

ECONOMIC AND SOCIAL IMPACT OF ASSOCIATIONS IN GROUPS OF AGRICULTURAL PRODUCERS - A CASE STUDY IN ROMANIA

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Abstract

The study presented in this paper starts from the fact that it is important to establish agricultural producers in associative forms to open them opportunities for economic development, by attracting local, regional or regional advantages. Thus, we analyzed the groups of agricultural producers established in Călărași county, regarding their structure by categories of activities, the evolution of the economic-financial indicators and the activity carried out. There were 19 interviews with management team and members of the 11 groups of agricultural producers in Călărași, in order to obtain information on the results obtained, the positive and negative aspects encountered in the activity, the advantages and disadvantages of functioning as a group of agricultural producers, future projects. Most of the positive aspects mentioned by the representatives of the groups were related to greater power they have in the negotiations with the input suppliers and in the capitalization of the production, the reduction of the production costs; exploitation of land surfaces that allow the application of modern technologies etc. The general conclusion is that in order to be successful, there must be cohesion in the producers group. If there is no cohesion, there is no success, so as in any association, the human factor is the most important.

Key words: advantages, disadvantages, producers group, agricultural production

INTRODUCTION

In the European Union, most producers have preferred to join groups, because together they can produce homogeneously, in much larger quantities, qualitatively and can sell, the product, finally, at a good price [13]. One of the world leaders in high performance agriculture is Netherlands. In this country, about 100 thousand small producers, who process agricultural land up to 10 hectares, have strengthened their power by joining groups [7]. For example, the prosperity of the flower growing sector is due to the cooperation, since practically all the producers in the sector are associated in groups. Thus, they have the necessary performance equipment in flower growing, successfully carry out the selection and multiplication of the perspective varieties. At the same time, florists get a higher engross price due to the fact that about 95% of the production is sold through the producers group [14].

A similar situation can be found in Belgium, the UK or Poland, where more than half of the milk produced on farms is sold through cooperatives [13]. In Netherlands, Austria and

Denmark, this figure exceeds 95%, while in the United States and Canada about 90% of dairy factories cooperate [7].

In Romania, at the end of February 2020, 236 producers groups were active in the agricultural, forestry and agri-food sectors [8]. The relations of association and cooperation are diversified according to the variety of the connections that are established between agriculture and other sectors of the national economy, as well as within agriculture, between the companies and the units for storage, processing and sale of agricultural products [10]. The concentration of production on farms of optimum size, as well as the diversification and specialization of agricultural production are closely related to the development of the association and cooperation relationships along the technological flows of production of agricultural raw materials, but also of the processing and capitalization of the products [8].

The importance of the farmers association is emphasized both by the opportunities for financing through NPRD 2014-2020 and by increasing the competitiveness of the member

farms in these associative structures, supported by numerous facilities for processing and selling the agricultural products of the associated farmers [12]. According to the legislation in force, there are the following forms of association in the agriculture of Romania:

• *agricultural companies and other forms of association in agriculture* (Law no. 36/1991 on agricultural companies and other forms of association in agriculture, as subsequently amended and completed) [10];

• *associations* (GO no. 26/2000 on associations and foundations, approved by Law no. 246/2005, as subsequently amended and completed) [8];

• *agricultural cooperatives* (Law no. 566/2004 on agricultural cooperation, as subsequently amended and completed) [11].

Considering the provisions of GO no. 37/2005 on recognition and functioning of the groups and organizations of producers for selling agricultural and forest products, associative forms mentioned previously can be recognised as producers groups [9].

MATERIALS AND METHODS

In order to collect the data needed to study the importance of the association of agricultural producers, the specialized bibliography, the statistics elaborated by the Ministry of Agriculture and Rural Development, by Agriculture Directorate of Călărași County were studied and the survey-interview was used. There were 19 interviews with management team and members of the 11 groups of agricultural producers in Călărași county, in order to obtain information on the results obtained, the positive and negative aspects encountered in the activity, the advantages and disadvantages of functioning as a group of agricultural producers, future projects.

