

THE “NĂDLAC FARMER” AGRICULTURAL COOPERATIVE – A MODEL OF GOOD PRACTICES FOR SMALL FARMERS, ROMANIA

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Abstract

In Romania, the numerous, dispersed family farms with small areas continued their activity in many cases considering a certain tradition as closed or partially open systems. After the accession of our country to the European Union in 2007, there has been a tendency to reduce small holdings through mergers, a phenomenon which is otherwise naturally manifested in all the states of the EU, but not to the extent that would be necessary for Romania. Following the analysis of agricultural holdings in Romania by size class in 2020, it was found that out of the 2,887.00 thousand of agricultural holdings, 2,606.98 are under 5 ha in size (54% are under 1 ha, and 36.30% are between 1 and 5 ha). The average size of farms increased in the period 2010-2020 from 3.45 ha to 4.42 ha. The chronic under capitalization of subsistence and semi-subsistence agricultural holdings also contributes to the modest performance of the Romanian agricultural and agri-food sector, compared to its natural potential and the population's expectations that agriculture and the food industry quickly adapt to the EU's common agricultural policy. Since these categories of farms mostly ensure self-consumption for the rural population in most Romanian villages, their association is required to achieve a level of economic development and efficiency. The purpose of this paper is to present a functional and performing agricultural cooperative from Nădlac, Arad County, Romania, that can be a model of good practices for the association of small farmers and Romanian agriculture.

Key words: cooperatives, small farms, model, development, efficiency

INTRODUCTION

Each country has a specific economic structure determined by its resources, its level of development, its historical evolution, and its specific policy that regulates the social life of the population [8, 9]. The privatization process that started in Romanian agriculture in the spring of 1990 has been much faster than in other sectors of the economy and with big leaps since the first years of the transition [10, 16, 17]. Romanian rural economy is currently largely represented by agriculture [2].

The favourable geographical conditions of Romania – relief, climate, high share of fertile soils, to which adds the attachment of the rural population to land and animals – could make Romania's agriculture a profitable and attractive production branch for investors, which could contribute substantially to the growth of Romanian economy [4, 5, 18].

In the last three decades, the evolution of agriculture has taken place under the influence of the phenomena generated by the transition to the market economy, against the background of the acute lack of financial and material resources, as well as of an unfavourable international situation [2, 3].

The land fund law no. 18/1991 divided agricultural areas into small plots and determined their dispersion, to which added the depreciation of the material base, the stagnation of investments, the destruction of assets, as well as the errors recorded in the management of state-owned assets and supporting the formation process of private agriculture, a fact that led to a sharp decrease in the profitability of agricultural holdings [1, 15, 13, 11].

Table 1. Agricultural holdings and used agricultural area by size classes in Romania

Size class (ha)	Agricultural holdings in Romania	
	Nr.	%
0.1 - 1	1,770,569	52.98
1 - 2	630,361	18.86
2 - 5	659,997	19.75
5 - 10	194,200	5.81
10 - 20	50,212	1.50
20 - 30	10,992	0.33
30 - 50	7,531	0.23
50 - 100	6,013	0.18
>100	12,310	0.37
TOTAL	3,342,185	100.00

Source: National Institute of Statistics, 2020 [12].

From the study carried out, we find that the phenomenon of reluctance towards association and cooperation is strongly manifested among small Romanian farmers [15, 6].

The purpose of this paper is to present a functional and performing agricultural cooperative from Nădlac, Arad County, Romania, that can be a model of good practices for the association of small farmers and Romanian agriculture.

MATERIALS AND METHODS

The information presented in this paper are partial results of the doctoral thesis *“Analysis of the implementation of the National Rural Development Program (NPRD) 2014-2020 in the Western Region and proposals to improve the implementation of measures in the next financial year”*.

The information used in the writing of this paper was taken from the NIS databases.

The analysed information was collected through a documentary study of the literature in the field of the topic addressed and researched. The case study was carried out through a field investigation at the "Fermierul Nădlac" cooperative in Arad county Romania.

RESULTS AND DISCUSSIONS

The agricultural cooperative the *“Nădlac Farmer”* is an autonomous association of Romanian individuals and legal entities, established in 2015, according to the

provisions of Law no. 566/2004 of agricultural cooperatives, with subsequent amendments and additions, which operate in the field of agricultural cooperatives of purchases and sales, which organize both the purchases of raw materials, material, and technical means necessary for agricultural production and the sale of production.

