



21st International Economic Conference 2014, IECS 2014, 16-17 May 2014, Sibiu, Romania

Study of Life Annuity Program Impact on Rural Economy Development

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Abstract

The present paper aims to analyze the impact of the life annuity program on the rural economy development. In order to understand the positive effect that this program had, the purpose and the objectives are described but also the impediments that influenced its disposal. The goal of this article is to demonstrate that the life annuity program has contributed in rural development; and by its positive effects to justify that the remediation of this program, in order to not interfere with other programs, and to be implemented again it's a decision that supports the rural economy development.

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Selection and/or peer-review under responsibility of Scientific Committee of IECS 2014

Keywords: life annuity program, agriculture, aged farmers, rural economy, development.

1. Introduction

The life annuity program in agriculture was a measure elaborated by the agrarian policies. Its implementation and functioning regulation was included in the Title IX of the Law 247/2005 referring to the property and justice reform and some adjacent measures, from 18th July 2005.

This title specified that farmers aged over 62 who owned land with surfaces smaller than 10 hectares cumulated received a support for the alienation of its agricultural land property or usufruct. The support for selling the agricultural land was set at the amount of 100 Euros per hectare per year and 50 Euros per hectare per year for lease.

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Once included in the program, the farmer acquired the status of annuitant and received an annuitant certificate and received the entire amount once a year, through the central and local Agencies for Payment and Intervention in Agriculture (APIA). The annuitant could still hold on property agricultural land but not more than 0.5 hectares.

2. The purpose and the objectives of the life annuity program in agriculture

The main purpose of the life annuity program in agriculture was the overall development of the rural areas. This purpose was formulated as a response to the main problem existing at the rural areas level, consisting in excessive land fragmentation with negative impact over the performance of the agricultural holdings.

The objectives are directly or indirectly related to each other and together they serve the purpose of the life annuity program. The objectives of life annuity program in agriculture can be formulated as follows:

- the removal of aged farmers from the agricultural activities
- the rejuvenation of the population active in agriculture
- the increase of economic and physical size of exploitation and their orientation to market
- the concentration of agricultural land
- the increase of farmers income
- the insurance of constant income for aged population
- the modernization of agricultural practices and holdings

Aged population is one of the problems of the rural areas. Due to the high number of farmers aged over 60 years incapable or with low capacity of working their land, fact which leads to a low performance in agriculture and therefore to the limitation of rural areas development, the removal of aged farmers from the agricultural activities became an objective. It is true that the agriculture practiced by the aged farmers is based on experience but the lack of physical strength and also the low receptivity to modern conduct to perform a low efficient agriculture. To this situation is added the fact that they own small size of agricultural land surface, this fact makes them impossible or very hard to obtain products that can be valued on the market or to increase the economic size.

The rejuvenation of the population active in agriculture represents another objective of the life annuity program. This objective is highly related to the regarding the removal of aged farmers from the agricultural activities.

The scheme number 1, highlights that the rejuvenation of the population active in agriculture objective derives from the removal of aged farmers from agricultural activities one. Described schematically it can be observed that the fact that aged population sell or lease their land generates a circuit. They are selling or leasing the agricultural land to a younger population which leads to a higher capacity to exploit the land and therefore to better results regarding the production. As a result, the holdings may become market orientated and they can value the products of which competitiveness has increased. This fact is reflected in the increase of contributions to the state budget by paying taxes and fees. The increase of the state budget allows encouraging more aged population to sell or lease the agricultural land hold on property and the circuit begins again.

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