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NAVIGATING FISCAL WATERS AND STRATEGIC SHIFTS: ASSESSING THE RISK AND IMPACT OF ROMANIA'S 1% TURNOVER TAX ON COMMODITIES TRADERS, SUPPLY CHAIN IMPLICATIONS, ANDAGRICULTURAL SECTOR SUSTAINABILITY

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Abstract

The recent implementation of a 1% turnover tax on companies exceeding €50 million in annual turnover by the Romanian government aims to secure a minimum tax contribution from large corporations, a move that directly impacts those in the grain trade, where profit margins are well-known slimdue to the volatile nature of global market prices and fierce competition. The analysis conducted in this study highlights the financial dynamics of the last five years for the largest grain trading entities in Romania, such as Ameropa, Cargill, CHS, COFCO, and Viterra. The simulation of the 1% turnover tax reveals a dramatic increase in tax liabilities for these companies, with the projected tax payments under the new regime nearly equating to their combined gross profits of €196.96 million, a stark rise from the €32.32 million paid under the old profit tax system.This significant increase in tax burden underscores the potential risks and challenges facing the agricultural sector. For grain trading companies, the new tax could necessitate a re-evaluation of cost structures and operational efficiencies to maintain profitability. The study suggests that these companies may have to adjust their purchasing prices or seek other avenues to offset the increased fiscal demands, potentially affecting the entire supply chain, including Romanian farmers.Farmers, in turn, could see a reduction in their income and investment capacity due to lower purchase prices for their produce, complicating the financial sustainability of rural areas. Furthermore, the limited ability to pass on additional costs in the export market, given the competitiveness of global prices, could strain the sector's profitability.

Key words*: *turnover tax, financial risks, profitability, agricultural commodities, fiscal challenges

INTRODUCTION

Tax changes always represent pivotal moments for the economic dynamics of any sector. On January 1, 2024, Romanian government implemented a significant tax reform by introducing a minimum tax of 1% on the turnover for companies with an annual turnover exceeding 50 million euros. This measure aims to ensure a minimum tax contribution from large corporations, especially in situations where 16% of the gross profit would be less than 1% of the company's turnover [14]. This tax threshold could significantly impact large agricultural companies, particularly major grain trading companies.

These companies generally operate with slim profit margins due to the volatility of global market prices and intense competition [4]. The agricultural sector, and specifically the grain trade, is a sensitive domain, with profits that can be easily eroded by changes in raw material prices, currency exchange fluctuations, and variations in supply and demand on international markets. Furthermore, Romania, like other countries, faces pressures from domestic producers and the need to balance imports with exports [6].

By the nature of their activity, companies trading agricultural commodities not only face challenges in managing purchases and sales but also the necessity to navigate through fiscal complexities, now further accentuated by the new legislation. The introduction of this fixed tax on turnover, regardless of the profit made, may lead to a series of adjustments in corporate strategy. Companies might be forced to review their cost structure, seek increased operational efficiencies, or adjust purchase prices to maintain profitability and ensure long-term sustainability [22].

This new fiscal framework not only directly affects large commercial entities but also has the potential to disrupt the entire supply chain. Transferring the fiscal costs to Romanian farmers by lowering the purchase prices of grains could have negative consequences among the local agricultural community, affecting their incomes and investment capacity [13]. On the other hand, the possibility of transferring these additional costs to the export market is limited, given that prices are dictated by the dynamics and competition of global markets [19].

Analysing the impact of these tax changes requires a deep understanding of the business model of grain traders and their position in the global market, as well as a meticulous approach to financial data to anticipate and plan for the future. Next, we will take a detailed look at the impact of these tax changes on the financial data of major grain trading companies in Romania to better understand the challenges they face and possible adaptation strategies.

MATERIALS AND METHODS

This study aims to assess the impact and risks associated with fiscal changes introduced in Romania starting January 1, 2024, specifically the introduction of a minimum tax of 1% on turnover for companies exceeding a turnover of 50 million euros in the previous year when the standard tax rate of 16% on gross profit is less than 1% of their turnover. The analysis was conducted utilizing publicly available financial statements from the largest trading companies from Romania (Ameropa [2], COFCO [10], Cargill [5], Viterra [32], CHS [8]), focusing on the main indicators reported in the period 2018-2022: turnover, net profit, and gross profit. From these indicators, we calculated the proportion of profit taxes paid during the analysed period relative to turnover. Subsequently, we estimated what the tax would have been had the traders been required to pay the 1% tax on turnover, identifying the nominal difference and the percentage difference to facilitate a comparative analysis of the data resulting from this simulation.