The general objective of the cooperative is to improve the quality of the products, their better valorisation, the efficient supply of inputs and the increase of the income of all members.

Initially, eight founding members laid the foundations of the agricultural cooperative the *“Nădlac Farmer”*; it currently includes 27 farmers, who own around 25% of the total arable land of Nădlac, which represents around 3,000 ha of arable land.



Fig. 1. The logo of the „Fermierul Nădlăcan Cooperativa Agricolă”

Source: [7].

The Board of Directors consists of 5 members, who are elected by secret ballot by the General Assembly for a period of 4 years. The first administrators were elected by the founding members.

The share capital of the Agricultural Cooperative is 24,030 RON, is made up of cash contributions, and consists of 2,403 subscribed shares, each with a nominal value of 10 RON. The turnover for the year 2022 was around 4,000,000 euros.

The tasks of the farmers were taken over by the cooperative and refer to drawing up the documentation for calamities; drawing up declarations for diesel support; making orders for inputs, selling production; and advising

cooperative members in accessing European funds.

Thus, the work of each member of the cooperative is made easier, a fact that has a positive impact on their daily activity.

It should be noted that all the decisions taken at the Cooperative level are discussed, interpreted, and assumed together by all cooperative members.

At the cooperative level, the purchase of inputs is done through auction.

Auctions for inputs are done centrally for all cooperating members: in this way the discounts obtained are much higher.

To ensure the transparency of the auctions, they are organized at the cooperative level, where several reliable suppliers with whom the farmers who are members of the cooperative have collaborated are invited.

During the same days, at an interval of one hour, they submit their offers. The offer is received from each supplier, in a sealed envelope, which is opened only after the end of the auction. The offers are analysed by the members and the most convenient offer is chosen.

Upon completion of the bidding procedure, the winning supplier is notified and the procurement procedure begins.

The commercialization of agricultural products resulting from the activity of the cooperative is centralized at the level of the Cooperative.

The executive director of the Cooperative centralizes the productions of all members and, depending on the market price and the intention of the members to sell, the amounts sold and the final price for the entire amount are negotiated, to get the best price. The orders for grain transport, sales flow, etc. are made centrally. In 2016, the development of the Cooperative was based on four major actions.

These measures referred to:

- Obtaining the approval of the Group of producers;
- Purchase of land to build silos, storage halls, etc.;
- Accessing sub-measure 4.1 of the National Programme of Rural Development, NPRD;

- Accessing sub-measure 9.1 of the NPRD.

The group of producers of the “Nădlac Farmer” agricultural cooperative received a recognition notice from the Ministry of Agriculture and Rural Development and was established to sell agricultural products for cereals, oilseeds, sugar beet, and fodder plants.

In December 2016, the members of the cooperative submitted a project to the National Programme for Rural Development-NPRD under Sub-measure 9.1 “*Establishment of producer groups in the agricultural sector*” [15].

Through this sub-measure, an annual support was obtained for a period of 5 years, in the amount of approximately 100,000 euros/year, compared to the turnover of the Cooperative.

This measure covered the consultancy costs for the project submitted under Sub-measure 4.1, the creation of a presentation website, the payment of employees’ salaries and, finally, the purchase of inputs for the cooperative members.

They applied for financing under sub-measure 4.1 – “*Investments in agricultural holdings*” in the amount of 2,200,000 euros with an intensity of 90%.

A 6,000-t reception, conditioning, and storage system (silos) was requested, the whole being equipped with all the necessary equipment, i.e., LPG platform, welding group platform, probe, NIR instrument, generator, wall boiler, concrete platforms, and walkways, changing rooms, etc.

For the efficient management of the activity at the cooperative level, within the same measure, the purchase of a bridge scale was also foreseen, thus optimizing the technological flow. Also, the construction of a 315 m² hall intended for the parking of agricultural machinery was foreseen.

Through the same project, a beet-sugar harvester (2), a multifunctional loader with a telescopic arm (3) and a seed selection and treatment station (1) were purchased. These machines serve all members of the cooperative (Photo 1).



Photo 1. Machinery purchased by the cooperative
Source: Own research at [7].

