THE NEED AND OPPORTUNITY OF PROMOTING INVESTMENTS BY SMALL FARMERS THROUGH AGRICULTURAL COOPERATIVES

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Abstract: *The market economy generates a tough competition between agricultural producers. Individual farmers with small and medium-sized farms are in an unfavourable position on the agricultural market because they currently produce very low yields, have a reduced investment capacity, and poor access to outlets. The cooperation of agricultural producers represents a measure with an important role in improving the competitiveness of farmers organized as cooperatives, because it allows access to markets and to information to better know the market conditions, thus influencing demand and supply in different segments of agriculture. In this paper, the authors present the possibility of consolidating and restructuring small and medium-sized farms through association, to benefit from such financial support, through cooperatives, through the Agricultural Policy of the European Union.*

Key words*: agricultural cooperatives, small farmers, NRDP investments*

INTRODUCTION

Rural economy is an important component of the national economy since it plays a crucial role in providing food, generating income, and maintaining the ecological balance.

It refers to economic activities carried out in rural areas, including agriculture, forestry, fishing, rural tourism, and other related industries.

Farmers in the countryside are responsible for growing different crops and raising animals, thus ensuring the food needs of the community but not only. Through these activities, rural economy contributes to the reduction of dependence on imports and the development of sustainable local production [2,3].

The problems in our country's agriculture clearly show that this important branch of the economy requires significant investments in small-scale farms (subsistence and semi-subsistence) to succeed in becoming economically efficient and to ensure enough agri-food products for the consumption of the population of rural communities in the first place, but also raw materials for a primary processing of the productions at the community level[4,5].

In Romanian agriculture, it is necessary for small farmers to organize themselves in various forms of association to be able to cooperate in the process of modernizing farms and to benefit from the funds made available through the Common Agricultural Policy of the European Union. Since Romanian farmers have encountered various barriers in the association process, the development of the associative sector in agriculture is currently far behind the countries in the European Union with a tradition in this field, both in terms of the diversity of forms of cooperation and the presence on the market with various agri-food products. [13,14,5].

Compared to Western cooperatives that have been operating for several decades, agricultural cooperatives in Romania are relatively newly established (most of them were established starting with 2005). The forms of cooperation are emerging as the only ones that could respond to both economic and social needs in the Romanian rural space for small farmers [10,11].

Reality shows that the small landowners are reluctant to cooperate for subjective reasons, the inhabitants of the rural area do not associate because the association is identified with the former agricultural production cooperatives. Basically, the lack of association has other causes. The most important of these is the lack of a clear taxation system. The way the tax system works is currently perceived by small farmers in agriculture as a system that acts as double taxation. Equally important in slowing down the association process is the lack of leaders, natural or legal persons willing to act and initiate associative processes in agriculture with clear goals of obtaining economic profits for them and for the associated members, but also to promote social benefits for the associate members and the communities they belong to [6, 7].

Following the analyzes carried out on agricultural holdings in Romania, we found that a very large number of small and medium-sized holdings are currently operating (table 4). Although in recent years the process of merging small holdings has been manifested, it is not up to the needs of Romanian agriculture. All the more, holdings under one are not financed under the EU CAP, which has led to the excessive impoverishment of these holdings in our country.

According to the SWOT analysis of the National Strategic Plan (PNS) 2021, in 2018 in Romania, a number of 869,185 farmers on an area of 9,461,576.80 benefited from the Single Area Payment Scheme (SAPS). First row a number of 1,166,123 farmers were paid, and the value of direct payments increased from 49 euros/ha (in 2007) to 194 euros/ha in 2018. We note that the average value at EU level is 233 euros/ha, and Romania is positioned below this value. In 2018, the value of direct payments for Romania recorded the highest level, of 1,842,576,568.21 lei. În 2018, 447,985 small farmers benefited from the small farmers payment scheme for a total area of 1,166,864.31 ha [9].

The small farmers scheme started its implementation in Romania in 2015.

Table 1.

Beneficiaries and related area that received support under the small farmers scheme under Pillar I

Specification	Beneficiaries (no)	Area (ha)
2015	707.562	1.910.898,47
2016	576.728	1.533.507,19
2017	507.152	1.335.632,13
2018	447.985	1.166.864,31

Source: PNS, 2021 [9].

In 2016, almost 64% of the beneficiaries of direct payments entered the scheme newly introduced in the period 2014-2020 (having the right to a payment of up to €1,250/year), working an area of approximately 17% of the total area for which grants Pillar I payments.