The interview was structured on 4 categories of items, such as:

1. Achievement of some activities to increase the group cohesion: if social activities were organized for its members - team building/ study visits/activities in communication? Is there cohesion in group?

2.If there is a sale manager who takes care only of the marketing of the group activity: do you have sale manager? If yes, who is he/she? Is he/she a person from outside or a member of the group? The production sale was simplified as a member of a group? Do you have promotion materials? Do you have website? Facebook page?

3.The association generates added value from economic point of view for its members: is there any difference regarding the level of income of partners before and after joining the group? Can you make plans (procurements, investments) better than before being a group of producers? Does the group have profit?

4.The group has perspectives of development: What future plans does the group have? What advantages does the association have within the group for your business? What risks do you see in the group functioning? Do you trust this association can be sustainable?

The information obtained by interview and the comparative analysis of some economic and financial indicators of the producers groups led to some conclusions and proposals regarding the importance of farmers association.

RESULTS AND DISCUSSIONS

The producer groups are legal persons for profit and their own economic management and farmers associations that jointly sell the obtained products [9]. These groups ensure the production planned and adapted to the demand of the market, according to the conditions of quality and quantity. It also promotes the supply and placing on the market of products obtained by their members. The group is responsible for optimizing production costs, setting producer prices and promoting the use of growing practices, production techniques and waste management practices that do not harm the environment [4].

A member of a producer group may be anyone who legally owns a production base, declares in writing his intention to sell his own agricultural production and pays the fee, in accordance with the group statute. Members are required to apply the regulations adopted

by the producer organization regarding production reporting and environment protection.

Also, they must only be part of a producer organization for selling one or more products subject to the common market organization, in accordance with the legislation in force, and to sell most of the production.

In Romania, although they were established relatively recently, there are few groups of economically sustainable agricultural producers compared to their number “on paper”. Most of the time, they pass through very difficult situations since they were set up, and if they go by this stage, they cannot

become economically relevant. At the end of February 2020, 236 producer groups operating in the agricultural, forestry and agri-food sectors were registered in Romania [12]. These include the 11 groups of agricultural producers from Călărași county, established between 2008 and 2019, as shown in Table 1 [4].

It should be noted that the majority of producer groups have as their activity cereals growing and oil plants, with one group having the activity of raising and exploiting poultry meat and eggs, and two other groups adding vegetables and fruit growing.

Table 1. Structure of producers groups in Călărași county, in 2020

	Name	Address/Location	Date of setting up the group	Category of products
1	Association Consortium of Extension and Rural Development	Vâlcelele Commune, Călărași county	17.01.2008	Cereals and oil plants
2	S.C. Consortium Ceres Dor Marunt SRL	Ogoru village, Dor Mărunt commune, Călărași county	08.11.2010	Cereals Oil Plants
3	Dorobantu 2009 Agricultural Cooperative	Dorobanțu village, Dorobanțu commune, Călărași county	19.04.2011	Cereals Oil Plants
4	S.C. Euroavi S.R.L.	Dragalina commune, Călărași county	12.04.2011	Poultry meat and eggs
5	S.C. Sico Real Agro S.R.L.	Modelu village, Modelu commune, DN 21, km 17, Călărași-Slobozia, Călărași county	10.12.2012 Decision of withdraw no. 264289/04.09.2019	Cereals Oil Plants
6	S.C. Rod Bogat Unirea S.R.L.	Unirea village, Unirea commune, no. 273, Călărași-Fetești road, Călărași county	11.06.2013	Cereals and oil plants
7	Alexandru Odobescu Agricultural Cooperative	Călărași, no. 49, Berzei street, Construction C1, room 2, Călărași county	03.12.2018	Vegetables-Fruits
8	Company Agro Group Spicul	Ștefan Vodă village, Ștefan Vodă commune, no. 21, Viorelelor street, Călărași county	20.09.2018	Cereals and oil plants
9	Agrosirbi Ciocanesti Agricultural Cooperative	Ciocănești village, Ciocănești commune, no. 4, Stejarului street, Călărași county	18.02.2019	Cereals and oil plants
10	Agricola Fundeni Agricultural Cooperative	Fundeni village, Fundeni commune, no. 1 Magnoliei street, Călărași county	15.03.2019	Cereals and oil plants
11	Colinele Dunarii Agricultural Cooperative	Oltenița municipality, no. 28, șoseaua Călărași street, room 4, Călărași county	23.08.2019	Cereals and Oil Leguminous Plants