It is evident that following the application of the new fiscal regulations, companies will adapt their business strategies to counteract the effects of the new tax rules [34]. The study's limitations are linked to the fact that results for the year 2023 could not be included at the time of this research, and the analysis only covers the top five trading companies by turnover.

This research was basedon an examination of the available financial data, ensuring a comprehensive understanding of the fiscal landscape and its implications for large agricultural trading companies. By focusing on the primary financial indicators and calculating the potential effects of the new tax regime, this study provides valuable insights into the adaptive measures companies may need to undertake.

The comparative analysis offers a detailed overview of how the fiscal changes could reshape the financial health of these companies. Although the study is limited to the top five companies by turnover, it offers a significant glimpse into the broader implications for the agricultural trading sector in Romania.

The adaptation strategies that companies might employ to mitigate the impact of the new taxation rules remain speculative at this stage [12]. However, this research lays the groundwork for future investigations into the actual responses and strategies implemented by these companies as more data becomes available, particularly including the fiscal year 2023 and beyond.

RESULTS AND DISCUSSIONS

Grain exports play a crucial role in the Romanian economy, serving as a significant source of revenue and a testament to the country's agricultural capacity [33]. As one of Europe's leading producers and exporters of grains, Romania capitalizes on its fertile lands and favourable agricultural conditions to supply a substantial portion of the global market's demand for cereals [7].

Romania's grain export data spanning from 2017 to the present period of 2023/2024 underscores the pivotal role of agricultural commodities trading within the national economy. The figures tell a story of the country's capacity to produce and trade key agricultural products on a scale that impacts not only domestic markets but also positions Romania as a substantial player on the international stage.

The data records an initial export volume of 6,601,671 tons in the 2017/2018 period, marking the beginning of a growth trend that reaches its apex in 2021/2022 with an impressive 12,960,208 tons of grain exported. This peak in exports, highlighted by a jump in common wheat exports from 3,975,447 tons to 6,738,084 tons, aligns Romania with some of the most prolific grain-exporting nations in Europe (Fig. 1).

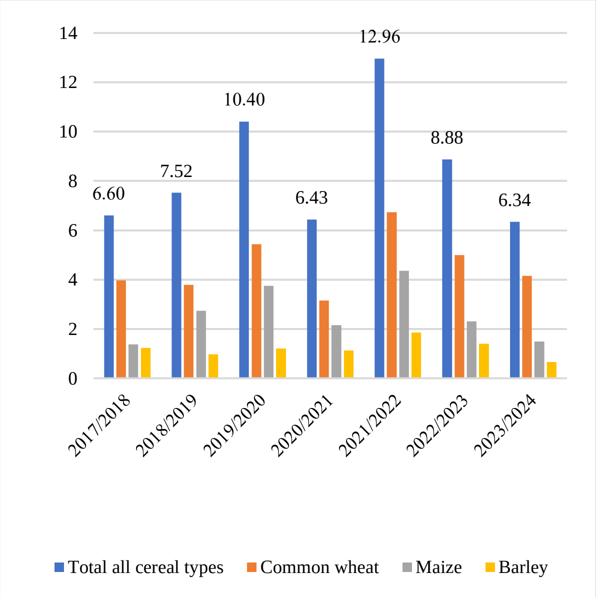

Fig. 1. Volumes of Romanian grains exports (million tons)
Source: agridata.ec.europa.eu [1].

The maize sector also mirrored this ascent, with the 2021/2022 period seeing a high of 4,362,564 tons exported, reinforcing the strategic importance of maize within Romania's portfolio of agricultural exports. Barley exports contribute to this narrative of diversity and growth, with a notable figure of 1,859,245 tons exported in the same period.

