Research Article

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The evolution of Romanian agritourism and the role of European Union subsidies in rural areas

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Abstract: Following the collapse of the communist regime in Romania, there has been an intense growth in the number of farms providing holiday accommodation, which has gone to answer the tourism flows from other European countries that have increased significantly, particularly since 2009. The core purpose of this study was to estimate, through a quantitative approach, the main relationships between decoupled payments and other financial subsidies allocated by the European Union in the framework of the Common Agricultural Policy (CAP) and the growth of Romanian agritourism. The findings reveal that, over the 2007–2016 period, decoupled payments more than financial subsidies allocated under the second pillar of the CAP have acted to encourage the growth of agritourism in the Romanian countryside. This has corroborated the crucial role that direct payments and other financial subsidies have played in stimulating diversification in Romanian farms and, at the same time, reducing the levels of permanent emigration from rural villages as well.

Keywords: Farm Accountancy Data Network, marginalisation, rural development, Common Agricultural Policy, second pillar

1 Introduction

Since the uprising of 1989 that led to the downfall of the communist regime led by Nicolae Ceausescu, Romania has suffered from an intense permanent emigration, predominantly from rural areas and depressed villages located in disadvantaged rural territories. In fact, the phenomenon of permanent rural out-emigration towards

urban areas or abroad to other European countries has been a characteristic of many eastern European countries after the disintegration of the Iron Curtain, even if the primary sector has, in some cases, acted as a buffer to reduce the levels of socio-economic marginalisation of rural areas in these countries (Bojnec et al. 2003; Petrick and Tyran 2003; Petrick and Weingarten 2004; Galluzzo 2017, 2018). Recent quantitative studies have underlined the prominent role that the Common Agricultural Policy (CAP) has had in mitigating the incidence of rural emigration by encouraging multifunctionality and diversification in the farming sector in many European countries (Rizov 2005; Galluzzo 2017). This diversification of on-farm activities has come about as a necessary response to the income squeeze in farming that has followed the fall in prices of the main agricultural commodities in the international markets. The transition away from an agro-centric, productivist model that has stimulated this greater multifunctionality has led to a post-productivist and peri-productivist model which has seen farms diversify into agritourism and rural tourism in which the countryside itself, as much as the agricultural yield, is the new commodity, resulting in a new paradigm of the rural economy (Ilbery 1998; Van der Ploeg et al. 2002; Rizov 2005; Ward et al. 2008; Copus 2014; Galluzzo 2017). Meanwhile, partly as a consequence of political pressures and also reflective of greater financial constraints, the Agenda 2000 reforms have seen a radical reallocation of the European Union (EU) budget, with a shrinking of the financial subsidies allocated to agriculture through the framework of the CAP in recent years, and a greater recognition of the role of rural areas in a shared and complete process of rural development (Swinbank and Daugbjerg 2006; Alexandri and Luca 2008; Erjavec et al. 2011; Vieri 2012; Burja and Burja 2014; Erjavec and Erjavec 2015; Galluzzo 2018).

In relation to the rural condition in Romania, comparing the socio-economic statistical data from all Romanian regions, the situation is quite uneven corroborating the existence of marked territorial discrepancies. In fact, the findings reveal that the Bucharest-Ilfov region has the lowest proportion of people at risk of severe deprivation and has

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suffered less than other regions from permanent emigration. In contrast, in the Eastern and Southern regions, and in other areas where agriculture still represents a pivotal and vital economic sector, such as in the counties and rural villages close to the Moldavian border, the level of permanent emigration has been intense, leading to remarkable levels of socio-economic marginalisation and appreciable territorial disparities (Surd et al. 2011; Galluzzo 2018).

Before the enlargement of the EU in 2007, the European Commission activated various initiatives aimed at financially supporting lagging-behind Romanian rural areas in order to boost the infrastructural endowment. In this vein, studies conducted by Surd et al. (2011) and Galluzzo (2018) have both stressed the importance of adjusting the financial allocations to Romanian farmers from the EU within the framework of the Rural Development Programme. In fact, considering that the poorer a rural area is, the more modest is its socio-economic development, it is important to promote a different allocation of direct payments and decoupled subsidies among European countries, defining some priorities in the pattern of local economic growth in rural territories (Surd et al. 2011; Galluzzo 2017, 2018). According to these authors, a greater targeting of support to disadvantaged areas in the framework of multifunctionality can act to mitigate socio-economic disparities, with indirect consequences in improving the environmental protection and increasing the sustainability of rural territories (Iorio and Corsale 2010; Abraham 2011; Antonescu 2012; Burja and Burja 2014; Galluzzo 2017).

