from the lending fund will be established, as well as the interest solicited to loan's beneficiary. The bank or the micro-lending agency that will have the smallest user's costs will obtain the biggest lending sum. The banks that will help the customer to elaborate the documentation will receive 3% of the value of lending for investments in agriculture granted by them.

Also, in the idea of the absorption of European funds, The Fund for Granting Rural Warrantee and the National Fund for IMM's will be united, so that the value of the lending destined to the agricultural sector can be fully guaranteed. The person that requires the loan will guarantee only the

interest. Private farmers and the farmers associations won't have to bear the costs of lending guarantee [National Bank of Romania, 2006].

State budget can't cover the necessary of financing from agriculture, and this economic center can't function only by subventions; in this sense, the banking sector will have to intensify its closeness to agriculture as an important resource for enlarging the domain of financing services and, implicitly of banking the rural; area, which is now completely uncovered. The government approved at the end of 2006 a decision for establishing the level of reduction of the reimbursement sum out of the volume of the granted loan in the conditions of Law no. 23/2005, concerning investment stimulations in agriculture, for 2006. The farmers that contract loans insured by the ministry of main spring for the purchasing of new agricultural tractors and biological material for farm populating will benefit from a reduction by 50% of the reimbursement sum. For loans destined for the purchasing of machines and agricultural equipment for vegetable and zoo-technique farms, the sum is reduced by 25 %, and for lending necessary for investments in cereal and oleaginous deposits the level of reduction of the reimbursement sum will be of 30%.

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