

## AGRICULTURAL COOPERATION-ITS PERSPECTIVES IN ROMANIA

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**Abstract:** Agricultural cooperation is one of the factors that have favored the development process in world agriculture, its importance being major, and our desire is to highlight this during this work. The cooperative unites common interests whether it is an interest in supply, sale, processing, services or credit, agricultural producers so far dispersed, weak negotiators and small in size gain the economic strength to support these interests. Needless to say, that economic policy in the field of agriculture is much easier to apply to a homogeneous and harmonious organization of cooperatives than to a heterogeneous and dispersed mass of farmers.

**Key words:** agriculture, cooperation, perspectives, Romania

### INTRODUCTION

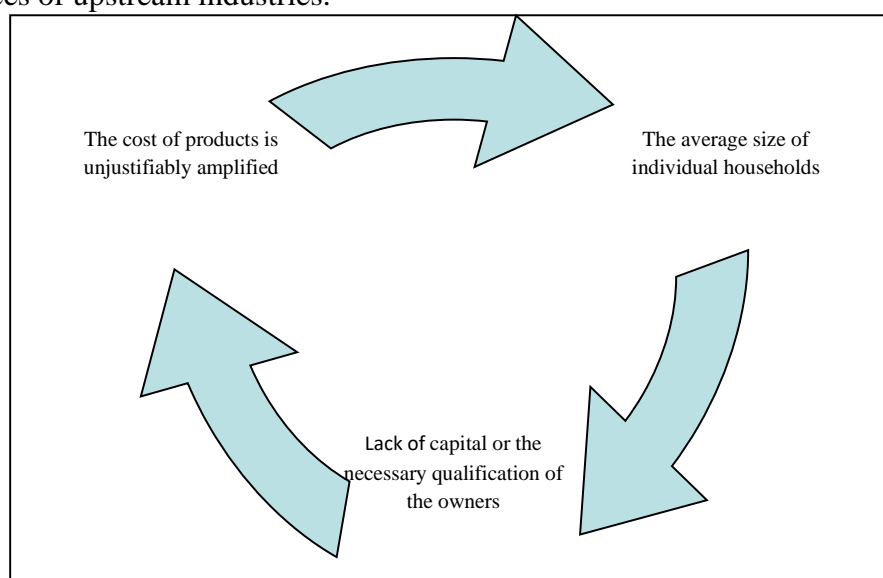
The realities of the agrarian structure created following the application of the Land Fund Law demonstrate that the realization of viable agricultural holdings is a difficult process. Therefore, the need for association and agricultural cooperation in Romania is determined by the realities of Romanian agriculture, namely (see figure 1): [1,2,3,8]

- The average size of individual households formed by the reconstruction of private property is very small. This does not allow the application of advanced technologies, and the experience of countries with a developed economy shows that land ownership can be concentrated in a relatively long time.

- The average size of individual farms in the livestock sector advocates the association of animal breeders.

- Following the application of the Land Fund Law, the new owners did not have the capital or the necessary qualification to apply high-performance technologies.

- For agricultural producers the cost of products is unjustifiably amplified by the monopoly prices of upstream industries.



**Figure 1. The realities of Romanian agriculture**

In the EU member states, agricultural cooperation has been developed and improved through the Common Agricultural Policy, and the reforms it has promoted have sought to achieve the legislative and organizational framework to support agriculture and farmers, to produce quantitatively and in quality conditions, to ensure self-consumption, availability for export, in conditions of economic efficiency and in accordance with the requirements imposed by environmental protection. . [3,9,10,12]

Agricultural holdings, regardless of the organizational structure under which they operate, do not cover their own expenses for the services they need in order to carry out the agricultural production process. As a result, there is a need to involve agricultural producers in various forms of cooperation.

Agricultural cooperation represents the determining factor that has favored the development process in world agriculture, especially in the countries of the European Union, due to the multiple implications on farmers and agricultural production structures. [11,13,14]

Mainly, the association and the desire to represent Romanian farmers are determined by their willingness to jointly solve the problems they face in terms of land use, technical endowment, financial resources, capitalization of production and also solving problems involving local or central targeting local or central bodies of power and administration.

