

## EXPLORING ROMANIAN AGRI-FOOD COOPERATIVISM AS A WAY OF CONSOLIDATING SUSTAINABLE RURAL DEVELOPMENT

Natalia LAJARA-CAMILLERI<sup>1</sup>, Gina FINTINERU<sup>2</sup>

<sup>1</sup>CEGEA. Universitat Politècnica de València. Camino de Vera s/n, 46022, Valencia, Spain, Email: nalade@cegea.upv.es

<sup>2</sup>University of Agronomic Sciences and Veterinary Medicine of Bucharest, 59 Marasti Blvd, District 1, Bucharest, Romania, Email: gina.fintineru@gmail.com

**Corresponding author:** nalade@cegea.upv.es

### Abstract

*European agriculture is a sector that is in a decisive moment of transformation. The transition from small farms to viable and sustainable businesses is difficult and often traumatic. One of the ways to face these changes is through the grouping of farmers creating agri-food cooperatives. This model has proven successful in Sweden or Finland but has not been developed equally in all territories. Romania is a country with no deep-rooted cooperative tradition. However, it has exciting and promising initiatives that may represent an alternative development path, especially in rural areas. This paper addresses the current situation of agri-food cooperatives in Romania, analysing its immediate past and exploring the opportunities that arise in the future through a scientific literature review. Results help to better address future actions on cooperative promotion.*

**Key words:** associationism, agri-food sector, cooperativism

### INTRODUCTION

Cooperativism is an associative movement that seeks, based on synergies, to provide services and value to the members of this type of entity. This movement, which emerged in England at the end of the 19th century, rapidly expanded internationally and now represents a significant presence in the economy. It is estimated that around 12% of the world's population is a member of one of the three million cooperatives globally [15]. Today it is possible to find cooperatives of various types: housing, consumer, fisheries, transports, labor or agri-food [2]. Agrarian cooperatives represent the autonomous association of private individuals or legal entities, having a private law juridical status, established upon free consent of the parties with the purpose of promoting the interests of the cooperative members [18].

In Europe, the cooperative movement has had a particularly significant presence in the agri-food sector. In most cases, cooperatives have provided access to factors of production, technology, or markets for farmers and growers. The association has proven to be

especially beneficial in the case of small farms that do not have sufficient production volume to maintain a strong negotiating position vis-à-vis suppliers or large customers.

In countries such as Denmark or France, the market share achieved by agri-food cooperatives is very high, even leading the market. In Italy, Spain, or Italy, there is a high number of cooperatives [7] because their existence makes land exploitation viable and allows joint commercialization

Romania has a very high production potential in the agri-food sector. Its more modern history, the end of a socialist era, and the transition to capitalist economies has led it to define the business model that can best develop this potential. It is a territory of contrasts, with many subsistence farms [19], which need to increase their productivity to generate surpluses. At the same time, a small number of holdings agglutinate a vast extension of land [27]. However, in the last decades, there have been some successful experiences in creating and developing associations or cooperatives that allow

progress in knowledge, management, and market vision [2].

This paper explores the most recent research on agri-food cooperatives in Romania. In this way, it will be possible to identify weaknesses, strengths, threats, or opportunities for this sector. It will additionally help the sustainable development, especially in rural areas [5].

## MATERIALS AND METHODS

To this end, a systematic review was carried out [8]. This methodology is characterized by a precise definition of the purpose of the work, a comprehensive search with a relevant selection of information using of explicit criteria, a critical evaluation of the results obtained, and reproducible decisions regarding relevance, selection, and methodological rigor. This method, conceived for the field of natural sciences, is nevertheless discouraged by some authors [14], for example) for use in the social sciences, due to its positive epistemological nature.

According to the methodology proposed by [10], the approach adopted for the review is that of narrative synthesis. The advantage is that it accommodates diverse works and studies, the review process is flexible and allows the exploration of novel topics, and the identification of different approaches to the mainstream.

