



The on-going evaluation of NRDP 2014-2020 during 2017-2020

Evaluation study V – Small farm and the development of associative forms

Executive summary



MINISTERUL AGRICULTURII ȘI DEZVOLTĂRII RURALE

DIRECȚIA GENERALĂ DEZVOLTARE RURALĂ
AUTORITATEA DE MANAGEMENT PENTRU PNDR



Proiect cofinanțat
din FEADR prin
Măsura 20 din cadrul
Programului Național
de Dezvoltare Rurală
2014-2020

EVALUAREA ON-GOING A PNDR 2014-2020 ÎN PERIOADA 2017-2020

Project no. C/20/1/0/S/0/16/3/0/17/0/00/11/S0 dated on 05.04.2017, having as an objective „The on-going evaluation of NRDP 2014-2020 during 2017-2020”, co-financed from the European Agricultural Fund for Rural Development, through NRDP 2014-2020.

Executive summary, drafted under the Evaluation study V – Small farm and the associative forms

Beneficiary: Ministry of Agriculture and Rural Development

Provider: Consortium SC ACZ Consulting SRL & T33 SRL



Views expressed in this document belong to the project team and do not necessarily represent the opinions of the Ministry of Agriculture and Rural Development or the official position of the European Union.

(c) Cover photo credit: www.unsplash.com/s/photos/farmromania



EVALUAREA ON-GOING A PNDR 2014-2020 ÎN PERIOADA 2017-2020

1. Introduction

Evaluation study V – Small farms and the development of associative forms represents the result of the structuring, observing, analysis and evaluation activities regarding the measures and actions funded through the NRDP 2014-2020, which were oriented towards the promotion, support and development of small farms and diverse forms of association. In particular, the evaluation study examines the contribution of NRDP, through the analysis of the following sub-measures: sM 6.3 (the development of small farms) and 6.3 ITI (development of small farms in the ITI Danube Delta area), 4.1 ITI (investments in agricultural holdings in the ITI Danube Delta area), 4.1a (supporting investments in fruit farms), 4.1a ITI (investments in fruit farms in the ITI Danube Delta area), 9.1 (establishment of producer groups in the agricultural sector), 9.1a (establishment of producer groups in the fruit farm sector), 16.4 and 16.4a (support for horizontal and vertical cooperation between actors in the supply chain in the agricultural and fruit sectors).

At the end of 2019, a financial value of around 5 billion euro has been contracted, out of which 4.59 billion euro of new resources (current programming period) and 424.7 million euro corresponding to transition projects (previous programming period). According to the analysis conducted on the data coming from the monitoring system, the programme has directly invested:

- for the **development of small farms** in over 27,000 contracted projects, for a financial contracted value of public resources beyond 245 million euro, through sub-measures 4.1, 4.1 ITI, 4.1a, 6.3 and 6.3 ITI;
- for **associative forms** in 177 projects, for a financial value of almost 103 million euro, through sub-measures 4.1, 9.1, 16.4 and 16.4a.

•Sub-measure 4.1

16 contracted new projects, with a financial public value of 3.9 million euro

•Sub-measure 4.1 ITI

1 contracted new project, with a financial public value of 141.07 thousand euro

•Sub-measure 4.1a

91 contracted new projects, with a financial public value of 26.1 million euro

•Sub-measure 6.3

*11.639 contracted new projects, with a financial public value of 174.5 million euro
15.477 contracted transition projects, with a financial public value of 38.1 million euro*

•Sub-measure 6.3 ITI

187 contracted new projects, in the ITI area, with a financial public value of 2.8 million

Small farms
development

•Sub-measure 4.1

63 contracted new projects (62 cooperatives and 1 producer group), with a financial public value of 88.4 million

•Sub-measure 9.1

10 contracted new projects, with a financial public value of 3.7 million euro

33 contracted transition projects, with a financial public value of 4.2 million euro

•Sub-measure 16.4

50 contracted new projects, with a financial public value of 4.6 million euro

•Sub-measure 16.4a

21 contracted new projects, with a financial public value of about 1.98 million euro