### **MATERIALS AND METHODS**

The cooperation matter is old and with representativeness for the efficiency of agricultural activities. The purpose is to highlight: the cooperations types, their main advantages, the motivation for the emergence of the cooperative, the evolution of the agricultural cooperation from Romania. In order to achieve this scientific desideratum we used as research methods: data collection, processing of the main information from bibliographic sources, analysis, observation and their interpretation.

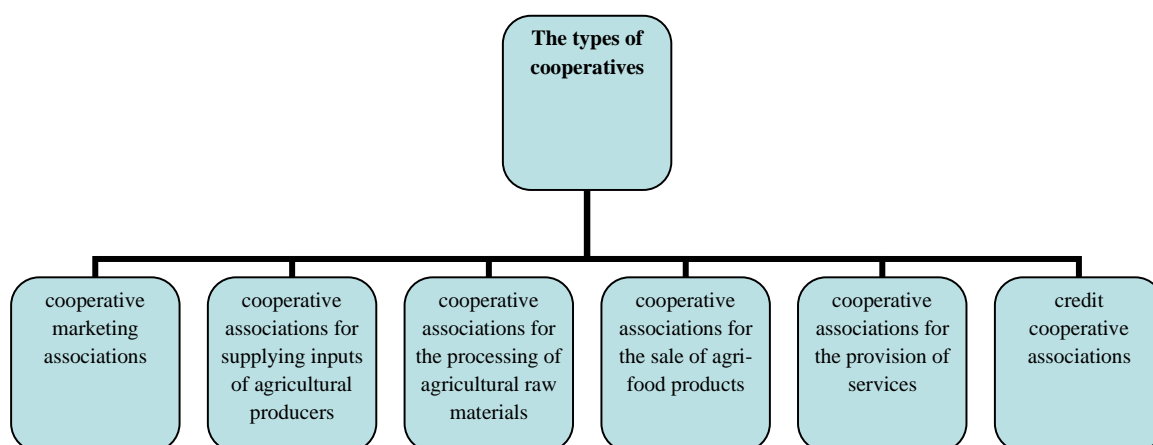
### **RESEARCH RESULTS**

Small in size, territorially dispersed and with weak economic power, agricultural producers find themselves in the situation of inexperienced traders who on the one hand supply themselves with agricultural inputs brought from long distances, in small lots using inappropriate means of transport and on the other hand, they sell the production made to intermediaries not yet organized in logistics chains corresponding to a modern market economy. It is true that the agricultural producer must be relieved by the care of the supply of agricultural inputs and the sale of production, he concentrating all his effort on the production process, but it is equally true that the agricultural producer does not care at what levels quality and price are its inputs and products

Continuing the idea of concentrating the effort of the agricultural producer only on the production process, completing the interest shown on the supply and sales processes, the idea of association and/or cooperation arises. [5,8,12,18] The association was necessary to solve marketing problems at the macroeconomic and microeconomic level. At the microeconomic level, the supply chain concept is used in purpose (theoretically) to encourage the journey of product from producer to consumer, the operations and economic agents present on this road and the regulations that give coherence and finality to this approach. But the idea of the supply chain as a link between production and consumption is approached simplistically. From the marketing point of view, the components of the supply chain are approached more deeply, the starting point but also the arrival point being always the market. From a linear production-consumption distribution, the chain becomes circular starting from the market (where consumers' preferences are identified) and ending on the market.

The circular chain highlights the connections between each component depending on the previous one and influences the next one. For example, too early or too late harvesting or poorly performed transport or storage causes losses and affects both the processing process and the quality of the products on the market. These losses can be avoided by the professionalism of the agents working along the supply chain. If they are needy, dispersed, holders of weak economic power, the quality of services is poor. Professionalism requires specialization. Agricultural producers have to deal with what they know best, namely agricultural production, processors have to process agricultural raw materials, logisticians have to deal with transport, storage, packaging, sorting and other physical operations of distribution, intermediaries have to establish links between demand and offer. These problems can be solved by creating associations that in terms of economic functions performed can be:

- cooperative marketing associations;
- cooperative associations for supplying inputs of agricultural producers;
- cooperative associations for the processing of agricultural raw materials;
- cooperative associations for the sale of agri-food products;
- cooperative associations for the provision of services;
- credit cooperative associations.