The search was carried out in January 2022 using the Web of Science database of scientific papers, identifying papers that combined the terms "Agri-food cooperative", "Agricultural cooperative" with "Romania", "Romanian", in the title or as keywords. The only results considered were scientific articles in English or Spanish. Only publications from 2000 to 2021 were considered. The results obtained in Web of Science were 43 papers. After discarding those duplicated or that were not directly link to the topic, 37 papers made the sample that has been analysed.

## RESULTS AND DISCUSSIONS

The growing interest in agri-food cooperatives in Romania is also reflected at the academic level in the number of publications in high impact journals indexed in the Web of Science (Figure 1). Specially from 2015 a remarkable number of scientific publications have studied different aspects about agricultural cooperatives in Romania. This might be linked to what [27] recognized as early signs of a change in the perception and treatment of agricultural cooperatives.

Topics covered a wide range of angles, from the contribution to rural development [4, 19, 16] to the determinating factors for farmers to join a cooperative, being the reluctance from farmers to associate one the most frequent comments that is present in almost every contribution. Another claim in most of the papers refers to government support and guidance in promoting these entities [11, 24, 26].

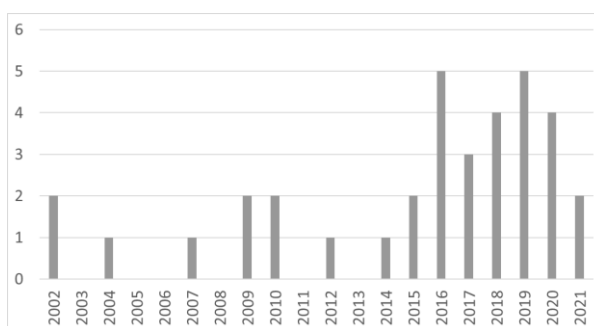


Fig. 1. Number of academic papers annually published in WoS journals related to agricultural cooperatives in Romania

Source: WoS journals.

[25] stated at an early point the urge for undertaking associative processes to help farmers to join forces and help them overcome financial constraints and structural problems. They provide some guidelines as to help the development of rural areas based on the constitution of associative forms, recommending public administrations to take active part in this transition [21].

A survey among agricultural cooperatives was conducted and documented in the work of [4]. Results from a sample of 284 organizations showed differences in the educational level of farmers in cooperatives according to regions.

In North-Eastern region, the majority had completed primary education while in South, South-Western, North-Western and Centre regions, the top position is occupied by farmers that completed high school. Regarding the existence of employees, only 36% had permanent workers and 53% had no employees. Referring to the most constraints in their activity, they pointed out the lack of funding, market problems and lack of information as their most pressing problems at the time. On the bright side, they confirmed the youth of the new generation of cooperativists, being the group aged 31-40 the most numerous.

Advantages and disadvantages from the point of view of the farmer were analysed in [18]. Among the pros, the reduction of the number of agents in the supply chain, the increase in influence, the improvement in negotiating supply terms or the easiness for adopting technology. On the other side, distrust, lack of vision, insufficient education or lack of financial sources were stated as difficulties to overcome to create a cooperative. In similar terms, a SWOT analysis identifying the most relevant aspects for a Romanian farmer to join a cooperative is contributed by [7]. The work also remarks the difference in number and in size that Romanian cooperatives hold in comparison to some of the Western cooperatives, such as the ones of Germany or Netherlands, appointing the way these entities can help develop rural areas in a sustainable way.

This long way ahead as also noticed by [18 and 4]-this latter, based on a study on the agricultural cooperatives at the moment- urges for a training program aimed at cooperative managers so they can lead the process. Leadership is a key element in any process involving an organization. [13] studied the impact of hiring professionals as directors, linking the absence of them to the risk of failure at the cooperative. They also include the need of transparency and education as well as the group, the existence of facilities and the member support. Over a sample of 20 second order Romanian cooperatives they applied qualitative and quantitative analysis,

concluding that all five elements were significant in the survival of the organization.