Source: Processed according to the information obtained from the Division for Agriculture Călărași [4].

Table 2 presents the economic-financial indicators of the producer groups that submitted the balance sheet and profit and loss account at the end of 2018 (at the time of the analysis, the financial statements for 2019 were

not prepared). Thus, the fiscal value, the net income, the registered arrearage, the statement of equity and the number of employees are presented [4].

Table 2. Economic-financial indicators, in the year 2018 (Lei)

Name	Fiscal value	Net income	Arrearage	No employees	Equity
Association Consortium of Extension and Rural Development	6,400	-6,027	3,160,153	0	146,048
S.C. Consortium Ceres Dor Marunt SRL	11,926,854	-1,780	82,210	0	724,758
Dorobantu 2009 Agricultural Cooperative	17,359,275	205,429	826,352	6	390,177
S.C. Euroavi S.R.L.	128,942,423	1,282,728	42,128,991	293	3,890,038
S.C. Sico Real Agro S.R.L.	7,278,856	5,970	155,745	2	75,918
S.C. Rod Bogat Unirea S.R.L.	9,311,052	185,224	4,686,710	2	982,671
Alexandru Odobescu Agricultural Cooperative	0	-247	247	0	9,753
Company Agro Group Spicul	0	0	3,050	0	500

Source: Profit and Loss Account the analysed groups.

Further on, the first four groups of agricultural producers are analyzed in terms of the evolution of the economic-financial indicators, in order to compare their activity and their economic sustainability. The implementation of a project financed by the World Bank and the Ministry of Agriculture, Forests and Rural Development through the Academy of Economic Studies of Bucharest, was completed by the establishment, in February 2005, of an NGO pilot association structure, called “**Consortium of extension and rural development**”, recognized as a producer group, in 2008. At the time of establishment, the number of members was 33, currently reaching 83 members with areas between 50 and 4,000 ha of arable land which is located in the plain area where it is predominantly chernozem. The total area registered within the group was 22,900 ha, and in December 2019 reaching 22,368 ha. The farmers are from Vâlcelele, Dragoș Vodă, Vlad Țepeș, Dragalina, Cuza Vodă, Grădiștea, Alexandru Odobescu, Borcea, Independența, Mânăstirea [2].

During the analyzed period (Fig. 1.) within Vâlcelele Consortium for Extension and Rural Development group, the fiscal value decreased from 4,635,2 thousand lei in 2011, to 67,9 thousand lei in 2015 and reached only 6,4 thousand lei in 2018. Regarding the net income, losses were registered throughout the analyzed period, the lowest being in 2018, after, the year 2015 ended with losses of 192,7 thousand lei. It is worth noting the high level of arrearage, which increased significantly

over the whole period, from 345,7 thousand lei to 3,060,3 thousand lei in 2018, respectively, an increase with 885,2%. [2].

The equity register the highest value in 2018, of 146,1 thousand lei. The group does not have employees who are actually only responsible for its activity but is coordinated by a board of directors consisting of a chairperson and 3 vice-chairpersons. Although the economic-financial activity was not profitable during the analyzed period, during the interview we found the concern of the board of directors to find the resources necessary to increase the efficiency of the activity even from 2019, when, through the group, 96,828.8 cereal tons were given for sale and oil plants whose total value amounted to 72,800,2 thousand lei.

