

## THE IMPACT OF EXTENSION AND RURAL DEVELOPMENT CONSORTIUM VALCELELE ON THE RURAL SPACE DEVELOPMENT

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### **Abstract**

*Identifying the advantages that can be generated by an associative structure or functional agricultural cooperative in rural areas is always a useful and necessary step given the need to boost the sector's development of rural economies and rural development. Comparing statistics on social parameters such as unemployment and living standards and economic parameters such as turnover of businesses and household income, it was concluded that the structure in which it operates, agricultural association (consortium) has become economically attractive. This determines the appropriateness of continuing development of the reference zone and improving public and social services in the locations where there are associated farmers working in the consortium. Noticing the superior economic and social outcomes for associative or cooperative agricultural sector development, it is intended to lead development and implementation of public policies to support and promote the association in agriculture.*

**Key words:** cooperation in agriculture, farm association

### **INTRODUCTION**

After 25 years since the first settlement of associative structures in agriculture, the field of the association and cooperation in agriculture is underdeveloped, to be able to produce visible effects on the Romanian economy and society. "Compared to the interest given to them both cooperation and association are far from the desired level." [9] The reluctance of farmers to associate has been discussed and analyzed in several papers [1]. The conclusion is that the fear of losing land use decision according to their own desires and needs is the main cause of this reluctance, [7] and this is because the principles of association and cooperation in agriculture have not been sufficiently explained to owners of agricultural land or to those who exploit agricultural land holding in any form. "It should be noted that after the experience with agricultural production cooperatives in the communist period, real cooperative principles are difficult to popularize and apply in Romanian agriculture, requiring a learning curve through pilot projects. The success of cooperatives in Western Europe is based on very detailed

contracts between the cooperative and its members, the rights and obligations of both parties are clearly defined and penalties in case of non-compliance, may be taxed in reasonable time." [2]

Also it was not explained any positive influence that association and cooperation in agriculture can have it both in terms of the economic performance of the business and the social and economic environment of the communities in which these organizations operate. This paper highlights some of the results of the influence of associative structures in agriculture, respectively, Extension and Rural Development Consortium Vâlcelele on local communities from which the majority of associate members come from.

### **MATERIALS AND METHODS**

To achieve a result that reflects the influence of the association structure in question on the countryside reference point, the data were collected from the National Statistics Institute, the County Agency for Employment Calarasi, the majors of the localities Dragos Voda, Cuza Voda Vâlcelele and for comparison

Dichiseni, related to the total population, the turnover of economic activity that concerns agriculture, the turnover of all economic factors, unemployment rate in Calarasi County and the associated municipalities researched area from which most of associate members in Extension and Rural Development Consortium Vâlcelele come from. Also the database online Tempo was consulted. The data were collected for the year 2013, being analyzed by comparison, the results were interpreted to highlight the positive or negative results, where applicable, produced by the associative structure activity in the studied area.

The records of the Consortium and its register of activities were researched in order to highlight the economic results and actions for the transfer of knowledge to farmers who are members assigned.

## RESULTS AND DISCUSSIONS

Extension and Rural Development Consortium Vâlcelele was established in 2005 following a project funded by the World Bank and the Ministry of Agriculture, Forests and Rural Development, implemented by the Academy of Economic Studies. The consortium is an NGO-type associative structure which originally had a number of 33 members, currently reaching 96 members, farmers managing farms between 1 and 2,600 ha. Although the Consortium works on the principles of an NGO, in practice it behaves like a real agricultural cooperative structure. In this regard, we orientate the specialty doctrine "agricultural cooperatives are a form of cooperative in which farmer members associate to achieve a higher rate of earnings from mass production, allowing you to maximize gains from cultivating larger areas of land with lower costs. Members of such cooperatives make joint capital, land and labor. This is beneficial for cooperative members in several ways, such as mass production; maximizing production; top of the line technologies and fertilizers; sharing of resources, land and labor; appropriate land irrigation; sufficient financial resources to cover daily expenses, etc. "[6]

There are 3 villages in Calarasi County where most farmers are part of the investigated consortium, prompting intention to compare the economic and social influence in these localities with economic performance and social status of county.

The purpose of the Consortium is "identifying markets for agricultural products of the members in Romania and abroad, organizing seminars and roundtables with processors, suppliers of inputs, loan officers and representatives of local authorities in order to facilitate contact directly between them and farmers, advising on European legislation and the organization of seminars, conferences, debates and courses to promote legislation on agriculture and rural development."

Extension and Rural Development Consortium Vâlcelele was involved in several EU-funded projects bringing added value to economic and social activities in the area and associate members.

The three localities under study totalized 8,769 inhabitants representing 2.7% of the total county population. In these localities there are 114 businesses distributed as follows: 39 in agriculture, 8 in industry, 30 in trade, 7 in building, 11 in services, and 7 in transport.

The above data showed that a relatively less extensive rural area, with a population of about 9,000 inhabitants economic activity is quite intense and it does not consist only in agriculture but also in industrial and construction activity which has an important part also in transport and services that were developed based on performing agricultural activity in the area.