Associative forms



EVALUAREA ON-GOING A PNDR 2014-2020 ÎN PERIOADA 2017-2020

The evaluation has studied the programme contribution to small farm development and associative forms by covering the following six evaluation themes:



1 - Improving the overall performance of small – sized agricultural holdings



2 - Increasing market orientation, job opportunities and incomes of small-sized agricultural holdings



3 - Association of small producers and transformation of small farms



4 - The structure of associative forms



5 - Integrating small producers into the agri-food chain and strengthening the bargaining power



6 - Increasing access to credit and introducing innovative ideas

2. Evaluation context

The evaluation study is fully immersed in the Romanian context of rural development, by taking into account the impact of the SARS COV 2 pandemic, in the first half of 2020. In view of the global economic outlook, as the International Monetary Fund (IMF) highlights the negative effects on human resources costs. Lack of human resources and changing consumption patterns will put pressure on the European Union's agri-food sector and especially on small farms. Thus, by the end of 2020, it is estimated to have a -6.6% reduction in the real gross domestic product (GDP), at European level, respectively by 5% in Romania.

This force majeure situation emerged at national context only after data collection tools were designed and after the start of the first data collection activities. Therefore, many of the recommendations mentioned in the study were adapted to the new national situation.

The analyzes within the evaluation study were developed starting from the terminological delimitation of the concepts of “small farm” and “associative forms”, according to the definitions used within NRDP. Specifically, the programme defines the small farm according to the economic dimension, between 4,000



EVALUAREA ON-GOING A PNDR 2014-2020 ÎN PERIOADA 2017-2020

- 11,999 SO¹ (standard output value) and promotes various forms of cooperation and associative forms at the level of several measures. In addition to the terminological approach, in relation to the concept of small farm within the NRDP, which was the reference point for the study, the evaluators have also explored the definitions used in specialized literature on this topic.

The analysis of Eurostat data shows a majority share (66.8%) of micro-farms (standard production less than 2,000 SO) out of the total existing farms at national level, in 2016, while small farms, as defined for the purposes of this study, represent approximately 8% of the total. However, it is important to note that almost a third of EU farms are located in Romania, but their contribution to the European standard production is only 3.6%.

3. Methodological approach

The methodology used during the research process brings together a mix of quantitative and qualitative tools and techniques, which combine literature review, analysis of monitoring data, questionnaire survey applied to beneficiaries, interviews with representatives of authorities involved in programme management and implementation (MA, AFRI), interviews with financial intermediaries (Libra Internet Bank and ProCredit Bank) and analysis of case studies:

- *Observation.* The methods used in this phase consisted of collecting data from the monitoring system and applying the online survey among a sample of beneficiaries, with projects contracted under the relevant sub-measures. Interviews with representatives of the managing authority and the paying agencies contributed in part to the observation, but also to some extent to the formulation of evaluation judgments, as a first validation of the preliminary findings.
- *Analysis.* The descriptive statistical analysis of data coming from the monitoring system and those collected by applying the survey were the main pillars of the analysis stage.
- *Evaluation / formulation of findings.* Literature review was used at the end of the evaluation process, to ensure an external comparative analysis of the evaluation results, as well as the conclusions highlighted by the interviews with MA, AFRI and financial intermediaries. Similarly, case study analysis was a tool for data collection, but also for confirming / validating / modifying the preliminary findings of the evaluation.

¹ The standard production (SO) of an agricultural product (vegetable or livestock sector) is the average monetary value of agricultural production, in euros, per hectare or per head of animal. SO differs from standard gross margin (SGM): SGM = Production + Direct Payments - Costs; while SO = Production. The unit used for measuring SO is Euro and not ESU (1,200 Euro), as in the SGM classification. The SO does not take into account entry costs and therefore cannot indicate profitability and is not adjusted for differences in purchasing power between countries, but provides information for all EU Member States, according to a commonly agreed methodology. In the EU-28, the average standard output per farm was € 34,784 in 2016 (Eurostat). Emergency Ordinance no. 3/2015 of March 18, 2015 approves the payment schemes that are applied in agriculture in the period 2015-2020 a) the single area payment scheme; b) redistributive payment; c) payment for agricultural practices beneficial for climate and environment; d) payment for young farmers; e) coupled support scheme; f) simplified scheme for small farmers.



