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EVOLUTION OF AGRICULTURAL COOPERATIVES IN ROMANIA IN 2014

FLORENTIN BERCU¹

Abstract: *This paper analyses the recent evolution of Romanian modern agricultural cooperatives. The purpose is to present a synthesis of the current study to have a real starting point and lay the foundations according to which appropriate measures may be taken for the organisation of food producers into agricultural cooperatives and for making efficient the Romanian food sector. Although in our country, there is still a reticence about the cooperatives due to the history, especially among those who are over 45 years old the mentality of farmers has started to change, becoming aware of the importance of association. In the agricultural cooperatives in Romania, there have been considerable evolutions in comparison with the financial years 2011 and 2012. The number of agricultural cooperatives has increased in only one year by 26%, the turnover has increased by 59%, reaching lei 292,092,239, and the number of employees has increased by 50%. Unfortunately, in the top of Romanian agricultural cooperatives, there are only agricultural cooperatives and cooperative companies which carry out input purchase and obtained raw material sale services (cereals, industrial crops, livestock, etc.) by the members, unlike the Occidental ones where the collection/storage/processing and common marketing services are predominant due to which they obtain high value added products. The small and average producers in the Romanian food sector must understand that without a reform aiming at making efficient the professional organisations with economic purpose and their merger into efficient agricultural cooperatives, our agriculture shall continue to live from its past glory.*

Key words: *agricultural cooperatives, Romanian agricultural sector, agricultural policies, evolution.*

INTRODUCTION

Agriculture is primordial in every country and Romania, in order to become a solid economic country, must increase its own productivity. The fertile land is the most important resource of Romania. Facing the increase of global population, the need for food products shall be increased and now it is the most favourable and useful moment for an intense, systematic, structural reform.

To be able to achieve it, we should base on agricultural cooperatives to include the entire county and on a central cooperative connecting all national and international tasks such as the legislative, financial and organisational framework. (Stanzeleit D., 2013)

The agricultural cooperatives play a key role in the rural economy. They support the farmers to better market their products, obtaining better prices in their exchange, promoting the economic growth and creation of new jobs in the green economy, an essential aspect in the context of the current economic conditions. Also, they strictly observe the principle according to which "The cooperatives contribute to the sustainable development of their communities through the policies approved by their members." In addition, the cooperatives have intensified the support granted for the materialization of this principle, adapting their economic development strategies to strengthen their long-term economic sustainability and to develop rural communities."

To maximize its potential and improve the access to food, more investments are required for a better integration within the food chain. The position of farmers in the food chain must be strengthened for a proper operation of markets and the fight against disloyal commercial practices. This objective may be reached by encouraging the farmers to organize themselves into cooperatives, which would allow them to obtain better income on the market and a larger percent of the added value of their products (Peas C., 2014).

Although in Romania, the cooperative society has made its mark since 1889, as a founding member of the International Alliance of Cooperatives, they reached a beneficial effect in the economic evolution of agriculture, which reached the upper limit of the evolutionary potential before the 1989 revolution, and did not have many elements in common with the principles of Occidental cooperative society.

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After 1989, the agricultural production cooperatives were automatically divided, directly or indirectly destroying (by non-usage and non-maintenance) the local or regional investments, including the agricultural infrastructure (grain silos, irrigation systems, etc.). One of the fundamental deficiencies of 1989 events was the inexistence as fundamental motivation of the triggering of the events, a new conception, a new strategic program to manage and develop the economy in general and especially for the agriculture. (Lăpușan A., 2010)

Until 2004, when Law 566 emerged, no progress was made in this regard. The cooperatives in our country are still at the beginning, in comparison with the European ones, which operate according to the same principles for decades. In Romania, during the last 10 years, everything was made from scratch, small steps were taken but they must be rebuilt according to solid principles, with patience and capable and right-minded people.

MATERIAL AND METHODS

To have a starting point and lay the foundations from which appropriate measures may be taken for the organization of farmers and for making efficient the Romanian agriculture, I have developed a study in the agricultural cooperatives in Romania, benefiting from the support of the National Trade Register Office and Ministry of Agriculture and Rural Development. By this, a real assessment of the Romanian agricultural cooperatives' situation is aimed at, analysing their activity and establishing the development paths to make it compatible with the European systems of agricultural cooperatives.

