

Marin, Ancuța; Turek-Rahoveanu, Petruța

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## Analysis of the forms of association /cooperation in Romania

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# ANALYSIS OF THE FORMS OF ASSOCIATION /COOPERATION IN ROMANIA

ANCUȚA MARIN<sup>1</sup>, PETRUȚA TUREK-RAHOVEANU<sup>2</sup>

**Summary:** *This paper analyzes the evolution of the modern agrarian associations and cooperatives in Romania. Right now, our country is far behind the west-european countries regarding the development of the associative sector in the agricultural domain, from the diversity point of view and also from the presence on the market. One of the biggest problems of the small farmers from Romania represents selling the production, the traditional markets are being suffocated many times by agents. The agrarian sector is confronting with problems marked mainly by the poor organization of the farmers regarding the production marketing and a slow structuring of their commercial behavior. The biggest problem of the agrarian cooperatives in Romania is the access to funding. This is due to the business related problems and their specific legal form. In Romania a law for crediting cooperatives doesn't exist, they are not found in the bank nomenclature and they are treated like any LLC. Also, there is an acute need for founding a high level training program intended for the agrarian cooperatives and associations leaders. The purpose is to present a current state synthesis in order to have a real image of their situation. The main object of this study is to make an assessment of the agrarian cooperatives's situation in Romania with the purpose of offering solutions and recommendations, by setting the development directions in order to become compatible with the European systems of agrarian cooperatives.*

**Key words:** *association forms, agrarian cooperatives, agrarian associations, producer groups.*

## INTRODUCTION

Agriculture is the most important economical branch of a country, because it's the one that ensures people's and animal's food. In order to become a powerful country economically speaking, Romania has to act in sense of growing agricultural productivity. Because of the global population growth the need for food products will intensify. In this regard, high fertilisation of the lands alone, is not enough in order to have a performant agriculture.

Romania is far behind the West European countries at the moment, regarding the development of the associative sector in agriculture, from the diversity point of view and also from the presence on the market. In our country, association is based especially on the interpersonal relations and on trust relations within communities, without having contractual relations. The agrarian associations with a representative character are dominant, and the economical purpose associative forms are very little developed very little. One of the biggest problems of the small farmers in Romania consists in selling the production, because traditional markets are many times being suffocated by agents.

The agrarian sector is confronting with the problems, market especially, by the poor formation of the farmers in order to trade the production and a slow structure of their commercial behavior. In this situation we are asking the question "What are the causes of such a low level of contracting in the Romanian agrarian chain?". To the institutional causes which are based on the land retrocessions in the '90 and on the agrarian politics incoherence until 2007, which led not only to the fragmentation of the lands, but also to the fragmentation of the production-storage-distribution-marketing chains, for a long period of time there was also the farmer's reluctance to associate/cooperate.

The main reasons for which the cooperation/association represents an instrument of improving commercial relations would be: increasing chains efficiency, decisions regarding production planning and farmer investments, increasing vertical integration level, consumer requirements achievement – food safety, animal wellbeing, environment protection – chain

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<sup>1</sup> Dr. Ec. Ancuța Marin – Scientific Researcher III at The Research Institute for Agriculture Economy and Rural Development, marin.ancuta@iceadr.ro

<sup>2</sup> PhD. Eng. Petruța Turek-Rahoveanu - Scientific Researcher III at The Research Institute for Agriculture Economy and Rural Development, turek.petruta@iceadr.ro

transparency growth, risks sharing.

The main objective of this study is making an assessment of the agrarian cooperatives in Romania with the purpose of offering solutions and recommendations, setting the development directions in order to become compatible with the European systems of agrarian cooperatives

## MATERIAL AND METHODS

„The actors” that come to support the modern agriculture are the agrarian holdings, the producer associations, the cooperatives and the producer groups. They play a key role in the rural economy, by supporting farmers to market their products better, by obtaining better prices for them, by contributing to the economical growth and creating new jobs within the economy. The associated forms are still at the beginning in our country, as compared to the European ones, that work by the same principles after decades. In Romania, in the last 10 years everything was started from zero, small steps have been made, but these need to be rebuilt after solid principles, with patience and capable and well-intentioned people.