EVALUAREA ON-GOING A PNDR 2014-2020 ÎN PERIOADA 2017-2020

4. Conclusions and recommendations



1 – Improving the overall performance of small – sized agricultural holdings

Conclusions - NRDP has **positively and successfully contributed to the general performance of Romanian small farms.**

- Programme support of sM 4.1 and sM 6.3 has **increased sales and ensured a better access to market**. Nonetheless, the analysis carried out under the current evaluation shows that it is premature to identify considerable effects in terms of production obtained by projects supported by sM 4.1 projects and tangible effects of projects supported by sM 4.1a. These effects represent mostly estimates than actual results, especially in the fruit sector. It is true that, in the latter case, the beneficiaries need a longer period of time to obtain and sell the products, given the time needed for the plantation to reach maturity.
- Programme measures have contributed to **reducing land abandonment**, notably in mountain and marginal areas by creating **new opportunities** in agriculture, in particular thanks to sM 6.3 support. In particular, for 58% of small farms, supported by sM 6.3, located in mountain areas, support was essential to maintain their activity. In addition, the analysis indicates that more than 2/3 of the beneficiaries of SM 6.3 would have sought for a job in another field of activity, if they had not accessed the support provided by the programme. Therefore, it was concluded that sM 6.3 has made a concrete contribution to reducing the abandonment of land and to increasing the attractiveness of rural areas. Similarly, 80% of the beneficiaries of sM 4.1 surveyed stated that the investments supported by NRDP have contributed to reducing land abandonment.
- Overall, NRDP interventions have stimulated the **acquisition of new skills and capacity** in terms of cultivation practices and innovative approaches. The analysis reveals that young farmers (under the age of 40), with a higher level of education, are more keen towards changing the agricultural practices at farm level, through innovation and accessing of new market opportunities. However, it is also worth mentioning that, according to the European Commission's study, published in 2018, "Agricultural Knowledge and Innovative Systems - Stimulating creativity and learning", the Romanian agricultural knowledge and innovation systems (AKIS) are fragmented and poorly developed.

Recommendations – In order to ensure the sustainability of the positive NRDP effects, as also highlighted by the SALSA Horizon 2020 project, it is necessary that investments related to the post-2020 CAP period be oriented towards: better infrastructure and connectivity, especially in marginal areas, marketing of local production, adequate infrastructure (eg water infrastructure) to combat drought and climate change and to avoid marginal areas having a higher risk of land abandonment. Thus, we recommend for the future programming period an approach similar to that of the 2014-2020 programming period.



EVALUAREA ON-GOING A PNDR 2014-2020 ÎN PERIOADA 2017-2020

Regarding the strengthening of the AKIS approach, the evaluators suggest to analyze the effectiveness of the initiatives recently introduced in Romania² and other EU countries, in order to combat the SARS COV 2 pandemic, as well as to consider, for the next programming period, the support and development of formal partnerships and knowledge-sharing networks, such as online platforms for local producers, small farms development forums, ad-hoc events / meetings to disseminate ideas and good practices resulting from experiences in thematic networks developed within Horizon 2020 and DG Growth. In particular, knowledge-sharing infrastructure is expected to contribute to increasing the capacity of (small) farmers to adapt to new development requirements and challenges.

*Based on what has been achieved so far in Romania and other European countries, in order to deal with the current crisis caused by the COVID 19 pandemic, it is important that the Ministry of Agriculture and Rural Development **assess the effectiveness of existing online platforms** to promote local producers and small farms (given the limited number of registered farmers) and **to consider the opportunity of developing an additional functionality on the existing platform**, including allowing small producers to consult on various topics of interest (in the context where other EU Member States offer this possibility through the promotion platforms).*



2 - Increasing market orientation, job opportunities and incomes of small-sized agricultural holdings

Conclusions – NRDP investments have been efficient in increasing market orientation of small farms.