The information was centralized and processed to fill in a questionnaire of the General Committee of Agricultural Cooperatives in European Union to make a study regarding the evolution of agricultural cooperatives in Europe, which is to be published by COGECA in December, 2014.

The main objective of this study is that, after the result interpretation, we will be able to provide support, solutions and recommendations for the promotion of successful entrepreneurial development in the EU cooperatives.

RESULTS AND DISCUSSIONS

The Romanian cooperative society included 2,338 cooperatives in mid 2012. Of which 1003 are consumption cooperatives, 824 craft cooperatives and 511 cooperatives or agricultural cooperative companies. The existing cooperatives in Romania were established under the Law 566/2004 and Law 1/2005. The consumption and craft cooperatives operating before this period were subject to those laws.

The economic efficiency of cooperatives for the financial year 2011 is justified by their total turnover representing RON 1,056,682,109. Depending on branches of activity, the turnover is divided as follows: the agricultural cooperatives had a turnover of 120,186,958, consumption cooperatives RON 453,203,138 and craft cooperatives RON 483,292,013. (Bercu F., 2012).

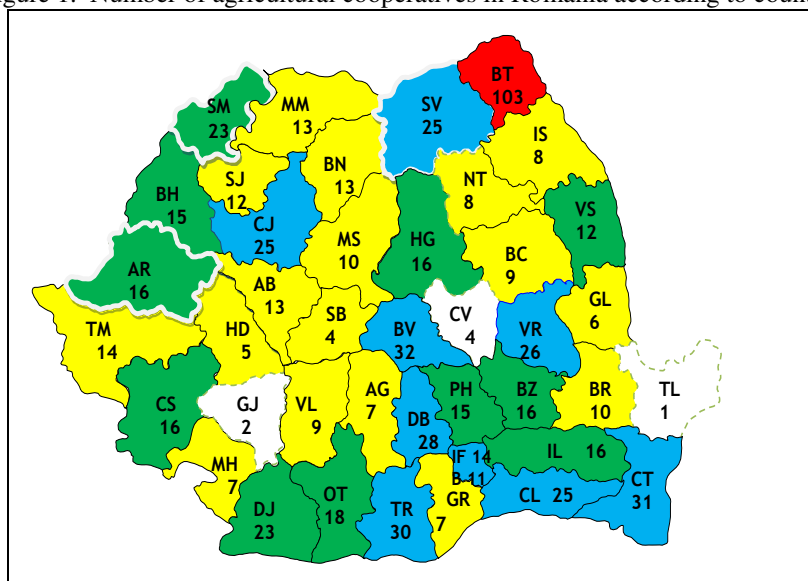
The economic operations registered only 24% of the agricultural cooperatives, 77% of consumption cooperatives and 81% of craft cooperatives. Although a relatively low percentage of the agricultural cooperatives registered economic activities with an average turnover per agricultural cooperative, it reached RON 993,281, exceeding the consumption cooperative which had RON 583,273 and the craft cooperative which reached RON 723,491. They were calculated considering only the cooperatives registering a turnover for the financial year 2011. The cooperatives with no activity in 2011 are: 376 agricultural, 226 consumption and 156 craft.

Using this study, I wanted and managed to obtain an X-ray image of Romanian agricultural cooperatives allowing us to identify solutions to improve their current condition (Bercy F., Botanoiu D., Tudor V., Alecu E., 2014)

As a result of the analysis of public data, centralizing the results of the county, 691 agricultural cooperatives and cooperative companies operating in Romania were identified in 2014

(Fig. 1).