In Romania, important support for encouraging small farmers was granted in the 2014-2020 programming period and through Pillar II, sub-measure 6.3 "*Support for the development of small farms*". Analyzing the degree of 31 submission of projects for requesting financial support within the 5 completed sessions (2015-2019), a high attractiveness for the support granted through this sub-measure is noted, with an upward trend, from 41.48% in 2015 - the first year of implementation of the sub-measure reaching 87.90% in 2017.

The upward trend of the degree of submission of projects and consequently of their contracting emerges from the fact that 921 projects were submitted at national level in 2015 (382 projects contracted) and 6289 projects in 2018 (3196 projects contracted).

Starting from the need to solve the economic needs overlapping the social needs in the rural environment, studies identify the solution of these combined needs only by intensifying cooperation in the processing of agricultural products, organized horizontally and vertically to integrate primary productions and generate additional added values [1,8,12].

MATERIALS AND METHODS

To carry out this study, we used a combination of research methods, including statistical data collection and analysis, literature review, official sources such as the National Institute of Statistics, the Ministry of Agriculture and Rural Development, and other bodies relevant for up-to-date data and information. For data collection, several methods were used, adapted to the objectives and goals of the study [2]. The present scientific paper is partially the result of the doctoral thesis *"Analysis of the implementation of the National Rural Development Program (NRDP) 2014-2020 in the Western Region and proposals for improving the implementation of measures in the next financial year"*.

RESEARCH RESULTS

With the signing of the treaty establishing the European Community (Treaty of Rome), Art. 2 and 3 stipulate that the mission of the Community (Belgium, France, Germany, Italy, Luxembourg, the Netherlands) is, among others, that of *"promoting, throughout the territory of the Community, a harmonious, balanced and sustainable development of economic activities, a level of high labour and social protection [...], an increase in the standard of living, economic and social cohesion, and solidarity between the member states"*.

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. The privatization process started in the spring of 1990 in Romania's agriculture was much faster than in other sectors of the economy and with great leaps since the first years of the transition.

The evolution of agriculture took 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.

The land fund law no. 18/1991 divided agricultural areas into small plots and determined their dispersion, to which was 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 in supporting the formation process of private agriculture, a fact that led to a sharp decrease in the profitability of agricultural holdings. Currently, Romania continues to be known as "the most rural country in Europe" [15]. Statistics show that almost half of the country's population (8,627,368 in 2022) is represented by the rural population, i.e., 45.51%, according to World Bank data (2022). The decrease of the rural population in Romania in 2022 compared to 2021 is the highest in the last three decades (-1.2%) [9].

According to statistical data (the last General Agricultural Census 2020), the agricultural area used was 12,763,000 ha. The structure of Romania's land fund highlights the large share of the arable land surface of over 67% – 8,565.00 ha (increasing compared to 2010) of the agricultural surface, which ranks Romania first in the hierarchy of agricultural potential.

Table 2.

Evolution of Romania's land fund according to land use

Specification	Total agricultural holdings							
	2002	2005	2007	2010	2013	2016	2020	
	thous. ha	thous. ha	thous. ha	thous. ha	thous. ha	thous. ha	thous. ha	%
Agricultural area used (AAU), of which:	13,931	13,907	13,753	13,306	13,056	12,503	**12,763**	**100.00**
arable land	8,774	8,867	8,691	8,306	8,198	7,814	**8,565**	**67.00**
grasslands and haymaking fields	4,644	4,530	4,540	4,506	4,398	4,246	**3,724**	**29.20**
permanent crops	344	339	344	312	302	301	**344**	**2.70**
family gardens	169	171	178	182	158	142	**124**	**0.97**
greenhouses and solaria	-	-	-	-	-	-	**6**	**0.13**

Source: https://insse.ro/cms/sites/default/files/com_presa/com_pdf/rga_2020r.pdf [16].

Regarding the number and area of agricultural holdings operating in Romania, statistical data highlight the existence of small farms in a very large number, in parallel with very large farms, but numerically reduced (in 2020, 0.87% of Romanian farms owned 38.75% of Romania's agricultural area, while 99.13% were farms without legal personality and owned 61.25% of the agricultural land area), which highlights a structural imbalance that influences Romanian agriculture and its competitiveness.

Romanian land resources are favourable for the development of a competitive and sustainable agriculture, but certain laws regarding land ownership have caused a fragmentation of agricultural areas.

Table 3.