Another question that arises from some of the works is the legal frame under which cooperatives are developing their activity.

[4] highlights the access to funding as the biggest problem, due to legal restrictions related to the definition of the legal form.

[12] stress the need to increase transparency and dissemination of information about cooperatives as well as the dissolution of cooperatives at their request.

A practical proposal involving NGOs as catalysts for the implementation of agricultural cooperatives is explained in [19]. Following some prior experience in a similar context in Nepal, it is suggested to promote organic farming through cooperatives as a way to ensure income to farmers with the aid of NGOs.

The poor formation of farmers as the slow structure of their commercial behavior are factors appointed by [14] as contributors to the difficult situation of contracts among the agrarian supply chain. It is also one of the most aspects that can benefit the most from the cooperation/association, according to authors.

Another interesting point is the one of trust. *Lack of trust seems to be one of the most important factors of influence why formal organizations did not emerge after the change of regime*, appoint [26]. However, these authors also add that instead of formal organizations, farmers cooperate in informal ways, they usually group according to vicinity or family ties and help each other or share key resources. [22] coined this informal groups as *family societies*. Although these groups need coordination and they are becoming more, and more frequent, their lack of registration makes it impossible to quantify its importance.

[1] conducted an extensive study about several of those groups and express serious doubts about the trust issue, arguing that *people feel cooperation is more difficult now, it is expressed in terms of changes in values and perspectives rather than a lack of trust*.

One of the most recent and complete works was based on key informant interviews. Carried out by [27], it describes the evolution

of agriculture in Romania, starting from the XIX century and stating the main consequences that the various political situations have had into the Romanian agricultural structure. Nowadays a dual pattern of farms exists, where there is a large number of small and semi-subsistence farms (54.1% had less than 1ha in 2016), whilst a small number of large farms account for almost half of the utilized agricultural area (INSSE, 2018). Wolz's work concludes that a change of sign might have happened in the past years (appointing reasons such a better legal frame or improvements in taxes). They remark that cooperatives have been increasing its number and that they have found mainly two gaps to fill in the market: associations aiming at the information exchange and others, more complex, that also provide services to the members [27].

This growing interest is also corroborated by [12] in their work. They explain it also from the legal point of view, due to the improvement in tax conditions that started in 2019; also in the coverage that national organizations have linked farmers and government and in the establishment of the National Register of Agricultural Cooperatives from Romania. Also, [23] detects an increase in consultation, education at a national level to consider the mechanism of association as a whole. This mentioned change is visible for example, through the increase in the overall turnover of cooperatives, which doubled from 2015 to 2018. [17] quantify this change through a survey conducted in 19 counties where they found out that 82.1% of the farmer were willing to join an associative form of organization in the near future. In addition to this, [20] studied a sample made of farmers from the South-East region and concluded that 64.2% of respondents to the survey considered that the development of social agricultural cooperatives would greatly influence the economic development of local communities.

Nevertheless, [9] lists legal changes from 1989 and expresses the need to continue improving the legal situation so cooperatives can solve their problems accessing to

European funding, the land fund problem or some tax barriers. And, those precisely the factors appointed by [6] as the dynamic ones that encourage farmers to form cooperatives.

Finally, some research related to the impact of COVID-19 pandemic has analysed the social resilience in rural areas in relation to social economy organizations. [24] remarks the consideration of cooperatives as one of the main vectors in following social and economic goals.