The project submitted by the Cooperative under Sub measure 4.1 of the PNDR was implemented starting in 2017 and required long periods of time, especially because of the numerous approvals requested by the contractor. Another difficult aspect the cooperative members had to face was obtaining a bank loan to co-finance the investment.

In the year 2016, the cooperative purchased an area of 10,000 m² to build storage spaces. During 2018, at the cooperative level, they continued the activities already started but decided to expand their activity. Thus, they submitted a new funding request, this time for Sub-measure 4.2 “Support for investments in the processing/marketing and/or development of agricultural products.” It is intended to increase the grain silage capacity and add value to the products obtained.

Also, agricultural production was integrated at the Cooperative level through the purchase of a line for a Combined Feed Factory (CFF). The “Nădlac Farmer” agricultural cooperative joined, in 2018, the Union of the National Branch of Cooperatives in the Vegetable Sector (UNBCV). This confirmed the status of the “Nădlac Farmer” agricultural cooperative as a functional cooperative, with correct principles and the willingness to evolve.

The benefits obtained due to the accession are multiple, but the most important aspect refers to the support provided by the UNBCV in the relationship with the state institutions.

From an economic point of view, from its foundation the cooperative concluded the financial years with profit, except the year 2015 the first year of activity.

The own equity increased from Lei 2,232 in 2015 to Lei 2,266,054 in 2022, meaning 1,015 times.

The fixed assets value went up from Lei 58,893 in 2016 to 9,274,456, meaning 157.4 times.

The working capital also raised 723 times from Lei 13,067 in 2015 to Lei 9,451,412 in 2022.

The turnover increased 524.6 times from Lei 35,937 in 2015 to Lei 18,856,119 in 2022. The evolution of the turnover of, "Fermierul Nadlacan Cooperativa Agricola" (Figure 2).

The net profit of the cooperative increased in the period 2016-2022 from 2,039 lei to 532,090 lei (260.9 times) is presented in Figure 3.

As a result, **the share of net profit in the turnover** increased from 0.03 % in 2015 to 2.82 % in 2022.

However, the debts also increased in the analyzed interval and exceeded more than 2 times the value of the own equity, a negative financial aspect.

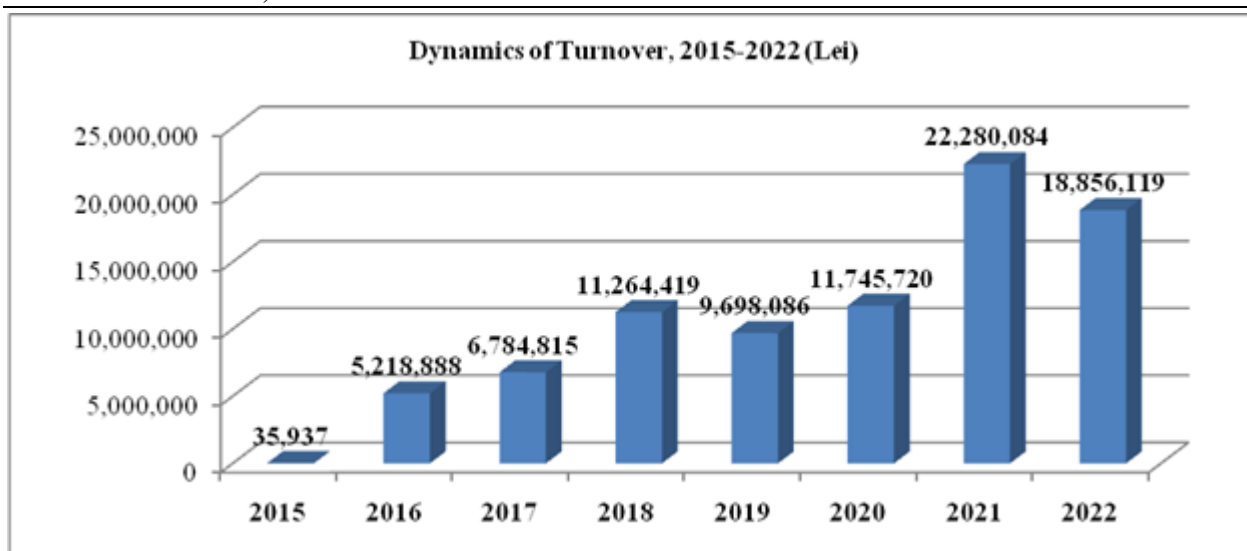


Fig. 2. Dynamics of turnover, Fermierul Nadlacan Cooperativa Agricola, 2015-2022 (Lei)
 Source: Own design based on the data from [7].