The used research method is the quantitative analysis by studying the documents and data taken and processed from the National Statistics Institute and of the specialized literature, in order to highlight the association and cooperation forms potential in agriculture. The pieces of information have been centralized and processed in order to make a SWOT analysis that highlights the advantages and disadvantages of the association forms, the opportunities and recommendations that can be made.

## RESULTS AND DISCUSSIONS

*The agrarian society* is a private type society, with variable assets and an unlimited and variable number of associates, covering agrarian holding of the land, tools, animals and other means brought to society, as well as making investments of agrarian concern. The agrarian society doesn't have a commercial character. The agrarian tools and other gears, material and pecuniary means, as well as animals can be brought into society, in its property or in its use only, depending on the case. The agrarian lands are only used for society, the associates keeping the ownership over them. Upon entering the agrarian society, the movable and immovable assets, as well as the animals will be evaluated in order to determine the social parts subscribed by each of the associated member.

*The producer association* is the holder of rights and obligations, made up by three or more persons, which based on an agreement, put in codominium and without a restitution title material contribution, knowledge or their working contribution in order to achieve some activities of general interest, community or, depending on the case, in their personal non-patrimonial interest. The purpose and the advantages from the founding of an association are following a general, local or based on a group interest, facilitating associations and foundations access to private and public resources, facilitating partnerships between public authorities and associations, sustainable development of the agrifood production, correlating the production level and the product quality, according to the market requirements, production growth, improving the information system regarding demand and offer, the development of the agrifood markets, promoting agrifood products on the national and international market, ensuring equal rights for all the members, defending the member's interests in their relations with the governmental bodies and the state administration, promoting practices and technologies that ensure environment protection, providing aid for association, management and marketing.

*The producer groups* can be founded in order to commercialize the agrarian products of animal and silvan. The legal forms that can be acknowledged are trading companies, agrarian companies, associations, agrarian cooperatives and other forms of association. The advantages of the recognition as a group of producers are numerous, among them the most important being: the possibility of placing reliable commercial contracts, offering of a large quantity of homogenous quality products, the increase of the negotiation power and obtaining better financial conditions,

ensuring the outlet, production planning, proper marketing, setting the producer price, getting financial support from The European Fond for Agriculture and Rural Development (FEADR) within the National Program for Romanian Rural Development for 2014-2020.

*Agrarian cooperative* represents the autonomous association of physical and/or juridical persons, depending on the situation, having a private law juridical person status, established upon free consentment by the parties with the purpose of promoting the interests of the cooperative members. The agrarian cooperative conducts mainly commercial activities, because it's a producer of goods and services for its members. Agrarian cooperatives can associate in branch unions, and they, in their turn, can form federations, marketing federations, that ensures the capitalisation of the agrarian products or in a federation of mutual insurance of the cooperative members. As to define, it can be said that the cooperatives are associations that are formed in order to accomplish the personal advantages of those who associate. From an economic behavior point of view, the persons decide on a cooperative solution in the situation in which the anticipated advantages surpass the expenses. Besides the maximizing advantages, the cooperation science reminds of some, those can be split into two groups: minimizing the tranzaction costs and blunting opportunistic behavior and limiting the riscs that branch from those.

Immediately after 1945, in order to settle the critical crisis determined by the war, the European countries adopted a series of political, legal and social character measures that had in mind the recovery of the national economies and most of all of the agriculture, highlighting the necessity of increasing the agrarian production and insuring food for the population. In all the E.U. member states the cooperatives are structured into federations having the capacity to consult each other. In Europe, the agrarian cooperatives have proven to be the most performant farmer organizations, benefiting a series of amenities from the state. The professional studies show the fact that the cooperative sector from the E.U. agriculture trades over 50% from the agrarian production's total. More, the E.U. statistics report the existence of over 38.000 cooperative entities, in which more than 7 million cooperative members are active, from a total of 13 million farmers.

The association forms are different from one country to another in name, as much as in content. In order to have a starting point and to lay the foundation from which the necessary measures can be taken to organize the agrarian producers and to make romanian agriculture more efficient we elaborated a study regarding the form of association and cooperation at the agrarian cooperatives level in România, with support from ONRC and MADR.