The flux represented in these export volumes is a clear signal of the intricacies and risks inherent in global commodities trading. The ebb and flow of Romania's grain exports reflect the sector's response to global demand, pricing, and competitive pressures. While the peak years have undoubtedly bolstered Romania's economic performance, the current period demands attention and possibly strategic adjustments to navigate the shifting landscape.

The interplay between these volumes and the economic health of Romania is profound. The grain trading sector is not just a reflection of the nation's ability to produce but also its capacity to engage with the global market effectively. The data serves as a strong indication of the sector's economic importance, highlighting how prosperous years contribute to economic growth and how difficult years necessitate strategic adjustments and assistance [20].

In a review of Romania's agricultural exports from 2017 to the ongoing year of 2023/2024, the, data presented in figure no. 2,outlines a narrative of the country's performance in the grain market.

As shown in Figure 2, starting from the fiscal year 2017/2018, total exports of all cereal types were recorded at 1.15 billion euros. This figure experienced year-on-year changes, reaching a peak of 3.33 billion euros in 2021/2022. In the current year of 2023/2024, the total stands at 1.45 billion euros thus far.

Within the cereal’s category, common wheat exports began at 666 million euros in 2017/2018 and saw a high of 1.77 billion euros in 2021/2022. Currently, in 2023/2024, common wheat exports amount to 970 million euros.

For maize, the export value was 289 million euros in 2017/2018, with an increase to 1.15 billion euros in 2021/2022. The current fiscal year's exports are at 332 million euros.

Barley exports were at 190 million euros in 2017/2018 and peaked at 407 million euros in 2021/2022. The figure for the ongoing year is 138 million euros.

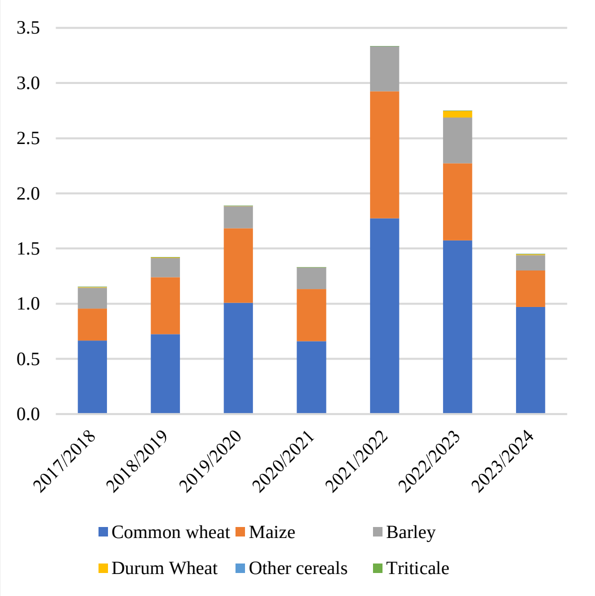

Fig. 2. Values of Romanian grains exports (billion euros)
Source: agridata.ec.europa.eu [1].

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These values reflect the volumes of grain that Romania has contributed to the global market across these varied types of cereals.

In essence, the story woven by these figures is one of an economic sector that is both a contributor to and a reflector of Romania's economic fortunes. It is a narrative that underscores the necessity for continued innovation, strategic diversification, and proactive economic planning to ensure the longevity and success of Romania's grain trading within the competitive global marketplace.

In the period from 2018 to 2023, the major grain trading companies in Romania operated within a relatively stable tax landscape, where corporate income tax was set at a rate of 16% of the gross profit. During this time, the combined sums of net profits and paid profit taxes reflect financial operations within a well-defined fiscal framework. However, a significant shift is on the horizon with the introduction of new tax regulations imposing a 1% tax on turnover for companies with annual revenues exceeding the 50million euros threshold.

The Romanian agricultural landscape is marked by the presence of significant entities that drive the economic pulse of the sector. Among these, companies like Ameropa, Cargill, CHS, COFCO (former Nidera), and Viterra (former Glencore) stand out not only for their scale but also for their crucial role in both the export and import segments of the market.

These companies are pivotal in exporting the surplus of Romanian grain to international markets. Their operations are essential for balancing the country's agricultural trade and maximizing the economic potential of Romania's rich agricultural lands [27]. With their vast networks, sophisticated logistics, and market expertise, they help ensure that the produce of Romanian farmers reaches a global audience, contributing to the country's reputation as a reliable source of quality grains [26].