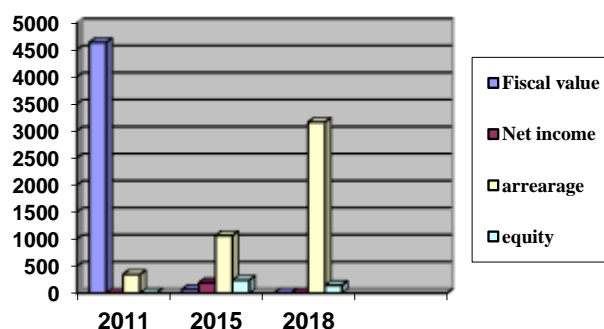


Fig. 1. Evolution of economic indicators at the Association Consortium of Extension and Rural Development- thousand lei
 Source: [13].

The producers group established in 2010 in the town of Dor Mărunt from Călărași county with the name of Consortium Ceres Dor Mărunt SRL, with the object of activity the

valorization of cereals and oil plants, has a number of 6 associates and has recorded during the analyzed period an economic situation - financial profitability, the fiscal value increasing from 5,212,7 thousand lei in 2011, to 11,926,8 thousand lei in 2018, respectively, an increase with 228.8%. The net income registered a fluctuating evolution, from 12.8 thousand lei in 2011, to 276.1 thousand lei in 2015 and a loss of 1.7 thousand lei 2018 [14]. The arrearage decreased from 193.3 thousand lei in 2015, to 82.2 thousand lei in 2018. And equity increased from 19.7 thousand lei in 2011, to 724.4 thousand lei in 2018, respectively, an increase with 3,677.15%. (Fig. 2). The group has no employees who effectively handle only its activity but is coordinated by an administrator, who is also the representative of an associate company within the group. The administrator states that the association started from nothing, namely without any money. Everything that has been done over time has been done with the help of banks, which is remarkable to consider, knowing the reluctance of lending institutions when it comes to associative forms in the agricultural field, not to mention fear of farmers to borrow.

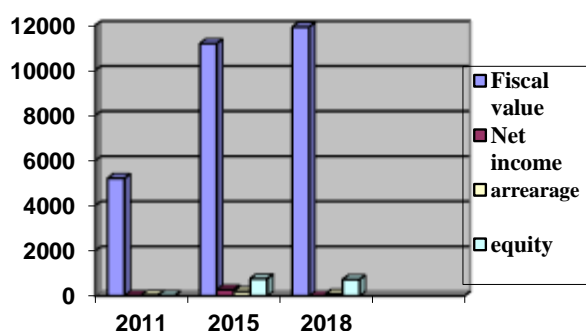


Fig. 2. Evolution of economic indicators at Consortium Ceres Dor Mărunt S.R.L.- thousand lei
 Source: [14].

“If you expect to make a profit and work with cash, you lose the train. Everything has to be done at the right time, you don't have time to wait. Who knows when you meet such an occasion in your life? If that happens again, because you often don't have that chance.” So far, they had difficulty accessing loans. The most common problem that the chairperson

raises is that banks have not developed lending products that are specific to the producers groups and are therefore reluctant to loans. Dorobanțu Agricultural Cooperative 2009, manages over 5,000 hectares of agricultural land at this time and already has some “achievements” at present. Established in 2009, by five important farmers in the area, who manage together 3,000 hectares, after eight years of activity, the cooperative reached over 400 members, many of them with small areas, between 2 and 3 ha of land [5]. Although the number of members is so high (many would frighten such a number!), it still works quite well. The proof is the investment of over 5 million lei in the grain storage spaces, made with European money, or the car park, which includes six trucks used for the transport of cereals produced by the cooperating members. Moreover, the main object of activity is to capitalize the agricultural production obtained by the farmers in the area, but also to buy the necessary inputs for carrying out the production activity. About the advantages of the association, the chairperson of the group mentions: “One is to sell 100 tons jointly and another is when you come up with 1,000 tons. The effect is the opposite, as the quantity increases and the price is higher” [9]. From the presentation of the economic-financial indicators (Fig. 3) results the efficiency of the activity carried out within the group, this group of producers being the most profitable among the groups with the same object of activity, the fiscal value being at the level of 2018, of 17,379,2 thousand lei and the net profit of 205,4 thousand lei.