Rural areas, through their diversification into agritourism and rural tourism, can play a major role in protecting the environment and raising the income levels of local populations, thus partially solving the issue of permanent emigration. As such, certain non-traditional and non-codified services such as agritourism must be adequately encouraged with financial support allocated through the second pillar of the CAP, which seeks to merge the diversification of farm activity with environmental protection in rural areas. This outlook corroborates the new paradigm of rural development investigated by Van der Ploeg in his so-called “New Peasantries” model (Westhoek et al. 2006; Van der Ploeg 2010).

The growth of agritourism in Romania is not entirely a recent phenomenon, as it has long represented a specific tool to leverage socio-economic development in certain mountain areas where agritourism began in the early 1960s (Ciolac et al. 2011; Matei 2015), where opportunities for skiing are combined with other localised leisure activities. This enabled some, fortunately endowed, rural villages to survive by exploiting their available resources, thus avoiding the endogenous process of rural depopulation

and pauperisation. Since 2007, however, there has been a marked increase in the presence of agritourisms in Romania, owing to specific financial subsidies allocated by the Rural Development Programme. This support, financed through the second pillar of the CAP and the LEADER initiatives, is aimed at stimulating, through a bottom-up approach, an endogenous and cohesive rural development underpinned by pilot initiatives of self-entrepreneurship to act as levers for an environmental and social protection.

One of the main reasons for the rapid expansion of Romanian agritourism is significantly due to certain intrinsic features of its territory and of its social fabric that make this a particularly apt business model. The small-sized family farms that represent the overwhelming majority of the farming sector are possessed with a high level of specific skills and innovation, and so are ideally suited to exploiting a growing market demand for a new typology of slow tourism able to emphasise traditions and local foods, giving them a fair non-codified value (Pirnea et al. 2012) in the framework of rural idyllic space (Bell 2006; Short 2006; Dincă and Teodorescu 2015; Galluzzo 2016).

Focusing attention on the growth of agritourism in all Romanian regions and on the pivotal role of tourist flows and the endowment of attractions, many authors have highlighted that the South-Eastern and Central Romanian regions, where there are many tourist attractions, have had a direct effect in polarising touristic flows. Nevertheless, overall, Romania registers the lowest competitiveness index value compared to neighbouring countries such as Bulgaria, Poland and Croatia (Bran et al. 2010), despite the ready availability of bunches of services and activities in Romanian agritourisms and tourist villages that are able to satisfy the demanding needs of guests (Crețu et al. 2015).

2 Objective of the study

The key objective of this research was to assess, through a quantitative approach, the main relationships between the financial subsidies and other decoupled payments allocated under the first and second pillars of the CAP and the growth of agritourism in all Romanian regions in the period from 2007 to 2017.

For this analysis, the research has utilised data published by the EU in a sample of farms in different countries that are included in the Farm Accountancy Data Network (FADN), as well as data regarding tourism

published by the Romanian Institute of Statistics (INSSE) in its TEMPO time series. The data have been elaborated using the latest version of the XLSTAT software.

3 Results and discussion

The main findings regarding tourist flows have shown a significant and consistent increase in arrivals over the period of study, predominantly coming from other European countries (Figure 1), even if the overall tourism was notably affected by the recent global economic crisis, particularly in the period from 2008 to 2010. Following Romania's entry into the EU in 2007, the statistical data of arrivals showed a sharp rise until the time of the crisis, and this upward trend has been particularly stark again over the 3-year period from 2014 to 2016.

Figure 1: Total tourist arrivals in Romania from all countries for the period 2000–2016 (source: author's own elaboration on data available at <http://statistici.insse.ro:8077/tempo-online/#/pages/tables/insse-table>).