Evolution of agricultural holdings in Romania by legal status

Nr. Crt	Specification	U.M.	Total agricultural holdings							
			2002	2005	2007	2010	2013	2016	2020	
									Nr.	%
1.	Total agricultural holdings	thous.	4,485	4,256	3,931	3,859	3,630	3,422	2,887	100
2.	Agricultural area used (AAU)	thous. ha	13,931	13,907	13,753	13,306	13,056	12,503	12,763	**100**
3.	Mean/holding	ha	3.11	3.27	3.50	3.45	3.60	3.65	**4.42**	-
1.1.	Agricultural holdings with legal personality	thous.	23	18	17	31	28	26	25	**0.87**
	AAU	thous. ha	6,222	4,805	4,787	5,856	5,785	5,576	4,946	**38.75**
	Mean/expl.	ha	274.43	263.08	270.45	190.78	207.49	213.64	**194.8**	-
1.2.	Agricultural holdings without legal personality	thous.	4,462	4238	3,914	3,828	3,602	3,396	2,862	**99.13**
	AAU	thous. ha	7,709	9,102	8,966	7,450	7,271	6,927	7,817	**61.25**
	Mean/holding	ha	1.73	2.15	2.29	1.95	2.02	2.04	**2.73**	-

Source: https://insse.ro[10].

Data of the 2020 census show an extremely polarized agrarian structure in Romania that is becoming more pronounced over time. Of Romania's agricultural area, 31.4% is exploited in farms of less than 10 ha, and 47.8% by farms of more than 100 ha, some of which exceed thousands of ha. In areas with very large holdings, this phenomenon amplifies rural poverty.

Table 4.

Agricultural holdings by size classes in Romania

Specification	Number	Percent (%)
0.1 - 1 ha	1,770,569	52.98
1 - 2 ha	630,361	18.86
2 - 5 ha	659,997	19.75
5 - 10 ha	194,200	5.81
10 - 20 ha	50,212	1.50
20 - 30 ha	10,992	0.33
30 - 50 ha	7,531	0.23
50 - 100 ha	6,013	0.18
100 ha+	12,310	0.37
TOTAL	**3,342,185**	**100.00**

Source: https://insse.ro

Romania has around 3,342,185 farms of which almost 72%, (almost 2,500,000) with less than 2 ha and almost 660,000 farms with between 2 and 5 ha, according to the data in Table 3 and to the data published in PNS 2023-2027 (National Strategic Plan) by the Ministry of Agriculture [13].

According to the PNS 2023-2027, the growth potential of small and medium-sized farms in Romania will be a priority in the new financial year to provide local products with high added value to the market. Another problem in Romania's agriculture is weak specialization. In this respect, statistical data show that only 2.8% of farm managers have graduated from higher education in the agricultural field.

In recent years, in family-type agriculture in Romania, it has been noted that, where there are material and financial opportunities, attempts are being made to move from subsistence agriculture to market agriculture. These farms are still a very important part of economic and social sustainability in the conditions of the increasing demand for agri-food products, considering their ability to adapt much faster to market demands than large agricultural entities.

Individual agricultural farmers with small and medium-sized holdings find themselves in an unfavourable position on the agricultural market, because they achieve low production yields, have low investment capacity, poor access to markets, and insufficient information to know market requirements and influence supply and demand.

Cooperation guides the agricultural market, protects competition, and influences the price level of agricultural products and services, based on the following basic rules:

- The freedom of choice, based on which agricultural producers enter different cooperation relationships, creating different types of economic units and organizing permanent or temporary activities, through association and cooperation contracts;
- The right of associated members to carry out activities that they can carry out themselves;
- The right to organize cooperative relations in different fields: agricultural production, processing of agricultural products, agricultural services, finance-banking, supply, sales, and marketing of agricultural products, etc.;
- The principle of the right to decide based on the vote proportional to the contribution made by each member in the cooperative created by association or under the conditions established by law or stipulated in the association and cooperation contracts.

An agricultural cooperative is an autonomous association of natural and/or legal persons, a legal person under private law, established based on the free consent expressed by the parties to promote the interests of cooperative members and to implement

agricultural policies to stimulate the association of producers in the field, which is organized and operates according to legal provisions.

According to the legislation in force, there are three forms of association in Romanian agriculture:

- ***agricultural companies and other forms of association***, according to Law no. 36/1991 on agricultural companies and other forms of association in agriculture, with subsequent amendments and additions;
- ***associations*** organized according to GO no. 26/2000 regarding associations and foundations approved by Law no. 246/2005, with subsequent amendments and additions;
- ***agricultural cooperatives*** organized according to Law no. 566/2004 on agricultural cooperation, with subsequent amendments and additions.