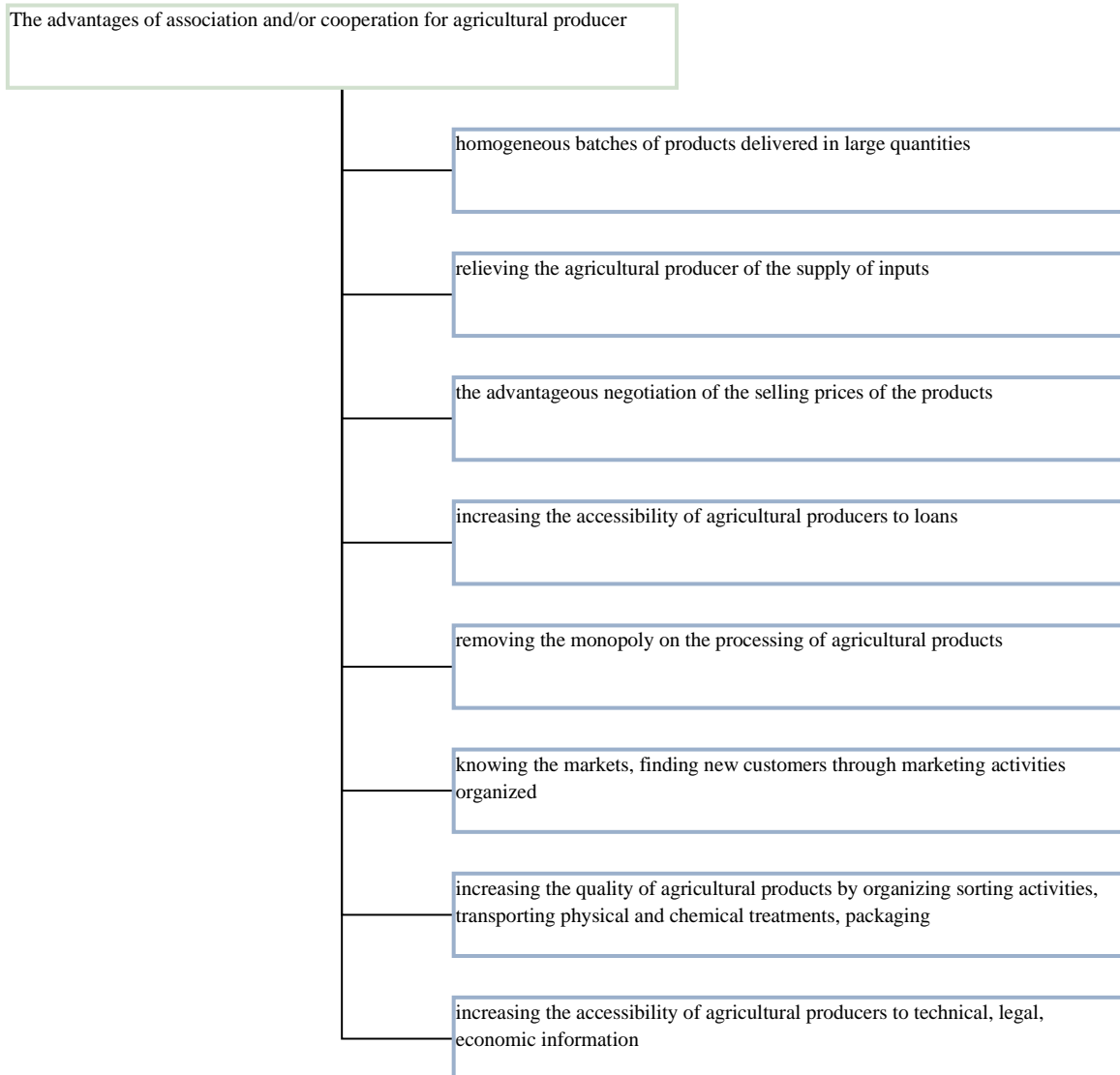
**Figure 2. The types of cooperatives**

It is observed that the types of cooperatives stated above in terms of economic functions performed refer to the common economic interests of agricultural producers upstream and downstream of agricultural production. The Romanian farmer must know that cooperation and association in agriculture does not stop on the ground but continues beyond him. Through this mention it tries to break down the psychological barriers raised by farmers who have lived the communist experience of forced cooperativization. Currently, the agricultural producers who want to associate according to the provisions of Law no. 36/1991 on associative forms in agriculture bring to the association only the attributes of land use, not being obliged to give up possession.

Beyond these psychological barriers, the agricultural producer must be convinced of the advantages of association and/or cooperation. [5,8,12,18] These advantages include (figure 3):

- homogeneous batches of products delivered in large quantities. They will facilitate the operation of the mechanism for taking over agricultural products from the producer. This mechanism malfunctions and causes malfunctions throughout the supply chain.

- relieving the agricultural producer of the supply of inputs by focusing exclusively on production, supply cooperatives bringing together agriculture that has the economic strength to negotiate the prices of agricultural inputs reducing the monopoly force that is talked about the price of agricultural inputs.



**Figure 3. The advantages of association and/or cooperation for agricultural producer**

- the advantageous negotiation of the selling prices of the products, the grouping of the producers in associations or cooperatives facilitates the negotiation of the general conditions of sale.

- increasing the accessibility of agricultural producers to loans for financing production or for development investments by creating credit cooperatives.

- removing the monopoly on the processing of agricultural products (sugar factories, oil factories, etc.). The cooperatives for processing agricultural products established in the respective year by the agricultural producers determine the increase of the competition in this field, competition that leads to the increase of the competitiveness.

- knowing the markets, finding new customers and identifying new markets will be possible through marketing activities organized at the level of marketing cooperatives. They can also undertake activities of organizing promotional companies and promoting agri-food products on the foreign market.

