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INVESTMENT MANAGEMENT IN ASSOCIATIVE UNITS

DOBRE IULIANA¹

Abstract

This paper proposes to find out the investment efficiency of an associative unit in vegetables processing and trading field. For this, a scenario by 100% loan is taken into consideration. This research focuses on broth, tomatoes juice, pickled cucumbers, pickled cabbage, assorted pickles and seedlings, also on how cooperation in processing and trading can determine efficiency, leading to an increasing level of development of unit. In this order, an economic and financial analysis was necessary. Indicators such as production, incomes and expenditures have been studied. The paper consists into the establishment of a processing vegetables to extend their life, mitigate seasonality of supply of vegetables and get products with higher value added that consumer demand; establishing a network for collecting local vegetables, supply of raw materials for the processing vegetables; providing storage and marketing services for cooperative members. As financial objectives, in this project, machinery and equipment for processing vegetables were purchased; the purchase of land for the location of the vegetables making factory and warehouse. The obtained results show a positive investment result.

Keywords: *management, associative units, investment, vegetables*

JEL classification: Q13

INTRODUCTION

To facilitate the work of farmers in the vegetables processing and trading, they have been established and operate under associative form recognized as cooperative according to cooperatives Law 566/2004. Generally, these are associative forms organized in the fields of acquisition, processing and supply of agricultural products. Therefore, cooperation in associative form contributes to reducing the efforts of producers on products selling (perishable nature of the products) and producers' position strength in relation to the market (the work of farmers, particularly small producers, is vulnerable to changes in supply and demand). Synthetic, given the fact that cooperatives establishment engaged in "upstream" and "downstream" of agriculture, their role becomes even more important, at least from two points of view: supporting farmers, associates and providing them cost advantages on economy and integration into the national economy flows; contribute to rural development, which is consistent with the organizational structure of European Union agriculture. The objects under associative form statues are to: marketing of agricultural products taken from associate members; providing temporary storage, sorting, packing, transporting products; executing the investment for the cooperative; providing professional guidance to farmers. Agricultural cooperatives listed can be organized by product or group of products: cereals, potatoes, fruits and vegetables; milk, milk products and eggs; meat and meat products; fish and fish products; technical and processing plants. Management of the associative unit consists into administrative activity and production one. The efficiency of management will have to consider customers, market segment, competitors. The managers will estimate future events, especially food demand or financial trend, coordination of production, attending to food fairs, developing the relationships with farmers.

MATERIALS AND METHODS

The establishment and location of these cooperatives in rural areas are subject to some restrictions, such as production volume and its own way, the demand for these products. According to

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that, the objectives on establishment of a cooperative in processing and trading vegetables is supported by own financial resources or by National Rural Development Program, 2014-2020, and Agricultural Fund for Regional Development. In the second case the measures refer to Support for investments in processing / marketing of agricultural products (measure 4.2), Improving the competitiveness of primary producers through better integration in the agrifood chain through quality schemes, adding value to agricultural products, promoting local markets, short supply chain, producer groups and interbranch organizations.

The activity of the association consists in collecting and processing vegetables from farmers as tomatoes for juice and broth, cucumbers, cabbage, green tomatoes, cauliflower, carrots for assorted pickled. As material resources are used: salt, sugar, water, cans, bottles, cartons, vegetable seeds, seedbeds, gas, electricity and water technology. The choice of the products range was based both on the demand for them, and the rational use of space for processing vegetables. The activity of production and commercialization are almost continuous: January, February, October, November and December for pickles, March and April for seedlings (as secondary activity), tomatoes juice and broth from August to November. A design assurance need of these resources is performed on production expressed in cans per hour and their specific consumption. For the design of fuel consumption, the movement of the means of transport to collect vegetables (9 rides per month) is taken into account; the average interval between two successive supplies is 3.5 days.

In order to determine total production for each product, the relation is shown below.

Broth total production: 12 kilo per hour = 20.6 cans per hour, cans 580 ml; 11808 kilo broth per year = 20358 cans per year.

Total tomatoes juices: 38.46 litter per hour = 38.46 bottles of 1 litter per hour, (123 days x 8 hour per day = 984 hours) 38.46 bottles of 1 litter/hour x 984 hours = 37844.6 bottles of 1 litter per year.

Table 1 Production

Product	Number of cans
Broth	20359
Tomatoes juice	37845
Pickled cucumbers	5920
Pickled cabbage	8120
Assorted pickles	3160
Seedlings	2500*

Source: authors' calculations, *pieces

RESULTS AND DISCUSSIONS

This is a scenario about an investment in vegetables processing. The total value of investment is 1,175,523 lei, by which 60.8% bank loan and 39.2% European funds. To analyze investment efficiency, total incomes and expenditures from production activity, investment as expenditure, except European funds, were taken into consideration (Table 2).