Simultaneously, these trading giants are among the primary importers of agricultural inputs essential for both crop and livestock farming. Their import activity includes soybean meal, a critical component in animal feed for livestock farms, and various chemical fertilizers, which are indispensable for enhancing the yield and quality of crops in plant farms [23, 31]. By supplying these vital inputs, they support the entire agricultural value chain, enabling farmers to boost productivity and maintain the sustainability of their farming practices.

The activities of these commodity trading companies are deeply intertwined with the health and growth of Romanian agriculture. Their ability to efficiently navigate the complexities of both the export and import markets makes them key players in ensuring the sector's resilience and adaptability to global market dynamics [28].

The analysis of the turnover figures presented in Figure 3 provides insight into the economic performance and growth trends of these companies within the Romanian market.

Ameropa has shown a consistent increase in turnover, starting from 0.78 billion in 2018 and growing to 1.73 billion by 2022. This upward trend indicates robust growth and an expanding market presence.

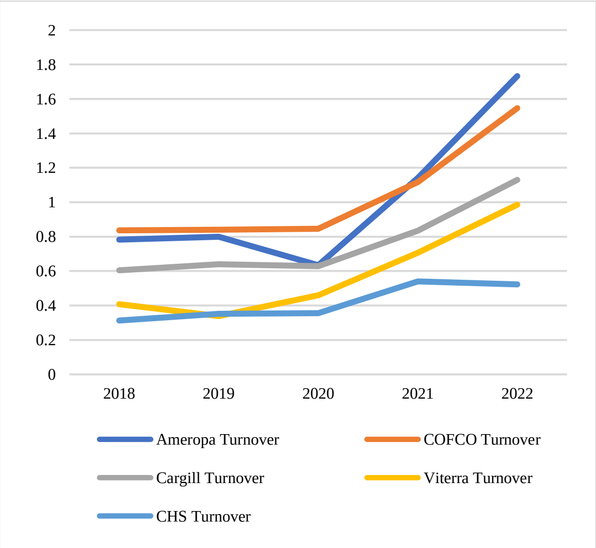

Fig. 3. Traders turnover (billion euro)
Source: Listă firme.ro [15].

COFCO exhibits a similar growth pattern, with an initial turnover of 0.84 billion in 2018, which slightly fluctuates in the subsequent years but shows a significant increase to 1.55 billion by 2022.

Cargill presents a steady increase over the five-year period, starting from 0.60 billion in 2018 and reaching 1.13 billion by 2022, nearly doubling its turnover, which may reflect successful expansion strategies or market gains.

Viterra has a more modest growth trajectory compared to the others, with turnover increasing from 0.41 billion in 2018 to 0.99 billion in 2022. While this is more than a twofold increase, it's at a slower rate than some of its counterparts.

CHS shows the smallest turnover among the five companies, with a starting figure of 0.31 billion in 2018 and an increment to 0.52 billion by 2022. This growth, while significant, suggests a more conservative expansion or possibly a focus on specific market segments.

Collectively, these figures highlight the expanding influence and business volume of these key players in Romania's agricultural sector. The consistent growth across all companies from 2018 to 2022 underlines the importance of commodity trading activities to the Romanian economy, suggesting a positive trend in the agricultural sector's performance and its contribution to the national economic landscape.

In a nutshell, Ameropa, Cargill, CHS, COFCO, and Viterra that is planned to merge with Bunge (another important commodity trader from Romanian and international market), are not merely participants but fundamental pillars in the Romanian agricultural economy. Their operations facilitate the flow of goods in and out of the country, affecting everything from the profitability of local farms to the stability of national food security. As such, their strategic decisions, market performance, and response to regulatory changes have far-reaching consequences for the Romanian economy and, by extension, for global agricultural commodity markets.

By simulating the 1% tax on turnover, we identified significant nominal and percentage differences between the old and new tax regimes. These differences starkly illustrate the financial risk that the new fiscal changes imply for large companies in the agricultural sector. While data for the year 2023 are not yet available, the trend indicated by our analysis suggests that companies need to brace themselves for a substantial shift in their tax planning.