- increasing the quality of agricultural products by organizing sorting activities, transporting physical and chemical treatments, packaging. The operation of a modern logistics system is possible by creating adequate infrastructures for carrying out these activities: roads in good condition, strategically located warehouses, properly equipped, car park specialized in transporting agri-food products, cold chain, etc. However, their financing requires the unification of efforts by creating cooperatives for the sale of agri-food products.

- increasing the accessibility of agricultural producers to technical, legal, economic information by creating service cooperatives.

From a strictly legal point of view, the starting point of cooperation in Romania is considered the year 1893 even if the cooperative phenomenon in the modern sense began to manifest itself since the beginning of the nineteenth century with its development throughout Europe and worldwide.

It should be noted that in most European and Asian states cooperatives are multifunctional and in the U.S.A. are generally specialized in certain activities being encountered in all stages of the process of processing and marketing of agricultural products. These American-type cooperatives cannot be promoted in Romania due to totally different economic conditions. In the member countries of the European Union there are Anglo-Saxon cooperatives (Germany and Great Britain) which are organized according to the rules applicable to commercial companies and non-profit cooperatives, each with certain advantages and disadvantages. From these types, but only taking into account the local characteristics, the model of cooperatives necessary for Romanian agriculture must be chosen.

The motivation for the cooperative's appearance in the world was the reaction of the small producers in the face of threats from large companies. The cooperatives were supported by the authorities of the time and the logical model of organization as well as the privileged status of the cooperative member in relation to the cooperative determined a rapid and extremely long-lived evolution of the cooperation in the world. It can imagine the existence of cooperatives through which extremely diverse production (fruits, vegetables, animal production, etc.) of sometimes very high quality (organic products) and in relatively small quantities is collected, selected, packed forming large parties with ways presentation and capitalization on the market. Here is a natural way to capitalize on a production that exists, can be of quality and that can bring an income to the small producer. The appearance of processing producers (vegetables-fruits, grapes, slaughterhouses, meat, milk, etc.) would determine a qualitative evolution in the organization of activities on the respective areas.