Figure 1. Number of agricultural cooperatives in Romania according to counties



Source: Data processed by NTRÖ (National Trade Register Office), June 2014

Only 162 had a turnover in 2012 tax year, totalizing LEI 292,092,239. (Bercu. F, 2014 (COGECA)). The agricultural cooperatives and agricultural cooperative companies in Romania have 55 main activities carried out according to the NACE Code, the turnover and the sector of activity, 9608 members and 236 employees. (Table 1)

Table 1

Statistics regarding the profile of cooperatives at national level

No.	Sector of activity	No. of agricultural cooperatives per NACE	No. of cooperatives per NACE with turnover	Turnover (lei 2012)	No. of member farmers	No. of employees
1	Growing of cereals (except rice), leguminous crops and oil seeds plants	66	8	3,106,330	1062	7
2	Growing of rice	16	1	363,001	297	0
3	Growing of vegetables and melons, roots and tubers	39	5	2,620,889	358	4
4	Growing of plants from annual crops	1	0	0	5	0
5	Growing of grapes	8	2	1,159,711	48	6
6	Growing of tropical and subtropical fruit	1	0	0	5	0
7	Growing of pome fruit and stone fruit	3	1	101,479	17	4
8	Growing of other tree and bush fruits and nuts	5	0	0	198	2
9	Growing landscape architecture plants	1	0	0	16	0
10	Plant propagation	1	0	0	5	0
11	Raising of dairy cattle	29	7	1,301,973	224	9
12	Raising of cattle for meat	5	0	0	168	0
13	Raising of sheep and goats	40	4	542,573	769	5
14	Raising of swine /pigs	31	8	13,111,301	231	1
15	Raising of poultry	13	3	2,886,603	99	3
16	Raising of other animals (bees, rabbits, ostriches, etc.)	55	24	3,526,165	739	10
17	Mixed farming (crop combined with livestock)	116	18	30,471,026	1586	15
18	Support activities for crop production	13	4	1,845,362	187	10

No.	Sector of activity	No. of agricultural cooperatives per NACE	No. of cooperatives per NACE with turnover	Turnover (lei 2012)	No. of member farmers	No. of employees
19	Support activities for animal raising	15	1	182,332	235	6
20	Preparing seeds for sowing	2	0	0	18	0
21	Freshwater fishing	1	0	0	11	0
22	Freshwater aquaculture	2	0	0	11	2
23	Fishing	3	2	56,886	62	11
24	Processing and preserving of meat	10	2	107,124	387	6
25	Processing and preserving of poultry	1	0	0	5	0
26	Manufacture of meat products	1	1	15,600	13	0
27	Manufacture of fruit and vegetable juice	1	0	0	5	0
28	Processing and preserving of fruit and vegetables	8	0	0	51	1
29	Manufacture of oils and fats	1	0	0	7	11
30	Manufacture of dairy and cheese products	3	1	206,242	168	10
31	Manufacture of bread; manufacture of fresh cakes and pastries	1	0	0	5	1
32	Manufacture of other food products	2	0	0	71	0
33	Manufacture of prepared feeds for farm animals	5	0	0	53	0
34	Manufacture of wine from grape	5	0	0	51	0
35	Agents involved in the sale of agricultural raw materials, live animals, raw materials and semi-finished goods	27	12	11,250,984	414	8
36	Agents involved in the sale of a variety of goods	1	0	0	5	0
37	Wholesale of grain, seeds, fodder and raw tobacco	57	26	110,772,935	439	25
38	Wholesale of flowers and plants	2	0	0	12	0
39	Wholesale of fruit and vegetables	39	9	11,488,364	665	16
40	Wholesale of livestock	14	7	54,102,831	291	23
41	Wholesale of meat and meat products	4	3	231,211	25	8
42	Wholesale of dairy, eggs and edible oils and fats	16	7	36,111,198	288	11
43	Non-specialized wholesale of food, beverages or tobacco	4	0	0	30	0
44	Wholesale of chemical fertilizers	1	0	0	5	0
45	Non-specialized wholesale of honey and bee products	1	1	876,010	95	2
46	Retail sale in non-specialized stores with predominant product	2	1	4,260	21	0
47	Retail sale of fresh fruit and vegetables in specialized stores	1	0	0	14	0
48	Other food products in specialized stores	1	1	106,243	10	0
49	Retail sale of vegetable outside stores, stalls, kiosks and markets	1	0	0	12	0
50	Wholesale of fruit and vegetables	5	0	0	40	0
51	Grain storage, cold storage, storage tanks	5	3	5,543,606	44	19
52	Holiday and other short-stay accommodation	1	0	0	5	0
53	Other accommodation	1	0	0	5	0
54	Consultancy activities for business and management	3	0	0	16	0
55	Renting and leasing of agricultural machinery and equipment	1	0	0	5	0
	TOTAL	691	162	292,092,239	9608	236

Source: Data processed by the National Trade Register Office, 2014

The Romanian food market is strongly influenced by the competition between the price and the capacity to market the products by the producers. In production, the international non-cooperative groups or private commercial companies with domestic capital hold the control of products in this sector, influencing the price and market trend.

