

COOPERATION AMONG INDIVIDUAL FARMERS IN ROMANIA: CONSTRAINTS AND OPTIONS

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Abstract

Since the collapse of the socialist regime, Romania's farm structure is characterised by a bi-modal pattern; i.e. there are almost three million farms farming, on average, less than two hectares and less than 10% of total utilised agricultural area (UAA) on the one side and about 13,000 farms cultivating more than 100 hectares each and about one half of national UAA on the other. Most smallholders rely on subsistence farming as a survival strategy. They might barter and sell any surplus. In such a situation, it may be assumed that they unite and cooperate among each other to improve their situation, as it has been observed in many other parts of the world. However, in Romania as in many other post-socialist economies, farmers are reluctant to form or join formal organisations of mutual assistance, like cooperatives or producer groups. In this contribution, we want to discuss the major bottlenecks why farmers are hesitant to commit themselves to formal modes of collaboration. This analysis is based on an own survey, updated by a literature review, statistics and key informant interviews.

Key words: consumption, organic products, Romania

INTRODUCTION

Agriculture plays an important role in the Romanian society and economy. While its share to national GDP stands at 4.3% (2016), about one fourth of the total labour force is employed by this sector [1].

However, farms are characterised by a dual structure. There are about three million small-scale and semi-subsistence oriented farms on the one side and just about 13,000 farms cultivating 100 ha and more on the other. These large farms cultivate about one half of the total utilised agricultural area (UAA). Medium-sized farms cultivating 5 – 50 ha are almost missing [16].

This fragmentation of agricultural producers prevents efficient operation of small-scale farms. In general, these farms operate in isolation and lack adequate access to financial services, marketing channels, input supply and extension services. In theory, it might be expected that in such a situation smallholders join hands and collaborate to tackle these deficiencies. According to behavioural theory (March & Simon, 1961), individual people

voluntarily unite if they perceive that they can achieve more together than individually. Self-determined individuals decide to form or join a group of mutual assistance if the total incentives offered to them by this organisation exceed the contributions expected by them [10]. Hence, whoever joins a group intentionally expects to be able to utilise the group's benefits to realise one's own needs and interests. The incentives to join cover material as well as immaterial ones.

Ways of cooperation are manifold. Individuals might do so informally in small groups within families and among friends and neighbours or formally in form of producer groups, associations or agricultural service cooperatives. Formal groups are registered as legal entities to do business activities. At a certain stage of economic development, formal registration is essential to effectively participate in economic life.

In formal cooperatives members fulfil three major roles, as users/beneficiaries, controllers and as financiers [8].

Draheim (1955) emphasised the "double nature" of cooperatives, as individuals do not

only join a business organisation to improve their economic well-being, i.e. the “cooperative enterprise”, but also become members of a social group, i.e. the “cooperative society” [5]. Individuals will only form or join an organisation and stay loyal if they have a certain level of (interpersonal) trust among each other. They must have a certain degree of certainty that the co-members fulfil their obligations and observe their given commitments [12].

In Romania as in most other post-socialist economies, small-scale farmers show a strong psychological resistance to forming or joining formal organisations of mutual assistance [2, 13].

In this contribution, it will be discussed what are the major constraints and options for small scale farmers for self-organisation.

MATERIALS AND METHODS

This analysis is focused on individual farmers who are group members and those who are not, so far. What are the individual constraints of farmers in joining and how have others overcome these constraints? We will contribute to the understanding of why cooperation does not work well up to now among small-scale farmers in post-socialist economies, and under which conditions a willingness to cooperate may be formed.

This analysis is based on a survey among small-scale farmers in 2013 [13]. These findings have been updated by literature review and national statistics. In addition, key informant interviews have been performed among individual farmers (members and non-members of agricultural service cooperatives and agricultural producer groups), group leaders and public officials at national and regional levels.

RESULTS AND DISCUSSIONS

Major constrains for formal cooperation

There seem to be a number of reasons why Romanian farmers do not form or join organisations of mutual support. The most relevant ones seem to be as follows.

One of the most forceful arguments is that the destructive impact of the totalitarian communist legacy persists [7]. This led to a high degree of distrust among farmers against any type of collective action as well as between farmers and other actors of the agricultural sector. Cooperative farms were attached with a very bad image and all types of cooperation where the word “cooperative” was still included were seen as a link to the disliked communist legacy [4].

But also the years following regime change did not encourage farmers to set up formal organisations of mutual assistance. The Law 36/1991 used the term “agricultural societies”, but these societies just gave the former collective farms a new label. Members left if possible and their number declined rapidly during the 1990s and early 2000s [16].

Lack of trust seems to be one of the most important factors of influence why formal organisations of mutual assistance did not emerge after regime change. This mutual distrust among the inhabitants in many villages, in addition to low level of human and financial capitals, leads to low information exchanges and a strong scepticism towards new developments [15]. To overcome this bottleneck of missing trust is in the first place the task of a trustworthy and skilful leadership. However, such leadership is the scarcest factor for establishing new formal organisations [9].