Among the cooperative forms, special attention must be paid to marketing cooperatives, meaning those cooperatives that will deal with the entire agri-food chain from the agricultural raw material produced by farmers to the finished product passing through all intermediate segments. By setting up marketing cooperatives, farmers will be able to exercise control over their products.

Marketing cooperatives can play a very important role in the distribution on the market of the entire quantity of agricultural products, both those products by large agricultural units, commercial companies, but especially those produced by individual owners. They can be institutions related to the extent to which the agricultural cooperation can be built on the skeleton of the current consumer cooperation, but the elaboration of a program as soon as possible on this subject is a priority. A draft law on agricultural cooperation (much to be improved) is in Parliament's attention.

Particularly important is the creation of agricultural credit cooperatives without which the exploitation of land in conditions of efficiency is not possible due to the state of

decapitalization of Romanian agriculture. The Romanian Parliament is currently debating a draft law on agricultural credit (for current activities) which will be only the first step in the process of reconstituting agricultural credit and credit unions and which aims to fill a large gap in financial-agricultural legislation.

A special emphasis must be placed on the establishment and development of credit cooperatives of European or American inspiration adapted to the Romanian economic level, meaning the link which is currently missing from the "instrumental landscape of the Romanian peasant" must be developed. Returning to the scheme presented in addition to high-performance farms that have access to credit would appear the cooperative of farmers who can engage loans and through its own internal mechanisms can support the various production activities of members. In this way at least theoretically all segments of agricultural producers could have access to capital. Starting from the need to credit agriculture, it is necessary to emphasize the importance of the presence of this instrument, which was so lacking in Romanian farmers along with foreign funds attracted in various forms (foreign investors or loans granted by international financial bodies), which takes place under the Phare program, the SAPARD program or the rural financing project developed by the World Bank during 2002. [5,9] All this will complement each other and help to restore the situation from rural area and agriculture.

Another deficient aspect so far is that of agricultural insurance. Thus, the legal and institutional framework, mechanisms and tools necessary for farmers, both individual owners and agricultural associations or societies to insure their crops and animals and even be forced to insure them, under certain conditions will have to be adopted (when they receive support in the production process) thus avoiding the financial imbalance and their bankruptcy in case of damages. Aggregate policies for producer support must include, in addition to production-related components, market-related components, financing and insurance of production against natural risk factors.

The development of agriculture can only be realistically approached in the context of integration with the upstream and downstream sectors. This process at an early stage is necessary to take into account the particularities of agriculture for the organization and operation of branches as this is the starting point for the construction of modern agri-food economy. On the other hand, according to the specialists, Romania has real chances to find in the agricultural structures of the European Union, which requires the creation of the premises for agri-food integration in consensus with the developments that take place at regional level.

Although the action of implementing the land reform will continue for a short period of time (1–2 years) considering the fact that on June 30, 2001 82.76% of property titles were issued and the area actually owned was 92.7 %, which represents 8,737 million hectares, is justified to focus attention on the organization of agricultural holdings, on increasing their economic efficiency.

The increase of the physical dimensions of the agricultural holdings will be done through sale-purchase, lease, concession and association. The decrease of the number of individual households in favor of the increase of the exploitation surface can be beneficial in the conditions in which sources of existence are considered for those that are eliminated from the circuit of the agricultural production. The current state of Romanian agriculture must be completely reconsidered. Family farms occupying 54% of the country's agricultural area of 1-3 ha do not allow the application of modern methods of soil cultivation and are not able to provide quality products for the market. In fact, everything takes place in the circle of fragmented agricultural holdings that has no material, economic and social power and is practically uncapitalized.

Encouraging forms of agricultural association is a priority goal at this time for the government, which must be joined by non-governmental agricultural and employers' organizations. If the principles of concentration and zoning of agricultural production are adopted by small producers, they must be helped concretely from a technical financial point of view and through precise and coherent normative acts that would forever establish in the rural community the modern and democratic forms of cooperation. This fundamental action is required to be done with much discernment and accuracy.