- *Beneficiaries of sM 4.1 and sM 6.3 have started to modify market channels and produce new products in order to follow the consumer needs. Diversification is more significant for beneficiaries located in mountain and normal areas (developing direct product sales), compared to those located in areas with specific or significant natural constraints.*
- *The effects produced in the small farms **by sM 6.3 and sM 4.1 are different**. In the first case, consider the low amount of the grant, the sM 6.3 have normally introduced new working capital in the farm activities that have produced some effects, but that could be not sufficient to maintain this effect in the future. Unlike sM 4.1, sM 6.3 supports small interventions (with low financial value) and which have a limited impact on the structure of small farms. The investments done under sM 4.1 have produced more costs, but have also started to modify the farm strategy and structure, with potential benefits on future farm production capacity. Similarly, effects in terms of new jobs created are more clear for sM*

² For example: <https://www.madr.ro/comunicare/5926-platforma-online-dedicata-micilor-producatori-de-legume.html>



EVALUAREA ON-GOING A PNDR 2014-2020 ÎN PERIOADA 2017-2020

4.1 projects. Obviously, the number of small farm beneficiaries under sM 6.3 is not comparable with the small farm beneficiaries under sM 4.1.

Recommendations – For the future programming period, the evaluators suggest the following recommendations:

- **Improving data collection at farm level.** A set of indicators could be collected before and after the implementation of projects, to assess the variation of the performance of small farms over time, indicators that reflect the performance evaluation criteria used in the current evaluation (newly created jobs, revenue growth of the family and farm, market type indicators, sales, production). Information on these indicators could be collected either through monitoring activities or based on a sample of small farms used for RICA surveys.
- **Helping small farm beneficiaries, to invest in physical assets, with adapted selection criteria,** and try to forecast the effect of a reduction of minimum SO from 8000 to 6000 SO, to give the possibility to a large number of small farm already working to do new investments. Moreover, it is recommended to provide a separate budget allocation or give priority to small farms.



3 - Association of small producers and transformation of small farms

Conclusions – The support for the creation of small producer association has started to give the first preliminary results. The support provided by PNDR has encouraged market orientation, but in a different way at small farms level, compared to the situation at national level.

Recommendations – For the future programming period, the evaluators suggest the following recommendations:

- **Selection criteria and allocation rules** (eg. resource allocation for mountain areas and areas of specific territorial interest) should consider at least age and territorial differences to design the strategy of programme support.
- **In order to further support farm structural changes and the opening of agricultural production to the market,** the access conditions related to sM 6.3 should take into account the farm location, the level of production and the farmer's age. In the context in which young farmers (up to 40 years old) represent the category of beneficiaries with a more pronounced opening to the market, but also the more favored category of beneficiaries, it is recommended to offer opportunities to farmers up to 63 years old - stimulating also people from other fields of activity.



EVALUAREA ON-GOING A PNDR 2014-2020 ÎN PERIOADA 2017-2020



4 - The structure of associative forms

Conclusions – Overall, in spite of the differences across the various sub-measures, the analysis shows that **associative forms, producer groups and horizontal and vertical cooperation promoted by the NRDP represent a key opportunity to promote small farms growth**. This finding is different from what highlighted in the specialized literature for Romania, for which associative forms are mainly networks for bigger corporate farms than small farms. **However, it is also important to highlight the strong territorial and sectoral concentration** of these associative forms which might be explained by the fact these are the first pioneering experiences, building on the existing capabilities and willingness to cooperate of local actors.