Focusing attention on tourist flows, there has been a fairly intense growth in arrivals from Asia since 2011 (Figure 2), whilst arrivals from Australia and Oceania have remained relatively stable over the entire period. In contrast, arrivals from North America have seen an almost constant growth, with some fluctuation only over the 3-year period from 2014 to 2016. In absolute terms of number of non-European tourist arrivals, there has been a predominance of arrivals from Asia for most of the period of study, with only the exception of 2005–2006 and 2014 when brief surges of arrivals from North America slightly eclipsed those from Asia.

Regarding accommodation, the recent statistical data published by the Romanian Institute of Statistics for the period from 2000 reveal a significant growth of

Figure 2: Total tourist arrivals in Romania from non-European countries for the period 2000–2016 (source: author's own elaboration on data available at <http://statistici.insse.ro:8077/tempo-online/#/pages/tables/insse-table>).

facilities. In particular, the offer of farm-based agritourism accommodation has increased from less than 500 units registered in the year 2000 to more than 2,500 units registered in the year 2017 (Figure 3).

Figure 3: Number of agritourism boarding houses in Romania over the period of study (source: author's elaboration on data available at <http://statistici.insse.ro:8077/tempo-online/#/pages/tables/insse-table>).

Turning the focus of the investigation to financial support, in current values, the average value of subsidies and decoupled payments allocated under the first and second pillars of the CAP has been remarkably uneven (Figure 4), seeing a generally downward trend over the period from 2007, albeit with a brief period of increase from 2010 to 2013. Moreover, over the current 7-year period of the CAP programme (2014–2020), preliminary data show that there has been a sharp increase in subsidies and other decoupled payments in the first pillar of the CAP; by contrast, the amount of financial supports to the rural development in the framework of the second pillar of the CAP has been on average under 100 euro per farms.

Figure 4: Average value of financial subsidies allocated under the first and second pillars of the Common Agricultural Policy to Romanian farms (source: author's own elaboration on data https://ec.europa.eu/agriculture/rica/database/database_en.cfm).

The growth in agritourism during the time of investigation seems to be correlated directly with the variable people emigrated from Romania and correlated indirectly to the variables Gross Domestic Product (GDP) produced by agriculture and employed people (Table 1). The Pearson coefficient considering also the impact of the total financial subsidies allocated by the CAP (CAP subsidies) has pointed out a direct correlation between the total CAP subsidies and agritourism; hence, an increase in financial aids to Romanian farms is able to stimulate a significant growth of agritourism in Romania (Table 2).

The research findings have corroborated that the higher the permanent emigration from Romanian regions, the higher the growth of agritourism, which provides an effective lever for partially solving the socio-

Figure 5: Main correlations in all investigated variables for all Romanian regions (source: author's own elaboration on data available at <http://statistici.insse.ro> and https://ec.europa.eu/agriculture/rica/database/database_en.cfm).

Table 1: Main correlations in some socio-economic variables and agritourism in Romania since 2000–2016 (source: author's own elaboration on data available at <http://statistici.insse.ro>)

Variables	Agritourism	Emigrated people	Employed people	GDP in agriculture
Agritourism	1.00	0.730***	−0.632**	−0.561**
Emigrated people	0.730***	1.00	−0.536**	−0.239
Employed people	−0.632**	−0.536**	1.00	0.076
GDP in agriculture	−0.561**	−0.239	0.076	1.00

*** significance < 1%, ** significance at 1–5%.

Table 2: Main correlations in some socio-economic variables, agritourism in Romania and financial subsidies allocated by the CAP since 2000–2016 (source: author's own elaboration on data available at <http://statistici.insse.ro> and https://ec.europa.eu/agriculture/rica/database/database_en.cfm)

Variables	Agritourism	Emigrated people	Employed people	GDP in agriculture	CAP subsidies
Agritourism	1.00	0.730**	−0.632**	−0.561**	0.800***
Emigrated people	0.730**	1.00	−0.536**	−0.239	0.521**
Employed people	−0.632**	−0.536**	1.00	0.076	−0.283
GDP in agriculture	−0.561**	−0.239	0.076	1.00	−0.662**
CAP subsidies	0.800***	0.521**	−0.283	−0.662**	1.00

*** significance < 1%, ** significance at 1–5%.

Figure 6: Main correlations in all investigated variables in different Romanian regions (source: author's own elaboration on data available at <http://statistici.inssse.ro> and https://ec.europa.eu/agriculture/rca/database/database_en.cfm).