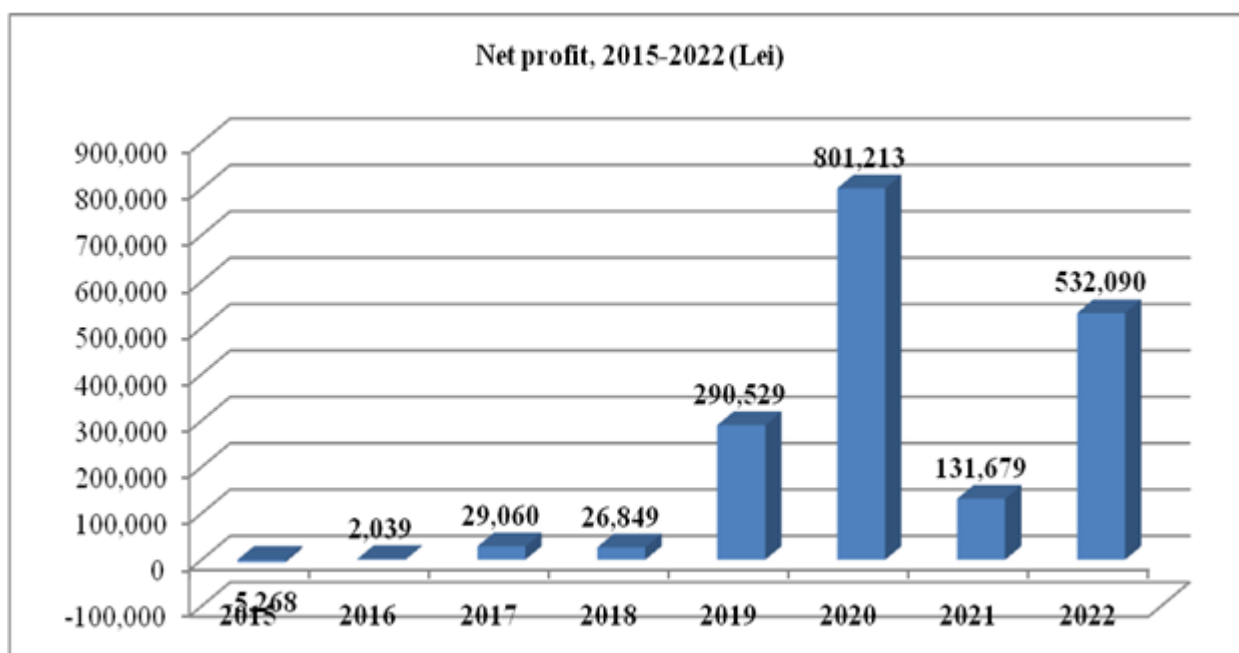


Fig. 3. Dynamics of net profit, Fermierul Nadlacan Cooperativa Agricola, 2015-2022 (Lei)
 Source: Own design based on the data from [7].

CONCLUSIONS

Since small farms mostly provide self-consumption for the rural population in most Romanian villages, their cooperation is required to achieve a level of economic development and efficiency. In this context we consider that the “Nădlac Farmer” agricultural cooperative is a model of good practices for the association of small farmers in various activities in agriculture and the agri-food field.

From the discussions with the cooperative members, we found that there are certain deficiencies that affect the proper functioning of the cooperatives in Romania, which refer to:

- Non-compliance by the state institutions with the facilities provided by the cooperation law;
- Lack of sub-measures within European projects intended exclusively for Cooperatives or Producer Groups (excluding sub-measure 9.1);
- Difficulties in obtaining co-financing for projects submitted with European funds;

-The correlation by the state institutions of the information and regulations that refer to the requested documentation.

We can conclude that the lack of cooperation of small farms is not only a form of reluctance towards previous association: to this also adds the lack of interest of the Romanian state for these types of activities, which is also transferred to small farmers.

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