After analysing public data, centralizing the result at a region level, in 2014 compared to 2009, a drastic decrease in the number of agrarian cooperatives and agrarian associations operating in Romania has been found.



Fig.1- The number of agrarian cooperatives in Romania by development region

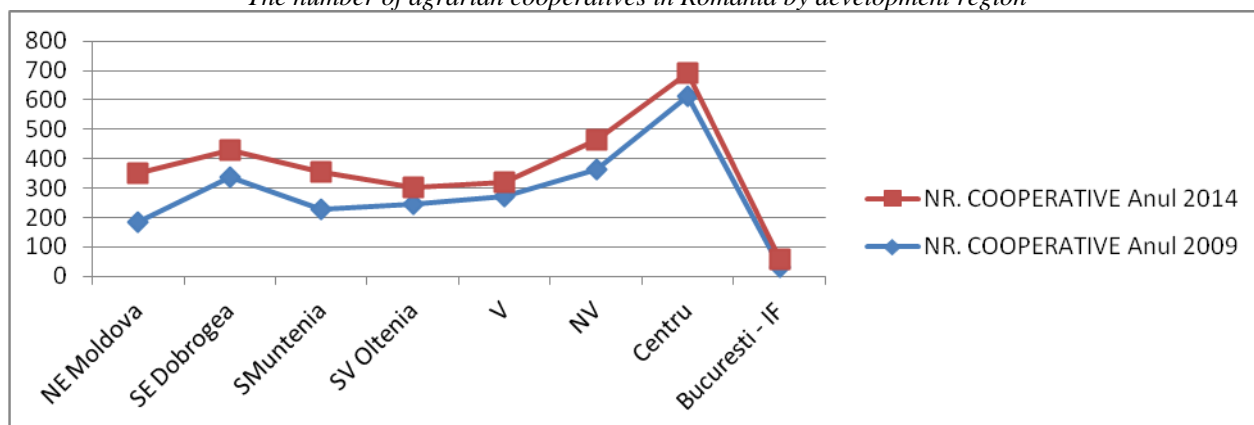
Table nr.1

THE NUMBER OF AGRARIAN COOPERATIVES IN ROMANIA BY DEVELOPMENT REGIONS		
REGION	COOPERATIVES NR.	
	Year 2009	Year 2014
Development region North –East of Moldova	186	165
Development region South-East of Dobrogea	339	89
Development region South of Muntenia	229	128
Development region South - West of Oltenia	245	59
Development region West	271	51
Development region North – West	363	101
Development region Center	612	79
Development region Bucuresti- Ilfov	33	25
<b>TOTAL</b>	<b>2278</b>	<b>691</b>

The graphical representation renders suggestively the decreasing trend of the number of agrarian cooperatives (Chart nr. 1)

Chart nr.1

The number of agrarian cooperatives in Romania by development region



Possible explanations for the drastic decrease of the number of agrarian cooperatives and associations come from the following directions:

- The romanian agrifood market is strongly influenced by imported products, by the price that is many times smaller than that of the endemic products. The fact that we don't have enough economic levers to protect domestic producers, forms a real problem for romanian agrarians.
- All types of associations/cooperatives in agriculture are tax compliant, by enforcing the 16% flat tax, not having any other type of tax deductions. There are no fiscal deductions in order to set up indivisible funds. The applied tax exemption is progressive, of 5% from the owed contribution until it reaches the 20% level from the joint stock.
- The agrarian cooperatives from Romania's biggest problem is the access to finances. In Romania there is no law for lending agrarian cooperatives/associations, they are not registered in the bank nomenclature and are treated just like any LLC, without keeping in mind the agrarian production's features.
- An accute need of founding a professional trainig program at the agrarian cooperatives / associations leadership level is sensed.

The main activities developed by the agrarian cooperatives and associations in Romania, according to the activity sector are: buying and trading production obtained by the cooperative members and supplying farms with: cereal seeds, industrial plants, forage crop, pesticides, gas-oil, fertilizer, agro-technical advice; live animals wholesale; mixt farms activities; pig breeding; agrarian raw materials, live animals, raw materials and semifinished goods trade agent; dairy

products wholesale; fruits and vegetables wholesale; cereals stock-pile, cold storage, cereal storage and cultivating tanks (exclusively rice), leguminous plants and oilseeds producing plants.

