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The Romanian farming sector is characterized mostly by small farms (92.2% of the holdings are less than five hectares in size), with a growing number of extremely large farms especially in the most fertile regions close to the Danube river. Therefore, a large part of the agricultural land needs consolidation for more efficient management and higher returns. However, investors are sometimes reluctant to plunge into agri-business, generally because of some combination of the following: (i) some agricultural land is state property; (ii) limitations exist on the purchase of agricultural land by certain categories of foreigners; (iii) sale and purchase procedures may become too intricate due to legal pre-emption rights; and (iv) they fear they will not be allowed to build on or change the purpose of agricultural land.

The good news is that there is an answer to any question and a solution to any problem. Even when the investment is to be made on agricultural land which is the public or private property of the State, the law currently provides for fast concession procedures, including a direct award of concession agreements to owners of certain types of agricultural equipment. However, Romanian legislation provides for specific levers in favor of the state so that, even if the concession agreement is still valid, the land under concession can be returned to the state or the concession agreement can be unilaterally terminated by the state if the national or local interest requires it, subject to the payment of fair compensation in advance (any resulting disputes will be referred to the competent court). The problem is that compensation should be both fair and paid in advance, and this subject requires careful consideration. An investor in need of a huge amount of a particular fodder that is not easily found on the market will not be very pleased to receive fair compensation for the termination of the concession if this makes it impossible for the investor to feed its livestock. On the other hand, how can compensation be paid in advance when, in most cases, the parties do not agree on the amount of the compensation that is appropriate? Legal proceedings take time and are costly for investors. An insurance policy might help an investor cover losses from the termination of a concession until the execution of a new concession agreement for similar land can be arranged. Another potential issue with the concession of agricultural land could arise when the concessionaire changes the investment plan and asks the state for an amendment of the concession agreement. For a substantial variation of the concession agreement, the award procedure should be re-initiated, and the investor risks not being re-awarded the concession.

Farmers have always been encouraged to invest in agriculture and financing options are still available to them. However, this market also attracts large investors who do not need grants, are fast-moving, make quick decisions, and have the required know-how. This can be the case for an investor intending to merge multiple businesses into one. Farming is often believed to generate the highest yield for agricultural land, but there are cases when investors may want to branch out and apply to withdraw a piece of land from a larger plot from agricultural use. For example, an investor may want to develop a rural bed & breakfast facility on an already existing farm. When its land is residential, things can go smoothly, because the building permit will automatically allow for the withdrawal of the land from agricultural use.

Agriculture, farming, and agri-business: From basic rural needs to high level investments, Romania is prepared to welcome initiatives in agriculture.