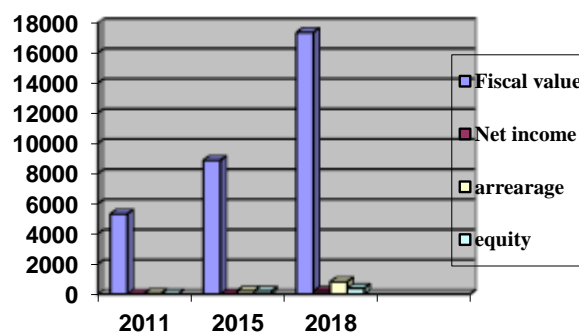


Fig. 3. Evolution of economic indicators at Dorobanțu 2009 Agricultural Cooperative -thousand lei.
 Source: [5].

About the cohesion of the group, the chairperson of the group mentions that it is difficult to work with people, all the time it must be a dissatisfied one, as it is only well-known that where three Romanians gather, it does not work. But he managed to keep things under control, perhaps because he took his role as a mediator seriously. In fact, he even acknowledges that he deals with diplomatic discussions in a contradictory way, resolving amicably all the problems that arise, and this seems to be the key to success in the end. And not only the members do not leave, but there are new requests for joining the cooperative. "First of all, people became aware of the greater power they have in negotiating with input suppliers, getting discounts up to 38%, but also with traders. Or all these things matter. For now, there are enough farmers today, the key word being stability in everything we do." Established in 2011, Dragalina locality, "Euroavi" is a group of producers consisting of 7 farmers, breeders of native poultry in Călărași county, who joined to slaughter their products together and seek to ensure the best conditions, in own farms of the shareholders who have over 55 breeding halls, completely modernized and equipped with high performance machines. [6]. In an interview with one of the group associates, he mentioned "We are people who had the same agenda. We want to create, we want to do and we have confidence. If you ask me what is most important in a group of producers, as in any association, I answer that the human factor. And if the man you work with is of quality, then your success is assured. We are talking from the beginning. What do we want to do? We want to sell. And we understand from the beginning that association is the key." The data presented in Fig. 4., support the statements of the associates and demonstrate the efficiency of the activity within the group, which had in 2018 a fiscal value of 128,942,4 thousand lei and a net income of 1,282,7 thousand lei. From the discussions held with the representatives of Rod Bogat Unirea group, it was found that an association in a group of producers is successful if its establishment and development include, at the same time, activities to increase the cohesion of the group,

marketing activities and contracting a sales manager.

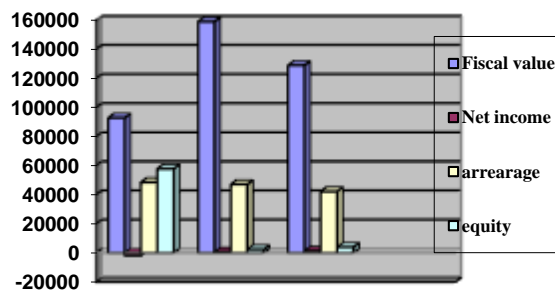


Fig. 4. Evolution of economic indicators at Euroavi S.R.L. -thousand lei
 Source: [6].