The simulation applying a 1% tax rate on the turnover of commodity traders over the past five years serves as a hypothetical model to provide reference values for comparative analysis. It is important to stress that this exercise, while valuable for illustrative purposes, is a simplified representation of potential tax liabilities under the new fiscal regime.

The simulation doesn't account for the myriad of strategic adjustments companies might make in response to such a tax change. While it offers a baseline for understanding the impact of the new tax rule, it is clear that in reality, companies will actively seek ways to optimize their fiscal activities [18]. The nature of a turnover tax, which is levied on gross receipts rather than profits, indeed makes it more challenging to mitigate through traditional tax planning strategies that would typically target net income [12].

In practice, firms may consider a variety of operational changes to lessen the impact of such a tax. These could include restructuring supply chains, reassessing market strategies, diversifying product portfolios, or even re-evaluating investment plans. Companies might also explore cost-saving technologies and processes or negotiate more favourable terms with suppliers and partners to maintain profitability [29].

It should also be acknowledged that the real-world application of this tax could influence market behaviour. Companies may adjust pricing strategies, both for purchasing inputs and for selling goods, to reflect the new cost structures. Such price adjustments could have ripple effects throughout the supply chain, ultimately influencing market dynamics and sectoral profitability [3].

Furthermore, the simulation assumes static behaviour from the companies, not considering the dynamic nature of businesses that continually evolve and adapt to the changing fiscal and economic landscapes. In reality, the introduction of a new tax regime is often a catalyst for innovation and transformation within industries, as companies seek to maintain competitive edges.

Therefore, while the simulation provides a theoretical framework to gauge the potential impact of a 1% turnover tax, it is merely a starting point for a more complex and nuanced analysis that must consider the adaptive responses of businesses facing new financial and regulatory challenges.

Table 1. Impact assessment of the New 1% Turnover Tax on Trading Companies: afinancial simulation overview comparing nominal and percentage difference between previous Profit tax and new Profit tax (million euros)

Ameropa	Turnover(millions €)	Net Profit	Profit Tax (PT)	New PT 1%	Nominal difference Pew PT – Old PT	Percentage change *
2022	1,732.81	21.35	4.07	17.33	13.26	326%
2021	1,141.85	12.06	2.30	11.42	9.12	397%
2020	634.02	0.87	0.17	6.34	6.18	3,741%
2019	800.07	13.07	2.49	8.00	5.51	221%
2018	782.62	7.14	1.36	7.83	6.47	475%
Total	5,091.37	54.49	10.38	50.91	40.53	391%
COFCO	Turnover (millions €)	Net Profit	Profit Tax (PT)	New PT 1%	Nominal difference Pew PT – Old PT	Percentage change
2022	1,546.43	22.44	4.27	15.46	11.19	262%
2021	1,117.73	0.00	0.00	11.18	11.18	
2020	845.26	12.16	2.32	8.45	6.14	265%
2019	840.64	2.67	0.51	8.41	7.90	1,552%
2018	836.71	0.85	0.16	8.37	8.20	5040%
Total	5,186.77	38.13	7.26	51.87	44.60	614%

Cargill	Turnover (millions €)	Net Profit	Profit Tax (PT)	New PT 1%	Nominal difference Pew PT – Old PT	Percentage change
2022	1,129.94	38.75	7.38	11.30	3.92	53%
2021	835.53	6.47	1.23	8.36	7.12	578%
2020	627.83	6.40	1.22	6.28	5.06	415%
2019	638.88	-0.18	0.00	6.39	6.39	
2018	604.71	-3.79	0.00	6.05	6.05	
Total	3,836.90	47.66	9.83	38.37	28.54	290%
Viterra	Turnover (millions €)	Net Profit	Profit Tax (PT)	New PT 1%	Nominal difference Pew PT – Old PT	Percentage change
2022	985.64	14.01	2.67	9.86	7.19	269%
2021	706.37	-1.07	0.00	7.06	7.06	
2020	459.45	0.12	0.02	4.59	4.57	19,208%
2019	338.78	2.64	0.50	3.39	2.88	573%
2018	407.64	1.21	0.23	4.08	3.85	1,662%
Total	2,897.88	16.92	3.43	28.98	25.55	746%
CHS	Turnover (millions €)	Net Profit	Profit Tax (PT)	New PT 1%	Nominal difference Pew PT – Old PT	Percentage change
2022	523.61	0.89	0.17	5.24	5.07	2,992%
2021	540.07	1.70	0.32	5.40	5.08	1,572%
2020	355.17	1.91	0.36	3.55	3.19	875%
2019	352.51	2.59	0.49	3.53	3.03	615%
2018	312.99	0.36	0.07	3.13	3.06	4524%
Total	2,084.35	7.44	1.42	20.84	19.43	1370%