The economic analysis of the indicators was made for a period of 5 years. In the first year incomes are the biggest as a result of investment. The total incomes for the 5 years are 3,841,978 lei of which 44.4% are income from the first year of activity. In terms of revenues, for the years 2-5 the income are constant and equal to 533,291 lei, which means 13.9% per year. The highest income are assured of selling broth and tomatoes juice, the proportion in total income being 8.33% broth and 18.8% tomatoes juice in the first year. Also for the next years (2-4) the proportion of incomes is 26.7%

broth and 60.3% tomatoes juice. Other incomes are from pickled cucumbers, pickled cabbage, assorted pickles and seedlings.

Table 2 Total incomes and investment (lei)

No.	Specification	Year I	Year II	Year III	Year IV	Year V	Total years I-V
I	Total incomes, of which:	1708814	533291	533291	533291	533291	3841978
1	Broths	142512	142512	142512	142512	142512	
2	Tomatoes juice	321679	321679	321679	321679	321679	
3	Pickled cucumbers	29600	29600	29600	29600	29600	
4	Pickled cabbage	24360	24360	24360	24360	24360	
5	Assorted pickles	12640	12640	12640	12640	12640	
6	Seedlings	2500	2500	2500	2500	2500	
7	Investment, of which:	1175523					
7.1.	Bank loan	715472					
7.2.	European funds	460051					

Source: authors' calculations

Table 3 Expenditures and loan (lei)

No	Specification	Year I	Year II	Year III	Year IV	Year V	Total years I-V
II	Total expenditure, of which	1646537	471014	471014	471014	471014	3530593
1	material	200371	200371	200371	200371	200371	
2	salary	116820	116820	116820	116820	116820	
3	amortization	71772	71772	71772	71772	71772	
4	other expenditure	9600	9600	9600	9600	9600	
5	interest	72451	72451	72451	72451	72451	
6	Loan	1175523					
III	Available cash	62277	62277	62277	62277	62277	311385

Source: authors' calculations

In order to analyze expenditures, consumption of materials, as operating capital, and fixed capital were studied. Expenses are 3,530,593 lei in the five years and are biggest in the first year as a result of investment. Anyway, starting from the second year to fourth ones total expenditure is the constant per year and equal to 471,014 lei. The highest expenses are the materials and interest. The operating expenses represent 12.16% from total expenses in the first year and 42.5% in each of 2-4 years.

The economic results of the associative unit are represented in Table 4. The total incomes obtained into scenario was making from sales and investment, as bank loan and European funds, the total incomes being 2,666,455 lei, total expenses were 2,355,070 lei, including credit and interest on the loan, which means a gross result of 311,385 lei. Annual incomes are 533,291 lei and annual costs are 471,014 lei, which means that the annual profit is equal to 62,277 lei. Therefore, the rate of profit calculated as ratio between gross profit and total expenses is 13.2% per year.

Table 4 Economic and financial results (lei)

No	Specification	Year I	Year II	Year III	Year IV	Year V	Total years I-V
I	Total incomes, by which:	533291	533291	533291	533291	533291	2666455
1	Broths	142512	142512	142512	142512	142512	
2	Tomatoes juice	321679	321679	321679	321679	321679	
3	Pickled cucumbers	29600	29600	29600	29600	29600	
4	Pickled cabbage	24360	24360	24360	24360	24360	
5	Assorted pickles	12640	12640	12640	12640	12640	
6	Seedlings	2500	2500	2500	2500	2500	
II	Total expenditure, by which	471014	471014	471014	471014	471014	2355070
1	material	200371	200371	200371	200371	200371	
2	salary	116820	116820	116820	116820	116820	
3	amortization	71772	71772	71772	71772	71772	
4	other expenditure	9600	9600	9600	9600	9600	
5	interest	72451	72451	72451	72451	72451	
III	Result	62277	62277	62277	62277	62277	311385

Source: authors' calculations

CONCLUSIONS

Investments in the production, processing and marketing of vegetables is not an easy business but involves efforts, adapting to consumer needs, knowing all the factors that can influence all activities. It takes decisions, which implies economic phenomena and processes, hence management, validity of decision, the state of the economic or financial situations, targeting competence which management offers. Study undertaken with reference to business processing vegetables attests this. It was found that the activity of production and marketing of processed vegetables have almost continuous character, which ensures permanent employment and increase performance on chain. The profit is 311,385 lei which means difference between incomes and expenditures (2,666,455 lei incomes and 2,355,070 lei expenditures). From economic point of view, the best results are obtained from broth 26.7%, and then 60.3% from tomato juice; pickled cucumber 5.5%, 4.5% pickled cabbage, assorted pickles 2.3%, 0.46% from seedlings. Also, the share of income is different in the first year of activity due of investment, the highest incomes being provided by broth and tomatoes juice (8.33% broth and 18.8%). This investment returns 13.2% of profit.

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