At the European and world level, in the last decade there have been changes in the economic and technological climate of agriculture, in the way of conducting business. [6] New ideas and concepts have been accepted and introduced in the management and administration of agricultural production such as: agricultural management, industrialized agriculture, differentiated raw materials with specific properties, growers, organization and programs as main components in strategic competition, ecological control of products, information as the main source for a safe and stable production, for efficient control, labor is an investment and equipment a cost, partnership with suppliers and customers in which supply and sales are based on collaborative and contracting relationships, but these modern guidelines can only be applied in private farms or associations.

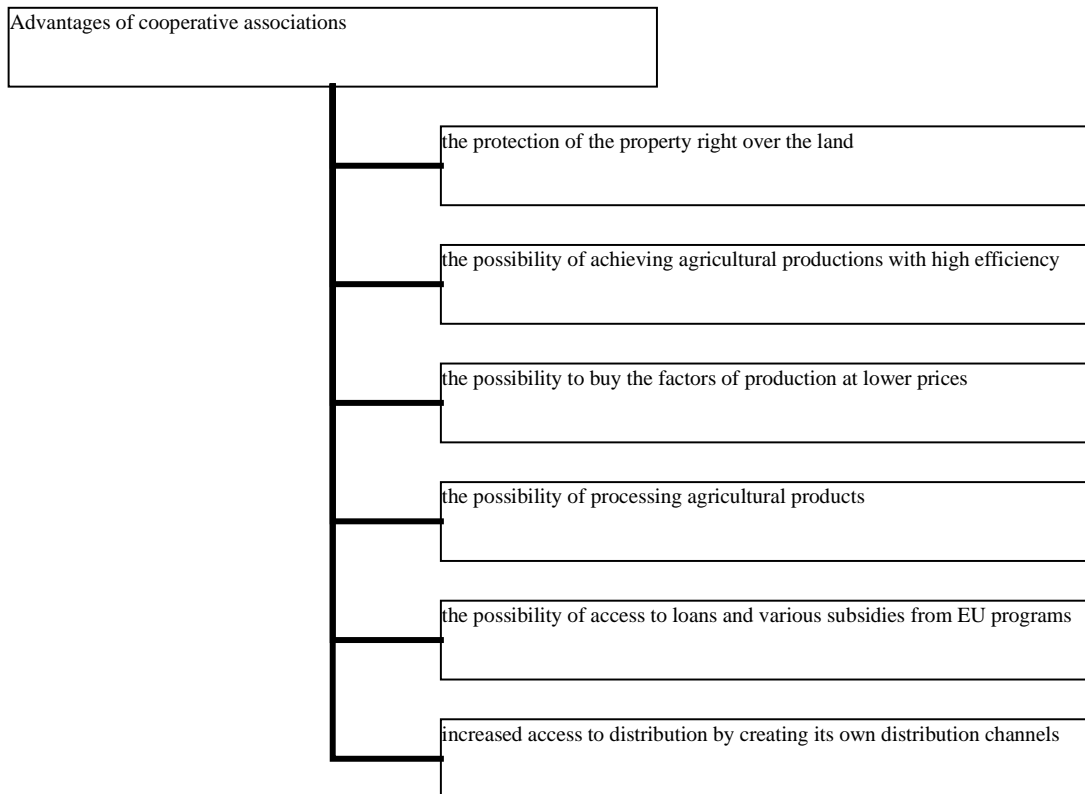
Regarding the reconsideration of agricultural cooperation, the establishment of cooperative enterprises as marketing organizations of private agricultural producers are noteworthy. Agriculture must benefit from the advantages of cooperation but without violating the right of ownership and decision of the owners. Cooperation in the field of capitalization of agricultural products, supply of income and in general in the field of services can integrate the family and small family associations in organizational structures that can guarantee their economic stability.

