

The Agricultural Destined Credits in Romania. A Market Study

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Abstract. The work intends to start a debate both in historical and actual perspective related to different forms of rural credit in Romania. The evolution of the rural credit in Romania, the arrangements for granting and guarantee rural credits and the types of products used for accessing the European funds were presented.

Keywords: rural, credit, structure, farmers, guarantee

Introduction. The rural credit is the engine of any agriculture-related agricultural activity. In Romania the banks are very restrictive related to this type of credit (Haragus, 2004), generally associated with a high risk investments due to the specifically natural factors and low financial farmers capacity for mortgage and guarantees. In the last period, the sector became more attractive especially due to the financial crisis and increasing food demands on global level.

Aims and objectives. The purpose of this work is to identify the most important modalities for a farmer to apply for a rural credit or financing.

Materials and methods. The bibliographical sources were consulted for the historical perspective, together with a personal study of most common rural credit facilities on the market through bank gathered information.

Results and discussions. Three main modalities for founding the agricultural activities were identified: cooperatives (Barbulescu, 1994), private banks, state and European funds:

1. Credit cooperatives: although in Europe the sector is sharing 20% of total bank market (Voinea, 2000) in Romania the sector is not representative, especially due to the negative experience from communist years when the cooperative were founded by forcing people to subscribe.

2. Private bank

a) Credit for milk, selling based contract, for a amount of 70.000 Eur for individuals and 150.000 Euro for societies, representing up to 100% of investment value (BRD bank). This credit has as object:

- i) Cattle purchasing for milk production
- ii) Equipments and installations
- iii) Farm construction and modernization

The guarantees are granted by Rural Credit Guarantee Found joined with other real estate or pledged mortgage.

b) Pro-agricol credit CEC Bank- for societies in order to purchase new and second hand (no more than three years) machineries. The grant is maximum 15.000 Euros representing no more than 85% of the purchasing value, for a maximum 5-years period. Mortgage over the purchased machineries , current account and other securities.

3. State and International funds:

a) IFC Agribusiness World Bank investing funds, for the agriculture or processing foods activities (granted through BCR bank) for small and medium size enterprises, also cooperatives with no more incomes than 50 million euro and 250 employees for investments and current activity funding. The maximum granted value: 2 million euro.

b) The “wreck” agricultural state credit destined for the acquisition of new agricultural machines, in change of an old one. The value of this credit is the difference between the selling price established by producer and a state awards in money to quash the machine.

The advantages are: reimbursement related to the activity type, flexible guarantees and reimbursement period (monthly, trimestral or semestrial), no commissions for anticipate payments.

c) Credits for all agricultural and non-agricultural activities financed by FIDA (International Found for Agricultural Development) and BCR in the frame of rural development of Apuseni mountains. Is granted for all profitable activities like: cattle purchasing, food processing, agritourism, agrifood products trade, other rural activities with a maximum amount of 150.000 USD for a 10 years period.

d) Credit subvention APIA (Agency of Payments and Interventions in Agriculture) granted by BCR –bank in order to anticipate the state subvention payments (for animal welfare or subvention /surface). The most important advantages for this type of credit are:

- Represents a “bridge” credit. In advance credits till the approval European funds are received.
- Short time of granting formalities
- Flexibility in approval conditions
- Large range of guarantees accepted by the bank.
- Credits could be granted for start-ups.

Conclusions. The Romanian sector of agriculture is chronically underfunded. The sector of credit cooperatives has a low weight in financing, and the banks are rather reticent in granted funds. The instruments of financing the agricultural investments are rather scarce, this occurring only when strong guarantees from the state/international institutions are granted, the bank being thus rather an intermediary than an risk taken institution.

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