*(New profit tax-Old profit tax)/Old profit tax x 100
Source: Own processing based on public data from [15].

An analysis of the public accounting data for companies such as Ameropa, Cargill, CHS, COFCO, and Viterra, summarizing the results over the last five years, provides a clear picture of the impact of this new tax. For instance, Ameropa, which accumulated a net profit of 54.49 million euros and paid 10.38 million euros in profit tax, now faces an increased tax burden estimated at 50.91 million euros under the new regime. Similarly, Cargill and the other analysed companies would experience substantial increases in due taxes, with CHS seeing an over tenfold increase in tax compared to the previous amount paid.

The Figure 4 and Table 1 reflect a cumulative analysis of the financial data for five major agricultural commodity trading companies in Romania over a recent five-year period, from 2018 to 2022.

The data captures the total gross profit reported by each company, the total amount of tax paid under the old profit tax system, and a simulated total tax amount if a 1% turnover tax had been applied during the same period.

Ameropa: With a total gross profit of €64.87 million over the five years, the old profit tax amounted to €10.38 million. If a 1% turnover tax had been applied instead, Ameropa would have faced a tax of €50.91 million, which is a significant increase and suggests a more substantial fiscal impact under the hypothetical turnover tax system.

Cargill: Cargill's total gross profit for the period was €57.49 million, with an old profit tax totalling €9.83 million. The simulated 1%

turnover tax for Cargill amounts to €38.37 million, nearly quadrupling the tax burden compared to the old system.

CHS: CHS reported a total gross profit of €8.86 million, with the old profit tax at €1.42 million. Under the 1% turnover tax scenario, the tax sum would escalate to €20.84 million, indicating a dramatic increase and potentially a more challenging fiscal environment for the company.

COFCO: Over the five years, COFCO earned a total gross profit of €45.39 million and paid a profit tax of €7.26 million. The simulation suggests that a 1% turnover tax would result in a tax liability of €51.87 million, significantly exceeding the profit-based tax paid under the previous system.

Viterra: Viterra's total gross profit was €20.35 million, with an old profit tax of €3.43 million. The hypothetical application of a 1% turnover tax would lead to a tax sum of €28.98 million, which also represents a considerable increase from the taxes paid on profits.

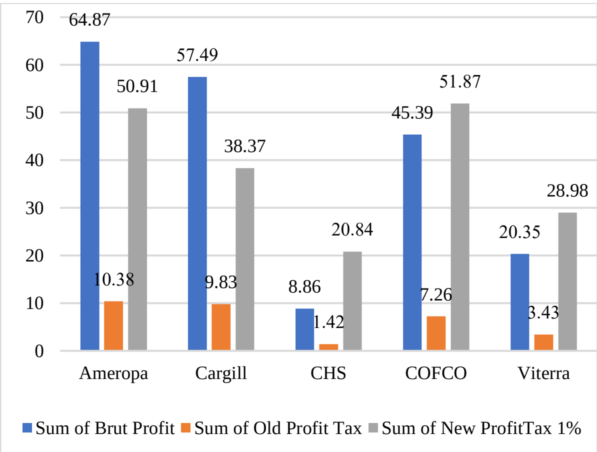

Fig. 4. Traders total turnover in period 2018-2022 (billion euro)
Source: own calculations.

The financial dynamics of the five-year period under review for the commodity traders CHS, COFCO, and Viterra reveal that their total gross profits reported during this time fall below the threshold of 1% of their total turnover. This suggests that under the new tax regulation that imposes a 1% tax on turnover, these companies would experience an increase in their tax liability, as their previously reported profits represent a smaller fraction of their business volume than the new tax rate demands.