Recommendations – From the evaluators point of view, it seems relevant to consider for the future, the following suggestions to improve programme support to associative forms:

- With regard to **producer groups**, it is necessary to improve framework models for **business plans**, which are not always realistic in order to support associative forms in concrete terms. In this respect, a support similar to the one provided under measure 2 should be offered as soon as possible in the new programming period, given the delays recorded in the current period 2014-2020.
- Regarding sM 16.4 and 16.4, it could be useful to include **a selection criterion on the number of small farmers, similarly to the one foreseen under sM 4.1**. That could complement the existing selection criteria - No. 1 (on the number of partners) and No. 4 (on the impact on local markets).
- Given the territorial concentration and also the remarkable sectoral concentration of associative forms, **programme authorities could consider including selection criteria to extend the support provided by the programme to other areas or fields of activity**.



5 - Integrating small producers into the agri-food chain and strengthening the bargaining power

Conclusions –The public support under the NRDP has **helped increase the degree of participation of small farms in the local food chain, but remarkable differences exist across sectors and measures**. The stronger participation of small farms regards mainly the further integration from the production point view rather than the capacity to affect final price of agricultural products.

- For sM 9.1, the NRDP support has been more effective in contributing to the integration of small farms in the supply food chain from the point of view of productive capacity in the pig farming sector and in the beekeeping sector.



EVALUAREA ON-GOING A PNDR 2014-2020 ÎN PERIOADA 2017-2020

- *sM 16.4 and sM 16.4a foresaw a specific selection criterion (P4 – “local market” principle) that have given a high incentive to the short supply chain integration of projects with the local market. Thanks to this selection criterion, the sub-measures have helped the creation of new networks and reduced the geographical distance between the production and the selling points. However, regarding the integration of small farms in the supply chain from the production point of view, 16.4 and 16.4a surveyed projects tend to disagree with the idea of small farms being more integrated in the supply chain after the programme support, in particular in the bee sector. On the other hand, more positive judgements are provided by the projects specialized in vegetables. Thus, the programme has improved the integration of small producers into supply chains, especially in those sectors with potential for development in this regard. An accurate assessment of the program's ability to positively influence (increase) the integration of small farms into short supply chains is possible only on the basis of long-term results.*
- Evaluation study II - conducted for the AIR 2018 already had highlighted the lack of relevant increase in the final prices charged by primary producers to agricultural products. Moreover, the consolidation of bargaining power does not result in an increase of market prices, but it is rather with a stabilization of prices and other elements that govern sales channels (time - quality - quantity). Thus, it can be stated that sM 9.1, 16.4, 16.4a have contributed to improving marketing (increasing sales volume and diversifying sales channels), strengthening the production of small farms and increasing their bargaining power. Although programme's interventions increase the ability of small farms to sell their products, this did not significantly influence the market price.

Recommendations – *For the future programming period, the evaluators suggest that for horizontal and vertical cooperation, it seems useful to confirm and re-propose the selection criterion n.4 (“local markets” principle), related to sM 16.4, which has contributed to increasing the integration in the supply chain.*

Moreover, since the local food chain needs more time to increase the total value of the products and give an effective increase of the value of primary products, the evaluators suggest replicating the analysis in some years in order to verify to what extent small farms’ bargaining power and integration in the food chain have been increased and reinforced.



6 - Increasing access to credit and introducing innovative ideas

Conclusions – *In what concerns access to credit, different results emerge for the various measures examined.*

- *The analysis of sM 9.1, 16.4 and 16.4a implementation and the other evaluation activities do not show any specific benefits of the NRDP support for the access to credit beyond the financial value of the grant.*



EVALUAREA ON-GOING A PNDR 2014-2020 ÎN PERIOADA 2017-2020

- *One third of the associative forms, beneficiaries of the support granted by sM 4.1, consider co-financing as the most difficult problem, while for the large majority of them the best way to receive financial support is through the possibility to pay lower loan rates to ensure the co-financing rate of projects/investments.*
- *In case of sM 4.1 small farms, the needs of guarantees/collaterals to obtain the loan necessary to secure the co-financing rate for projects/investments is greater.*
- *SM6.3 beneficiaries have been consulted on their interest in receiving additional support from the programme. Their survey indicates they would prefer technical assistance support or ad-hoc assistance - for example, punctual support for understanding definitions / terms, developing business plans - rather than through financial instruments*