The main activities carried out by the agricultural cooperatives in Romania, according to the turnover and the activity sector are: purchase and sale of production obtained by the cooperative members and supply of farms with: seeds of cereals, industrial crops, fodder crops, pesticides, diesel, fertilizer, agricultural and technical consultancy; wholesale of livestock; activities in mixed farming (crop combined with livestock); raising of swine/pigs; agents involved in the sale of agricultural raw materials and live animals, raw materials and semi-finished goods; wholesale of dairy products; wholesale of fruit and vegetables; grain storage, cold storage, storage tanks and growing of cereals (except rice), leguminous crops and oil seeds plants.

We have an urgent need to establish a high-level training program designed for the agricultural cooperative leaders such as the one organized by COGECA in collaboration with the Wageningen Academy, which is to be adapted to the level of culture of farmers as regards the cooperatives and the cooperative system with the particularities of each country. A gradual system depending on the evolution and stage, at which the cooperatives grouped in a few countries are, would have a strong impact.

The agricultural cooperatives are subject to the general provisions in terms of taxation, there being no specific exemptions, the applicable taxation being valid for all taxpayers, respectively 16%, not even different taxes applicable to transactions with members and transactions with those who are not members.

The national tax system is not adapted to the specificities of agricultural cooperatives; there are no tax exemptions for establishing indivisible reserves, but a general rule, respectively exemption from the profit share allocated to the mandatory reserves of 20% of the share capital. The exemption is progressive, respectively 5% of the due tax until it reaches 20% of the share capital.

There are no implications for the cooperatives which arise from the current provisions of the legislation in terms of competition regarding the state aids, being subject to the general rules.

The biggest problem of the Romanian agricultural cooperatives is the access to funding. This is due to the problems related to business and their specific legal form. In Romania, there is no law of cooperative lending, they are not included in the bank schedule and they are treated as any limited liability company. The agricultural cooperatives operating according to the authentic cooperative society's principles are still at the beginning in Romania due to the reticence caused by the history of cooperatives during the Communist period and there are few cases when they obtain bank funding due to the fact that they would rather benefit from certain services such as the purchase of inputs and common marketing of part of the production, instead of supporting the cooperative in order to create collection/storage/processing/trade spaces for them to provide stability and obtain considerable income for its members.

The collective political action in agriculture is crucial in order to achieve a more equitable food system allowing food producers to subsist on their production. (Georgescu I. L., Bercu F., 2014)

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CONCLUSIONS

Almost all agricultural cooperatives in Romania are relatively newly established, in general since 2005 and until 2014, in comparison with the Occidental ones which carried out their activity for decades, even hundreds of years.

The agricultural cooperatives in Romania aren't yet involved in relevant activities of information, communication, research and innovation, support of generic promotion projects, social cooperative responsibility, economic, social, cultural, environmental development, food safety, rural development as regards the non-structural cooperative and governance principles, regarding: "Education, training and information", "Cooperation between cooperatives" and "Commitment to community" and should start such campaigns.

In the agricultural cooperatives in Romania, there were considerable evolutions in comparison with the financial years 2011 and 2012. The number of agricultural cooperatives has increased in only one year by 26%, the turnover has increased by 59%, reaching LEI 292,092,239, and the number of employees has increased by 50%.

Unfortunately, in the top of Romanian agricultural cooperatives, there were only agricultural cooperatives and cooperative companies which achieved input purchase services and the marketing of obtained raw material (cereals, industrial crops, livestock, etc.) by the members, unlike the Occidental ones where the collection/storage/processing and common marketing services are predominant and due to which they obtain high value added products.

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