The activities of agricultural cooperatives are particularly focused on the provision of services, purchases and sales, processing of agricultural products, manufacturing and small industry in agriculture, exploitation and management of agricultural, forestry, fishing, and livestock lands, financing, mutual assistance, and agricultural insurance.

In this context, the National Rural Development Program (NRDP) 2014-2020 was adapted to the daily realities of the rural environment, supporting the association of farmers in agricultural cooperatives through:

- Specific information, consultancy and professional training activities, to encourage the establishment, organization and functioning of efficient and competitive associative forms in agriculture;
- Financing of investments made by cooperatives to ensure cooperation between producers by promoting investments in common, more efficient and profitable facilities, such as equipment, infrastructure, etc.

According to the NRDP, cooperatives play an important role in better matching market supply and demand and in providing increased efficiency through the joint marketing of products produced by their members, especially for small and medium-sized farms. Cooperatives are encouraged and prioritized in making investments for the development of farms and in the interest of their members. The problem of consolidating and restructuring small farms is, thus, addressed in a coherent way, making it possible to benefit from support to act together for better market integration.

Through the NRDP 2014-2020, whose objectives were overlapped with the priorities of the CAP and the Europe 2020 Strategy, considerable emphasis was placed on the management of resources in Romania's rural areas.

Investments aimed at increasing the competitiveness of agricultural holdings supported by NRDP 2014-2020 were made through the "Investments in physical assets" measure, with direct impact on:

- Improving the general performance of agricultural holdings by increasing agricultural competitiveness, the diversification of agricultural production, and the quality of the products obtained;
- Restructuring agricultural holdings and their transformation into commercial holdings;
- Complying with community standards applicable to all types of investments;
- Increasing the added value of agricultural products by processing products at the farm level and their direct marketing to create and promote short chains;
- Streamlining production costs by promoting the production and use of energy from renewable sources within the farm.

Support was also granted through this measure for the realization of tangible and intangible investments for the processing and marketing of agricultural products within the

enterprises that process raw materials for the establishment and/or modernization of processing units, the introduction of new technologies for the development of new products, the application of environmental protection measures, including energy efficiency measures, the promotion of investments for the production and use of energy from renewable sources and the increase of the number of permanent jobs.

Modernization of agricultural holdings has always been an important objective of the EU CAP. Modernization helps farmers become economically competitive and apply environmentally sustainable techniques.

The rural development program under the CAP will remain an essential element of change and progress, providing opportunities for farmers to modernize their farms and their rural community overall. It is also necessary to maintain a competitive and dynamic agricultural sector to attract young farmers to maintain the vitality and potential of Romanian rural areas.

Based on these considerations, the associative, cooperative structures can be viable integrated in the area between family farms/holdings and large agricultural companies, with sizes suitable for relatively quick reorientations and a greater adaptability to market demand, at the same time addressing more easily the entire economic chain – from production, storage, processing, marketing, to distribution to the final consumer.

CONCLUSIONS

Since Romania's agriculture is characterized by a high degree of fragmentation of agricultural areas, low investments, poorly qualified and aging labour force with a precarious material situation at the limit of subsistence, we believe that the relaunch of agriculture, with its vegetable and animal sectors, such an important branch for our country's economy can only be achieved by attracting European funds and by massive investments.

The national agricultural policy towards small holdings (below 5 ha) should include the following directions of technical and legal action and financial support:

- Speeding up the merging of areas through stimulating economic support measures and through appropriate legal regulations;
- Increasing the surface area of holdings, their economic size, and their gradual transition into the category of commercial private-family holdings;
- Consolidating farms technically and economically and directing them towards vegetable cultivation, viticulture, animal breeding in the hill and mountain areas to allow them move into the medium-sized category;
- Associating.

The poorly developed rural economy in our country has immediate and permanent consequences, visible and with negative effects on the Romanian village: accentuated demographic aging, abandonment of rural localities by young people through urban exodus or external migration, phenomena that accentuate the social fall of the Romanian village.

Cooperation in agriculture is the form of organization for small farmers, which will manage to concentrate the fertility potential of agricultural land merged into economically profitable bodies, facilitate access to medium-term credit for efficient fixed assets, access to short-term credit for resources for the resumption of agricultural production in conditions of efficiency, and easy access to financing through the EU CAP.

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