#### **Advantages of agricultural cooperatives**

As stated by [27], cooperatives can help farmers to overcome the high transaction costs of their small holdings. They can improve access to credit when allowing acting as a financial entity, they funnel investments and resources from EU [14]; they can provide access to technology and training [16] and reduce barriers of entry into market by improving bargaining power. [7] adds economies of scale because of the possibility of joint purchases, with effects on quality, cost and conditions. This all leads to improvements in quality that finally make it possible to enter into premium markets [3, 4]. As stated by [11], cooperatives also help to adjust to the European systems and protocols. They also increase accessibility of farmers to technical, legal, economic expertise by creating cooperative service. In this line, [14] appoint the opportunity to increase training (understood as education).

#### **CONCLUSIONS**

The presence of agricultural cooperatives in Romania has its roots in the XIX century although political regimes and continuous changes have limited the continuance of the entities. Current cooperatives, although facing some limitations and many challenges in their beginnings, are called to be one real alternative for those small Romanian farms that –as it happens in many other European countries with structural problems in their agricultural holdings- need to gain size.

The impulse from Europe and a new generation of young and more prepared farmers can be the turning point to definitely

enable this legal form as a real option for farms to increase their productivity.

Some demands have been attended and the sector seems to respond well to recent improvements. Further support is needed to continue in this path.

At an academic level, it is possible to see an evolution in the existing knowledge about agricultural Romanian cooperatives. Descriptive papers and contributions written in conditional have led to analytical studies and documents that deal with complex problems of ongoing businesses. That can only be a sign of progress for the Romanian agrarian cooperativism.

## REFERENCES

- [1]Agarwal, B, Dobay, K.M., Sabates-Wheeler, R., 2021, Revisiting group farming in a post-socialist economy: the case of Romania. *Journal of Rural Studies*, 81, 148–158.
- [2]Antonovici, C.G., Savulescu, C., Sandu, C., 2016, The agricultural cooperatives in Romania: from conceptual framework to profitable local production. *Journal of Public Administration, Finance and Law*, 8.
- [3]Bercu, F., Botanoiu, D., Tudor, V., Alecu, E., 2014, Analysis of the modern agricultural cooperatives activity in Romania. *Romanian Agricultural Research*, 31, 367–375.
- [4]Bercu, F., 2014, Evolution of agricultural cooperatives in Romania in 2014. MPRA Paper No. 61757, <https://mpra.ub.uni-muenchen.de/61757/>, Accessed on January, 10, 2022.
- [5]Bercu, F., 2019, Romania's agriculture cooperatives' needs and challenges. <https://www.fi-compass.eu/>, Accessed on January, 3, 2022.
- [6]Bercu, F., Florea, A.M., Dinca, C., Pila, M.M., Ion, I.M., Stanciu, S., 2020, Revival of the Romanian rural areas by Agricultural Cooperatives. *Education Excellence and Innovation Management: A 2025 Vision to Sustain Economic Development During Global Challenges*. 35th International-Business-Information-Management-Association Conference (IBIMA). Seville, Spain, April.
- [7]Brătulescu, A.M., 2017, Agricultural cooperatives in developing agriculture in Romania and the European Union, In: *Agrarian Economy and Rural Development - Realities and Perspectives for Romania*. 8th Edition of the International Symposium, November 2017, Bucharest, The Research Institute for Agricultural Economy and Rural Development (ICEADR), Bucharest, 285–289.
- [8]Cook, D.J., Mulrow, C.D., Haynes, B., 1997, Systematic Reviews: Synthesis of Best Evidence for Clinical Decisions. *Annals of Internal Medicine*, 126.
- [9]Daniela, R.E., 2019, The role of Agricultural Cooperatives models among Europe. *Agrifood Economics and Sustainable Development in Contemporary Society*, 210–226.
- [10]Denyer, D., Tranfield, D., 2008, Using qualitative research synthesis to build an actionable knowledge base. *Management Decision*, 44, 213–227.
- [11]Dincu, A.M., Brad, I., Ciolac, R., Gherman, R., Gavruta, A., Dumitrescu, C., 2013, Perspectives of Agricultural Cooperatives in Romania. *Scientific Papers: Animal Science and Biotechnologies*, 46(1), 372–376.
- [12]Florea, A.M., Bercu, F., Radu, R.I., Mihai, O.I., 2020, The evolution of agricultural cooperatives in Romania. 6th BASIQ International Conference on New Trends in Sustainable Business and Consumption. Messina, Italy, 4-6 June 2020. Bucharest: ASE, 783–790
- [13]Florea, A.M., Bercu, F., Radu, R.I., Stanciu, S., 2019, A fuzzy set qualitative comparative analysis (fsQCA) of the Agricultural Cooperatives from South East region of Romania. *Sustainability*, 11 (21), DOI10.3390/su11215927.
- [14]Hammersley, M., 2001, On 'systematic' reviews of research literatures: A 'narrative' reply to Evans and Benefield. *British Educational Research Journal*, 27: 543–554.
- [15]International Cooperative Alliance, ICA (2022). <https://www.ica.coop/en/cooperatives/history-cooperative-movement>, Accessed on February, 15, 2022.
- [16]Ionescu, R.A., 2015, The impact of extension and rural development consortium Valcelele on the rural space development. *Scientific Papers Series "Management, Economic Engineering in Agriculture and Rural Development"*, 15 (1), 229–232.
- [17]Jean, A., Ion, R.A., Chivu, L., Pop, R.E., Marin, A., 2019, Investigations on farmer's willingness to associate and join in environmental responsible short supply chain in Romania. *Applied Ecology and Environmental Research*, 17(2), 1617–1639.
- [18]Marin, A., Turek Rahoveanu, P., 2015, Analysis of the forms of association/cooperation in Romania. MPRA Paper No. 69476, <https://mpra.ub.uni-muenchen.de/69476/>, Accessed on January, 10, 2022
- [19]Munteanu, A.R., 2014, Agricultural cooperatives for rural development in Romania. *SEA – Practical Application of Science*, volume II 1(3), 371–383.
- [20]Oana, V.F., Florentina, M., Ludmila, D., 2017, Study Regarding the Perception of Small Farmers from the South- East of Romania on Social Agricultural Cooperatives. *European Journal of Sustainable Development*, 6(2), 9–18.
- [21]Preda, M.C., Chirculescu, R.E., 2016, Integrating sustainable development policies in creating an agricultural cooperative. 3<sup>rd</sup> International Multidisciplinary Scientific Conference on Social Sciences and Arts, SGEM.
- [22]Sabates-Wheeler, R., 2002, Farm strategy, self-selection and productivity: can small farming groups