In 2012, Extension and Rural Development Consortium Valcelele has met with great success some social objectives since the Calarasi county unemployment rate was 6.98% and in three villages under study the situation was as follows: Vâlcelele 2.02%, Cuza Voda 1.9%, Dragos Voda 5.3%.

In 2013, the social indicators mentioned above had the following level: the county unemployment rate fell to 3.66% and in the localities it was noticed an unemployment rate of 1.90% in Cuza Voda, 0.95% in Vâlcelele, and 5.05% in Dragos Voda Commune.

In 2013, the turnover of the operators in the area totaled Lei 233,437,080 (Euro 52,933,578) representing 3.1% of the turnover of all the operators in the county. In terms of number of employees in the county there were 27,282 employees and in localities under study there were 604 employees of the company from this locality, representing 2.21% of all the employees.

Although it seems that the indicators are small, one would not overlook the fact that the zone is a rural area and the reality showed that most economic activity is concentrated in and around the urban areas. Taking into account the fact that a part of the working population businesses operates in the urban areas (located at about 30 km distance), then the conclusion is a positive one, and unemployment in the studied rural areas being more than satisfactory. The above leads to the idea that the living standard of the population in the area is higher than the national average, the statistical results of the year 2013 [4] showing that national farming families were the most disadvantaged rural families.

Developing economic environment in the area dominated by agriculture was possible and that the role of the association structure to ensure the transfer of knowledge to the farmer association was made so that the knowledge acquired to be used by farmers associated with writing projects to attract European funds, projects that have received funding and are bringing added economic value to the zone. The literature is considered "an important milestone in the construction and operation of cooperatives is the transfer of knowledge" [8] Examples of EU-funded projects in the studied area:

1)ILDU SRL, project entitled "Purchasing the machines and agricultural equipments at SC ILDU SRL, Valcelele, Calarasi county" eligible value of Euro 1,850,675.

2)ILDU SRL, project entitled "Expansion and modernization of grain storage capacity (silos)" eligible value of Euro 2,800,000.

3)Vâlcelele Village project entitled "Cooperation for economic and social development and support for the introduction of innovative methods in the agricultural

sector in the border region" eligible value of Euro 381,159

4)Partner Consortium Vâlcelele Extension and Rural Development, HRD project "Employment in agriculture subsistence-balancing solution for the internal market work" worth Euro 500,000

5)Partner Consortium Vâlcelele Extension and Rural Development, HRD project "Initiatives for social economy structures" worth Euro 500,000.

The data presented above showed that it is necessary to set up strategies for the modernization of the Romanian agriculture and countryside. The association should be considered a priority [5] taking into account the fact that it is one of the important ways for increasing farm size.

A strategy to promote the associative and cooperative to occupy an important role is necessary taking into account the benefits of such a structure could bring to the economy, communities and farms taking into account the fact that in recent years it was registered a decrease in participation of farmers or agricultural cooperative associations [3].

It is gratifying that this objective is in the attention of the Romanian authorities, establishing a formal document which agriculture requires, a coherent vision, a strategy directed towards increasing performance of the Romanian farms and of the Association. National subsidies, especially in the budgetary poverty, should be allocated only for that purpose "[10].

Regarding the economic benefits of farmers from participating as partners in the consortium, it could be mentioned:

- inputs cost is smaller by 40 or 50 % for the members of an associative or cooperative structure towards individual agricultural manufacturer. This is due to the purchasing of large amounts of seeds, pesticides and fertilizers.

- in 2013, the cost of fuels purchased by Consortium, especially the price of diesel was by about 15 coins cheaper than the pump fuel price. Individual farmers derived profit also from price reduction according to purchased quantities, but not more than 7 coins per litre.

- taking into account the funding, the cooperative and associative members had the advantage of using bank products at smaller rates (as an average of 1 %). Raiffeissen Bank, BRD GSG, and Transilvania Bank offered this kind of products in 2012 and 2013.

-agricultural production capitalization is more advantageous for Consortium than in the case of individual manufacturers, ensuring a better price and a higher profit for the members.

## CONCLUSIONS

The Romanian rural area is in a state of stagnation in terms of both economic and social development, public policies designed and implemented so far failed to boost this environment.

The data analysis presented in this paper showed that a possibility which should not be ignored for increasing rural development is the encouraging of small farmers to participate in associative structures and agricultural cooperatives.

It is obvious that in the area where the farmers associated in Extension and Rural Development Consortium Vâlcelele operate, the local economy has performed over the average in the county, attracting economic diversification, increasing the number of businesses and thus increasing the number of employees and lower unemployment in the area.

It also showed that the turnover of economic agents in the area is above the county average which highlights the opportunity to continue developing economic activities in the area. Even public services are positively affected because the amounts received as local taxes are higher than the county average relative to population.

We should not omit the fact that the transfer of knowledge, which has been achieved through the Consortium, has created a real competition in the area for writing projects with European funding and determining both infrastructure development and agriculture on the European money.

As a conclusion, there is a structure which

could join many farmers in the area to represent their interests and facilitate business contacts. It has an important role in the development of rural areas in which it operates, both in economic and social terms.

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