For CHS, COFCO, and Viterra, the cumulative gross profit—being less than 1% of the turnover—indicates that the new tax rule would likely lead to a higher tax burden than what they incurred based on their profit levels. Essentially, their tax base would shift from a profit-centric model to a turnover-centric model, which does not account for the profitability of transactions but solely their volume.

On the other hand, for Cargill and Ameropa, the situation is slightly different. The total gross profit for these companies over the last five years marginally exceeds the value of 1% of their turnover. This indicates that while the new tax regime will still impact them, the difference between their historical profit-based tax and the new turnover-based tax will be less pronounced than for their counterparts. However, this narrow margin suggests that any fluctuations in their profit margins or turnover could easily result in a situation where the new tax rate exceeds their profit percentage, thereby increasing their tax obligation as well.

In essence, for CHS, COFCO, and Viterra, the new tax regime represents a more significant fiscal adjustment as it diverges more substantially from their historical tax payments relative to their profit margins. For Cargill and Ameropa, while still impactful, the change is less stark but presents a cautionary scenario where even minor downturns in business performance could lead to a disproportionate tax burden under the new regime. This underlines the delicate balance companies must maintain between turnover and profit margins in light of fiscal policy changes.

In summary, this retrospective simulation indicates that all five companies would have experienced a higher tax liability if a 1% turnover tax had been applied during the last five years, compared to the previous tax structure based on profits. This analysis provides a reference point for understanding the potential impact of such a tax change on the fiscal responsibilities of these key players in the Romanian agricultural sector. It is important to note that these simulated values serve as a historical comparative tool and do not necessarily predict how companies will respond to actual changes in tax policy. In reality, companies may seek various strategies to mitigate the impact of increased tax liabilities, such as optimizing operational efficiencies or reassessing their market strategies.

The risk associated with the new tax law, which imposes a 1% turnover tax, becomes evident when analysing the simulation of its potential impact over the last five years for the major agricultural commodity traders in Romania. The simulation reveals that the total tax payable under this new regime would be €190.97 million, which is nearly equivalent to the combined gross profit of €196.96 million reported by these companies during the 2018-2022 period. This situation poses several risks and challenges:

- Profitability Threat: If the 1% turnover tax were to consume almost the entire gross profit of the companies, it would leave them with little to no net profit after the tax payment. This could threaten the very viability of their operations, as businesses must maintain a certain level of profitability to be sustainable.
- Investment and Growth: With most of the gross profit being channelled to meet tax obligations, the companies would have significantly less capital available for reinvestment into their operations. This could stifle growth, innovation, and the ability to compete effectively, both domestically and internationally.
- Operational Adjustments: Companies may need to make drastic operational changes to cope with the increased tax burden. This could include cost-cutting measures that might reduce quality or output, or it could lead to increased prices for consumers, which could impact demand [11].
- Supply Chain Impact: The increase in operational costs due to the higher tax burden could lead to a ripple effect throughout the supply chain. Commodity traders might reduce the prices they are willing to pay suppliers, including farmers, which could have broader economic implications for the agricultural sector [24].
- Market Competitiveness: The new tax could impact the competitiveness of Romanian traders on the global market. If traders from other countries with more favourable tax systems can operate at lower costs, they could offer more competitive pricing, potentially eroding the market share of Romanian companies.
-Fiscal Planning Uncertainty: The unpredictability of turnover, which can be influenced by market volatility, weather conditions, and global economic shifts, makes fiscal planning under a turnover tax more challenging compared to a profit-based tax system.
- Cash Flow Concerns: Since turnover taxes are paid regardless of profitability, in a bad year where companies might have low or no profits, they would still owe a significant amount of tax, which could create cash flow issues.

The implementation of the 1% turnover tax poses a substantial risk to the financial health and competitiveness of Romania's key agricultural commodity traders. The simulation starkly illustrates the potential for such a tax to absorb the bulk of gross profits, necessitating careful consideration and planning by both the companies and policymakers to mitigate its impact.