Similarly to the access to credit, sub-measures differ in their contribution to innovation:

- *The analysis of producer groups under sM 9.1 has not identified innovative elements at farm level.*
- *The NRDP support through sM 16.4 and 16.4a contributes to stimulating innovation through the use of new technologies, the development of new products and new organizational ways and the introduction of new forms of cooperation, exchange of experiences and exchange of knowledge (aspect confirmed by the case studies and applied among beneficiaries).*
- *The main tangible effects in terms of innovation come from the sM6.3, sM 4.1 and sM4.1a projects, located in the mountain area and the normal area, whose beneficiaries are over 40 years old³. In this regard, the analysis of the projects, built on farmers' perception, shows that the implementation of NRDP has helped the introduction of innovation also in the small farm, but at lower level compared with large farms. In this regard, it is important to highlight that innovation is not restricted to a technical or technological dimension, small farmers do not necessarily apply 'new' technologies: their novelties emerge as the outcome of 'different approaches and different ways of doing things' and in recombining different pieces of knowledge in an innovative way (strategy, marketing, organization, management, and ability to solve problems and identify opportunities). In this regard, while sM 9.1 has a limited capacity to create innovation, the other sub-measures analyzed in this evaluation show various types of contribution. sM 16.4 and 16.4a do not develop process innovation but create contributes to stimulating the following types of innovation: the use of new technologies in the food production sector, the development of new products / services, the promotion of new organizational models, the introduction of new forms of cooperation and the exchange of knowledge between the food production sector and the research sector. In this regard, the supported projects have promoted the following initiatives: international missions and visits, exchange of experiences between farmers and different actors (e.g. researchers). **The main effects in terms of innovation come from sM6.3, sM 4.1 and sM4.1a.** However, the analysis of projects and the survey show that the implementation of*

³ Within the survey applied to beneficiaries, out of the respondents who consider that there is a high degree of innovation on their farm, 30% are young farmers and 70% are farmers over 40 years old.



EVALUAREA ON-GOING A PNDR 2014-2020 ÎN PERIOADA 2017-2020

NRDP has helped the introduction of innovation also in the small farm but at lower level compared with large farm. At the same time, the perception of SM 4.1 and 4.1a beneficiaries regarding innovation is a positive one (80% of respondents - lower value than the one obtained by the answers provided by all surveyed beneficiaries (not only beneficiaries with small farms), within the previous evaluation activities - Evaluation study II - Annual Implementation Report 2018).

Recommendations – *In what concerns **access to credit**, the Managing Authority could consider the flexibility proposed by the European Commission in the use of financial instruments, in particular in response to the crisis caused by the COVID-19 pandemic. In this regard, the European Commission has proposed the amendments⁴ of the EU Regulation 1305/2013 permitting emergency assistance to farmers and SMEs particularly affected by the COVID-19 crisis in the form of a lump sum payment not exceeding EUR 7,000 per farmer and EUR 50,000 per SME. The proposed Regulation also includes a maximum share of EU contribution at 2% of the total EAFRD contribution to the rural development programme in order to ensure that the general programme intervention logic is kept unchanged and respected.*

*For promoting **innovation** further on, the evaluator suggests the Managing Authority:*

- *coordinating and sharing best innovative practices across the small farms;*
- *promoting a specific hackathon for small farms to discuss about innovative ideas for small farm development, based on the experience of Spain in adopting solutions to minimize the economic effects of COVID-19.*
- *promote in the future ad hoc initiatives as already mentioned here to promote knowledge exchange between farmers, industry, research and other relevant stakeholders to offer new ideas and opportunities for the development of small farms and help strengthening the Agricultural Knowledge and Innovation Systems (AKIS) are poorly developed and fragmented in Romania.*

⁴ *The proposal is undergoing a continuous process of change, so that the provisions on lump sums and the share of the contribution may change in the future. To consult the latest data, please check the updated form of EU Regulation 1305/2013.*