But there might be a structural factor. In general, cooperatives are formed neither by the smallest farms nor by the bigger ones. There seems to be a “middle-size bias” [6].

In Romania, as shown by statistics, there are simply not that many farms operational which can be subsumed as “middle-size” farms which might be the first to expect any benefits from organisations of mutual assistance.

Finally, an additional factor might be the rational choice of farmers not to form or join formal organisations at all. Farmers might estimate their independence and autonomy very highly. Following the moral economy school of thought, it is argued that small-scale farmers will resist any commercialisation of agriculture and the impersonalisation of economic transactions. As Roger (2014)

argues, small-scale farmers in Romania are semi-subsistence oriented and have no investment capacity. They want to stay independent from anybody, maintain full control over their assets and be in a position to face unexpected events. Semi-subsistence ensures them a living. Seen from an economic perspective, this type of farming might be inefficient in terms to return to labour and any factor input, but it assures survival and a basic standard of living [14].

Options for formal cooperation

However, while a deficit of collective entrepreneurship and trust can be observed, this does not mean that there is no preference in cooperation as shown in altruism and reciprocity among the farmers. They do cooperate in an informal way; they help each other in case of need and in form of loosely-tight farmers' associations [7]. In Romania, small-scale farmers often formed small informal groups based on social and familial ties to overcome labour peaks or exchanging any type of information [15].

In addition, a special form of informal cooperation had become very popular among those farmers who wanted to earn income from farming, i.e. joint farming. These informal groups comprise, in general, 4 to 15 families. With the help of the group they could achieve higher levels of production. They pool their resources, divide tasks within the group members and specialise in certain activities (crops, livestock) in order to increase returns to agriculture. This type of "family association" has only quite loose requirements on each partner. As informal groups they do not have to pay any taxes and no need for employed staff [15, 17]. While informal groups of mutual assistance are of high relevance, there are no figures about their number and performance available.

While farmers are reluctant or, even, not in a position to set up organisations of mutual assistance, the government might step in and encourage and support farmers to do so. It might be argued that such government-created cooperatives may be better for the farmers than no organisations of mutual assistance at all. There might be the expectation that these "top-down" organised groups might after

some time become genuine self-help organisations ("bottom-up"). However, Golovina & Nilsson (2011) in their review about government-initiated agricultural cooperatives conclude that, in general, these types of top-down initiated organisations were not successful over time. There seem to be no successful management practices available in how to eventually convert them into businesses controlled and owned by members. In general, these groups become dormant once government support dries up or public officials decide on all relevant matters [8].

Nevertheless there is an important role which governments have to fulfil in order to promote agricultural cooperatives. They will not emerge without the implementation of a proper legal framework [9]. The Romanian government had been very reluctant to provide such a framework. During the pre-accession period to the EU it did not prepare a coherent strategy for supporting agricultural service cooperatives which had been an option. There seemed to be a vicious cycle: Since there are a low number of agricultural service cooperatives and producer groups, no institutional lobby exists in favour of them and, hence, there is a lack of political and economic interest in their support. There is no strong lobby for these organisations and little pressure on governments to design strong policy measures promoting them [3].

Only recently, there seems to be political change. With the Law on Agricultural Cooperatives (No. 566) in 2004 and the Law on Cooperatives (No. 1) in 2005, the government established the legal framework for establishing cooperatives according to the rules of the International Cooperative Alliance. With the adoption of the Ordinance 37/2005 the government gave the option, first to fruit and vegetable farmers only, but later on to all, to form producer groups in line with the EU regulations.

Since then, a modest formation of agricultural service cooperatives and agricultural producer groups (PGs) can be observed. The number of PGs seems to stagnate. While it stood at 152 in 2011, just 145 were operational in early 2018. 690 agricultural cooperatives are registered, but not all of them are operational

[18]. So, their impact on the food markets is still very small. Based on our own survey, farmers seem to become open to the idea of cooperation since they expect better prices. However, the level of distrust is still high [13].

CONCLUSIONS

Due to negative experiences in the past, reaching from the pre-War, socialist and the first decade of the post-socialist periods small-scale farmers in Romania are still very reluctant to form or join any groups of mutual assistance, like agricultural service cooperatives or agricultural producer groups. Due to their negative image, these groups did not play any role and there had been no lobby for them. Hence, the government did not act to promote them.

Only recently, the government provided the necessary legal framework for their set-up. A modest wave of group formation could be observed. However, these formal groups of mutual support play a marginal role, only. The government is advised to encourage the group formation more rigorously, like e.g. support of campaigning for the cooperative idea, identification and training of potential cooperative leaders, etc.

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