economic marginalisation of Romanian rural areas. In fact, agritourism represents a good opportunity for rural territories where agriculture is deeply rooted in terms of GDP produced in the primary sector. In fact, agritourism in Romania can have a positive effect in reducing unemployment or, rather, it has been seen to have a positive impact in areas where the level of unemployment is high generating some modest job opportunities. This corroborates the view that agriculture can have a buffer role, specifically in terms of diversified on-farm activities such as agritourism, and can help in solving unemployment and, thus, the socio-economic marginalisation of rural areas, as other scholars in different European countries have also argued (Bojnec et al. 2003; Petrick and Tyran 2003; Petrick and Weingarten 2004; Galluzzo 2017, 2018). In sparsely Romanian rural villages where it is difficult to find a job without emigrating, agritourism represents a unique possibility to diversify the farmer's income and a consequent natural reaction for some people who decide not to emigrate.

In regards to the stated aim of the study, to estimate the direction and the link between financial subsidies allocated by the CAP and the development of Romanian agritourism, the research findings have underlined a negative and indirect relationship between the variable financial subsidies allocated under the first pillar of the CAP and the variables total assets, farm net income and agritourism (Figure 5).

Comparing different Romanian regions, findings have pointed out as in Bucharest-Ifov the impact of financial subsidies allocated by the second pillar of the CAP has not been significant (Figure 6). In the North-East region, the financial subsidies allocated by the second pillar of the CAP did not produce any effects; by contrast, in South-East, South-West-Oltenia and South-Mountenia the correlation has been positive; hence, the financial supports in the framework of the rural development have had a significant and direct impact in Romania.

At the same time, other research outcomes underline a weak but indirect correlation between the variables farm net income and agritourism in Romania; hence it can be said, the lower the net income in farms, the higher the number of farms offering agritourism activities to diversify their own on-farm activities. Very weak correlations have been found between the variables agritourism and total assets, and payments or other financial supports allocated by the Rural Development Programme. This seems to corroborate the view that the level of endowments and previous investments in Romanian farms did not imply any effects on the choice of farmers to diversify on-farm activity through agritourism; furthermore, the

research finding showed either no effect, or only a faint effect, of financial subsidies allocated in the framework of the second pillar of the CAP on the growth of agritourism in Romania, even if findings have pointed out some significant and ambiguous differences among Romanian regions underlining direct correlations of the second pillar towards the agritourism's growth.

4 Conclusion

The funding and other specific initiatives provided by the EU have had an ambiguous effect on the growth of agritourism in Romania. Specifically, in fact, the findings show that whilst the financial subsidies allocated under the first pillar of the CAP have had an effect on the development of agritourism, the subsidies disbursed under the second pillar of the CAP have had no unique effects in all investigated Romanian regions. In fact, in regions where the agriculture is an important sector a positive and direct effect has been estimated between second pillar financial subsidies allocated by the CAP and the growth of agritourism, even if summing the effect of these two variables in all Romanian regions the value of the correlation has been quite weak.

The main insights offered by this study for policy-makers are very significant, emphasising that agritourism can offer an adequate tool for rural areas to reduce their socio-economic marginalisation, and represent a good opportunity for territories that have suffered an intense rural permanent out-emigration.

For the planning of the next period of the CAP, decision-makers and other stakeholders should seek to stimulate the growth of on-farm diversification into activities such as agritourism and rural tourism, in the light of significant increases in tourist arrivals, even if the growth of tourism is sensitive to many exogenous factors, as was the case with Romanian tourism in relation to the economic crisis of 2008–2010.

Summing up, it is important to provide subsidies to farmers with the specific purpose of stimulating multifunctionality, and in this regard the pilot initiatives financed under the LEADER programme seem to be ideally suited to small rural villages, in that they are able to stimulate the improvement of accommodation facilities that, simultaneously, responds to the growing demands of tourism whilst generating sources of income for local inhabitants whilst also enhancing and protecting the environment, all based on a bottom-up approach that is able to answer to the real needs of rural communities. The agritourism also has a positive

and sustainable environmental fingerprint because it is addressed in recovering and restoring old buildings in farms which are not used anymore in protecting the rural space. In fact, in many European countries the law does not allow to build new houses for agritourism. Furthermore, by a specific process of waste management it is possible to implement the environmental sustainability in rural areas as well.

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