These figures illustrate not just incremental increases but rather exponential ones, suggesting a fiscal landscape that could potentially reshape the way these companies operate. The figures starkly represent the magnitude of change, which will compel grain trading companies to reassess their cost structures and market strategies to navigate the heightened fiscal demands effectively [18]. Such an increase will undoubtedly necessitate a strategic pivot, potentially affecting the entire agricultural sector in Romania, from the large trading companies right down to the individual farmers.

The introduction of a 1% turnover tax on key sectors that support agriculture in Romania, particularly the oil, gas, and banking industries, could substantially raise farming costs. Energy providers may increase fuel prices to offset the tax, while banks may hike interest rates and service fees [35, 36]. Such increases could strain farmers' resources, potentially reducing agricultural productivity and efficiency [25].

Higher production costs passed along the supply chain may lead to elevated food prices for Romanian consumers, affecting all income levels and possibly altering consumer spending patterns. The impact may be especially acute in rural areas, where communities are more vulnerable due to their greater reliance on agriculture for livelihoods. Any additional financial burden on farmers can have a cascading effect on rural economies, jeopardizing the financial sustainability of these communities [22].

The potential increase in food prices due to the tax could contribute to inflationary trends, affecting the broader economy. Given the centrality of agriculture to rural development and the overall economy, the tax policy carries significant implications [30]. Ensuring the financial sustainability of farmers is not only critical for the agricultural sector's competitiveness but also for the vitality of rural areas [21]. It is crucial to approach such fiscal changes with comprehensive economic planning that considers the long-term development and stability of rural communities [17].

This fiscal policy emerges at a time when the agricultural commodities market is already navigating the turbulent waters stirred by the Russia-Ukraine conflict. This has significantly impacted global grain supply chains, adds another layer of complexity and uncertainty for trading companies [9]. As these entities grapple with the direct financial implications of the new tax—simulations indicating substantial increases in tax liabilities—the broader geopolitical landscape underscores the need for strategic agility. The conflict's effect on commodity prices and availability accentuates the challenges faced by these companies, pushing them to reassess operational strategies, supply chain resilience, and market positioning.

On top of these geopolitical and fiscal pressures, Romanian farmers are increasingly affected by climate change and drought, further complicating the situation. These environmental challenges exacerbate the difficulties in maintaining agricultural productivity and sustainability, adding another critical dimension to the sector's hurdles [16]. This scenario paints a picture of an industry at a crossroads, where fiscal policy changes interweave with geopolitical tensions and environmental concerns to shape the future of agricultural trading, highlighting the importance of adaptability and foresight in sustaining sector viability and growth amidst evolving challenges.

CONCLUSIONS

Grain traders in Romania operate in a sector characterized by price volatility and low profit margins. The introduction of a 1% turnover tax adds an extra fiscal burden that could further erode these slim margins. Frequent price fluctuations make profitability even more challenging, potentially leading to business strategy reevaluations with a heightened focus on efficiency and possible cost reductions, including cuts in technology or development investments.The simulation of the 1% turnover tax's effects reveals a potential for dramatically increased tax liabilities for these entities, with the total projected tax nearing their aggregate gross profits. This stark increase from the previously paid profit taxes underlines the substantial fiscal challenges and operational hurdles these companies may encounter, necessitating a thorough reevaluation of their business models, cost structures, and strategic approaches to maintain profitability and sustainability.

While fiscal regulations aim to increase budget revenues, the side effects on the agricultural sector could counterbalance the short-term benefits. Increased fiscal pressure might discourage investments in the agricultural sector, affecting productivity and innovation. In the long term, this could impact Romania's ability to remain competitive in the global grain and oilseed market.

This tax change is not just an accounting issue but a significant strategic challenge. Grain trading companies, operating in a domain with slim profit margins, will need to find innovative ways to counteract the impact of this new tax. Given the impossibility of raising export prices due to intense competition on global markets, it is likely that this fiscal burden will be transferred back along the supply chain. Romanian farmers, who supply the grains, might face lower purchasing prices, thus pressing their profit margins and potential for growth and investment.

Romania's new tax regulations represent an inflection point for grain trading companies, requiring a careful revision of financial strategies. The adjustments that companies will make in the coming months and years will be crucial for maintaining their viability in an ever-changing economic environment.

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