The newly established groups, in the period 2018-2019, argue that it was necessary to resume to tricks in order to achieve economic success, and the presence of a man-engine in the organization depends on everything. Also, through the interview, the study identified other functional equivalents of these elements (kinship relationships, existing skills and promoting the leadership of some members), which lead to functional groups, but which have too much context to be considered to be widely replicable. Agriculture and small and medium-sized farmers in Romania continue to need association, but not only on paper and not only in subjective, family contexts, but in producer groups built on objective principles, which internalize the governance mechanisms specific to these forms of organization that have long supported farmers in western countries - voluntary and open association, democratic control, transparency, community concern, etc. All organizations set up as forms of association in agriculture need a dedicated lending fund - according to the interviews conducted for the purpose of this study, cooperatives have problems accessing loans (usually bridge credits to cover members cash flow need) as banks are reluctant to provide loans for this form of hybrid and new organization in the Romanian capitalism. They do not yet understand what an agricultural cooperative is and how they operate and have not yet developed credit products that can be fit to the specific of the agricultural cooperatives.

The European funds for agriculture and rural development can be an incentive to bring the two sectors closer. The newly established producers groups need capitalization - need access to a dedicated and calibrated investment sub-measure on their specific; the group representatives mentioned objectives of procurement and investments in physical assets in the near and medium future.

CONCLUSIONS

From our analysis, the interviewees first of all want their daily activity to proceed without major problems, as a necessary condition for the group to be successful. However, this condition does not occur without at least one of the following two being present: the group has stable contracts with large retailers or its members to become actively involved and make investments when needed. The elements considered the most important for the success of a group of producers are the activities of increasing the cohesion of the group, those of marketing and hiring a sales manager. The three elements must be present at the same time in the development process of the group for it to be successful, and the only possible approach in which all these “ingredients” can be found together is to recognize the role of the human factor in each organization.

The future plans of the producer groups include investments in building construction, increasing the number of members, increasing the area of land owned, attracting EU funding for investments in the acquisition of efficient agricultural machinery and equipment, in the creation of storage and processing spaces.

Another activity that the representatives of the groups consider important is that of marketing. The groups that are successful are those that invested in marketing activities and hired a person responsible for this activity, who have a website, social media presence, drone films, leaflets, attendance at meetings with retailers, etc.

Also, the cohesion of the group is emphasized as being very important when people have to work together for a common good. However, there is also a group that had some problems, its members fail to work together for the good

functioning of the organization, although it had remarkable financial results, which is why, at the end of 2019, it requested the withdrawal from the producer groups.

The establishment of agricultural producers in associative forms opens up new opportunities for economic development, by attracting local, area or regional advantages, and uses the collective power in order to increase the prosperity of the members, their families and the communities of which they belong. Regardless of the form of organization they belong to (associations, cooperatives or producer groups), members of associative forms have democratically established rights, and this represents one of the greatest benefits. Among the advantages of joining producers groups, their representatives mentioned: reduction of production costs (for example, they can purchase high-performance machines and equipment, which are used jointly by all members); the exploitation of land surfaces that allow the application of modern, competitive, production and waste management technologies, in order to comply with the environment protection norms that we are obliged to take into account as members of the EU; the possibility of planning and modifying the production according to the quantitative and qualitative demand on the market; easier access to the European funds and bank loans; facilitating communication between farmers, as well as between their representatives and government institutions (the association is a forum for discussions, exchange of views, problem solving between members, opportunities to help and access information, and representatives of associations are a relevant partner of dialogue with the ministry, in the elaboration of the decisions regarding the agricultural producers and their interests); increasing the negotiation capacity, in order to obtain better prices, both for the joint purchase of the raw materials needed for the production, and for the capitalization of the products, by providing larger quantities, in high quality conditions; promoting more efficient production, both on the internal and external markets.

Under the conditions of the strong competitive environment, these aspects, to which others

can be added, can increase the incomes of the agricultural producers and their awareness of the responsibilities that they have as factors with rights and obligations on the market.

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