In conclusion, it can be seen that there is a managerial and political convergence to support agricultural holdings (farms) of optimal size (small, medium, large) in which sense the agreement of the owners of land and facilities from the State is expected so that this priority action and historical for the Romanian society to start as soon as possible. Only in this way can agriculture become a pillar of economic prosperity in Romania. In order to assert itself, the Romanian farmer must become a farmer and an inventive owner at the same time.

Summarizing the need and prospects of cooperation in Romania we allow ourselves to make the following assessment: in the agricultural sector the lack of technical and financial means from small and medium individual producers to achieve efficient farms determines in the current stage an increase in interest in forming cooperative associations. These associations will ensure (see figure 4):

- the protection of the property right over the land in the conditions of its alienation still at ridiculous prices, the price of the land in Romania being among the lowest in Europe. In the future, the price of land will increase considerably compared to what exists today.
- the possibility of achieving agricultural productions with high efficiency and profitability.
- the possibility to buy the factors of production at lower prices than individually.
- the possibility of processing agricultural products made in an associative system as it happens in economically developed countries
- the possibility of access to loans and various subsidies from EU programs under more advantageous conditions than through individual actions.
- increased access to distribution by creating its own distribution channels (stores, wholesale warehouses, retail), or negotiating distribution with major wholesale intermediaries and retailers through the cooperative society. A conclusive example

of this is the system practiced in the EU, Japan and other economically developed countries.



**Figure 4 . Advantagesof cooperative associations**

In the evolution of the agricultural cooperation in Romania on medium and long term, a series of mutations will take place. In the first stage, due to the lack of own means to work the land, the forms of association in the actual agricultural production will be extended. Later, for reasons of economic efficiency, strong cooperative units will survive, especially. In this sense, some cooperative associations will disappear, others will merge with the strong ones (economically efficient). As individual producers have their own means of working their land, they will leave the associative system of production, others will alienate their land through sale, etc., gradually diminishing the role of agricultural cooperation in actual production. Gradually, the role of cooperation in activities located upstream and downstream of agriculture will be strengthened.

Upstream in the field of supply with factors of production (fertilizers, tractors, agricultural machinery, seeds, etc.) also upstream in the credit sphere by setting up credit cooperatives of agricultural producers, in the field of insurance by creating or affiliating to insurance companies cooperative type, cooperatives can be created in the future for the production of concentrated feed for individual producers.

During the actual production process in the future, associations can be created in the field of using the production technique, rented or leasing system of combine harvesters, tractors, other equipment whose obtaining by individual producers is either too expensive or inefficient or by services of services to the individual producers by the respective cooperative association. In the future, it is planned to organize consultancy centers for associated agricultural producers.

Downstream of agriculture will be set up processing units for agricultural products (meat, milk, cereals, etc.), which will then be destined for the market. Also, units for storage of agricultural products in primary or processed state will be set up (warehouses for



storing products of wholesale type that will capitalize the products to various beneficiaries), units for marketing agricultural products either on their own or through intermediaries.

## CONCLUSIONS

The agrarian structures of production and representation of farmers must ensure the technical-organizational and economic conditions in order to diminish the differences of yield and the gaps that currently exist between the agriculture of Romania and the one promoted by the European Union. Also, the gaps between the agriculture of Romania and that of developed countries are large and they depend on the general level of economic development and the differences between agricultural structures: ownership structures, production, economic organization, farm size, structure of consumption factors consumed, the structure of services for agricultural production, the structure of marketing and financing, the support system of agriculture, etc.

In the expansion of the Romanian agricultural cooperation, the experience of the economically developed countries must be taken into account, where an extension and a diversification of the forms of agricultural cooperation took place. In these countries, agricultural cooperation was one of the main levers for concentrating agricultural production, the transition from an agrarian structure characterized by small and less specialized farms to intensive, large economic ones.

Reconsidering the concept of cooperative organization of agriculture according to Western models is an urgent need of the transition period, says the market economy.

The conclusion that can be deduced from the above is that gradually the center of gravity of agricultural cooperation will move from the actual agricultural activity to the spheres located upstream and downstream of agriculture (supply, processing, marketing, etc.).

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