In 2014, the agrarian cooperatives and associations structure by activity sectors was the following:

Table nr. 2

Nr crt	Activity sector	Nr. of agrarian cooperatives	Nr. of agrarian members
1	Cereals, leguminous plants and oilseeds producing plants cultivation	82	1359
2	Vegetables, melons, root crops and tubers, other annual crop plants cultivation	40	363
3	Fruit cultivation	17	268
4	Landscape architectural plants and nursery cultivation	2	21
5	Animals and birds breeding	173	2230
6	Mixed farms activities (vegetal crop combined with animal breeding)	116	1586
7	Auxiliary activities	30	440
8	Fishing and aquaculture	6	84
9	Canned meat	12	405
10	Canned vegetables and fruits	9	56
11	Oils and fats manufacture	1	7
12	Dairy products and cheeses manufacture	3	168
13	Bread and pastry products manufacture	1	5
14	Other food products manufacture	2	71
15	Fabricarea preparatelor pentru hrana animalelor de fermă manufacture	5	53
16	Grape wines manufacture	5	51
17	Agrarian raw materials, live animals, materials and semifinished goods trade intermediation	27	414
18	Intermediation of products that are not included in the other codes	1	5
19	Cereals, seeds, offer and raw tobacco wholesale	57	439
20	Agri-food product trade	91	1508
21	Cereals storage, cold storage, storage tanks	5	49
22	Accommodation facilities	2	10
23	Business and management aid activities	3	11
24	Renting and laesing agrarian cars and equipments activities	1	5
	<b>TOTAL</b>	<b>691</b>	<b>9608</b>

Source: Processed data from The National Trade Register Office, 2014

The collective political action is essential in agriculture in order to make a more equitable food system that will allow the food producers to live from their production.

**The advantages of the farmers that found a cooperative/association:**

- the reduction of the number of agents in the distribution chain and in the one of non-trading obtained products;
- the increase of the producers's influence regarding setting the selling price;
- reducing or eliminating the syncope in raw materials and materials supply;
- adopting new technologies that allow passing from traditional exercises to more productive ones.

**The disadvantages of the farmers that found a cooperative/association:**

- Romanian agrarian's mentality, the lack of democratic exercise, the distrust, the aversion towards the tax system, the difficulty in seeing beyond his own interest, the lack of vision;
- insufficient knowledge regarding association and business management;
- insufficient funds in order to form and finance cooperatives;

- difficulty in competing with import products, that come with very low prices;
- the high average age of the farmers.

**Opportunities:**

- transparency in the relation with the members in setting the prices;
- increasing of the training degree of the Romanian farmers.

**Limits:**

- the contradiction between the egalitarian structure of the group members and the hierarchical structure of the organizing activity;
- the risk of levelling performances;
- the advent of some subgroups can be avoided when the assignment of the management positions is voluntarily accepted by the members, in turns;
- conflicts in profit allocation can be avoided when the leaders are found among the cooperative members;
- reduced capital due to the principle: one vote per person; the cooperative members are not motivated to make capital investments;
- the lack of qualified personnel within the members; it is recommended to increase the education degree of the members, expert advice, hiring a specialist, if the regulation allows it.

## CONCLUSIONS

Almost all the agrarian cooperatives in Romania are relatively newly founded compared to those from the west that are active for decades and even hundreds of years. The agrarian cooperatives in Romania are not engaged yet in relevant activities of informing, communication, research and innovation, in supporting general promotion projects, social corporate responsibility, economic development, social, cultural, environmental, of food safety, rural development and should start such campaigns.

Unfortunately in the top of the agrarian cooperatives in Romania there are only cooperatives and agrarian cooperative associations that perform services of buying imports and trading the raw materials obtained (cereals, industrial plants, live animals, etc.) to the members, as opposed to the western ones where collecting/storing/processing and trading services jointly are dominant, which is why they obtain high value products.

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