offer production benefits in post-socialist Romania. *World Dev.*, 30 (10). 1737–1753 .

[23]Stanciu, S., Virlanuta, F.O., Dinu, V., Zungun, S., Antohi, V.M., 2019, The perception of the social economy by agricultural producers in the North-East development region of Romania. *Transformations in Business & Economics* 18(2B), 879–899.

[24]Stanescu, S.M., 2020, Promoting social resilience in rural areas through social economy in time of the COVID-19 pandemic. *Strategica: Preparing for tomorrow, today*, 873-882. 8th International Academic Conference on Strategica - Preparing for Tomorrow, Today. Bucharest, Romania, October.

[25]Turek Rahoveanu, M.M., Turek Rahoveanu, A., Cristea, L., 2012, Prospects for agricultural cooperatives in Romania in the context of CAP reform 2014-2020. *Scientific Papers Series “Management, Economic Engineering in Agriculture and Rural Development”*, 12 (4), 106–110.

[26]Wolz, A., Möllers, J., Micu, M.M., 2018, Cooperation among individual farmers in Romania. *Scientific Papers-Series Management Economic Engineering in Agriculture and Rural Development*,18(2), 489–492.

[27]Wolz, A., Möllers, J., Micu, M.M., 2020, Options for agricultural service cooperatives in a postsocialist economy: evidence from Romania. *Outlook on Agriculture*, 49(1), 57–65.