Boboc, Dan; Popescu, Gabriel; Stoian, Mirela; Lădaru, Georgiana-Raluca; Petrache, Dan Cosmin

Article

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BEST PRACTICES FOR INTEGRATING THE ROMANIAN SMALL FARMERS INTO THE AGRI-FOOD CHAIN

Dan Boboc¹, Gabriel Popescu², Mirela Stoian³*, Georgiana-Raluca Lădaru⁴
and Dan Cosmin Petrache⁵

¹²³⁴⁵ The Bucharest University of Economic Studies, Romania

Abstract
In the modern market economy, agri-food chains were imposed and strengthened due to unprecedented evolving recorded by supply and demand of food in recent decades, dynamic driven by market fragmentation, on the one hand, and specific processes of consumption and consumer emancipation, on the other hand.
The objective of the paper aims to bring to the fore the best practices for support the Romanian small farmers to facilitate their access to the market, which is often dominated by large distribution networks. Reality has shown that financial support is not enough, even if farmers use modern and efficient technological systems, and that it is a need for an efficient integration of small producers in the agri-food sector.
To highlight the best practices that can be used by Romanian small farmers were used information derived from: literature study on problems regarding the food sector; analysis of studies conducted by the consulting companies specialised in this field; analysing the consequences of recent legislation concerning the marketing of food products, namely its implementation in our country, especially in terms of small agricultural producers and their access to the Romanian market.

Keywords: best practices, agricultural producers, retail, agri-food chain

JEL classification: M11, O11, O13, Q13

Introduction
Currently, the globalization exerts a pressure on food organisations and their specific ways to interact, including the inside of the agri-food sector. If a few decades ago supply chains and thereafter food chains acted autonomously and independent, currently are established interconnections and complex relationships, inside and outside the chains, both at the level of its components and their assembly level.

* Corresponding author, Mirela Stoian – mirela.stoian@eam.ase.ro
Food markets exert an ongoing pressure on the agri-food chains, requiring innovation, effective management of flows and coordination. The supply is incessantly diversifying, competition is intensifying and in such a context, quality, price and especially quality / price ratio assume a greater importance. Due to the manifestation of all these phenomena, specific processes of development and integration of agri-food sector can be considered not only an opportunity / challenge to rural areas, but also a threat. Thus, regarding small farmers, whose resources are limited, including in terms of access to modern technologies and informations, their relationships with market may be substantially affected by major competitors who activate on the market. Distribution networks requests large and homogeneous lots, and continuous delivery, which often small farmers can not offer as requested.

Finding the most favorable solutions for integrating small producers in the agri-food sector is an important challenge of the current period. In our country, land ownership atomization of the 90s led to the emergence of numerous food suppliers that initially were oriented to street markets and fairs, adding them later with an alternative form of distribution, the wholesale. Thus it emerged and developed a new entity, the small distributors. In this background, the defining element of the food chain – the consumer, begun to orient the branch from the agri-food chain "production" according to its own requirements. Thus, it is observed a differentiation in purchasing options depending on many factors: age, consumption area (urban / rural), education level, purchasing power etc. These factors led to an increasingly obvious segmentation of the market and therefore consumption.

The present paper will refer the readers a set of theoretical aspects on the complex issue of food production chains, after which, following the analysis of Romanian food chains evolution, will inventory a set of best practices for the integration of Romanian small farmers in chains, which is so needed in the actual context.

1. Literature review

The need to ensure an appropriate food contributed to assuming specific roles in food production and distribution processes to the final consumer (Barrett, 2001). Given that, in any society, both the food availability and price are closely related variables to the political factor (Henson and Loader, 2001), not infrequently, imbalances in ensuring food needs have generated conflicts.

In the twentieth century, developed countries have achieved high performance in food production and distribution, which have helped to meet household demand, respecting also the quantity and quality criteria specific to each product / product group / segment of the market etc. (Vellema and Boselie, 2003), and many national strategies have increased the attention of commodities supply to the population. Unfortunately, developing countries recorded a poor performance of the agricultural sector in the 80s and, in this context, wider gaps from developed countries were produced at technical and economic levels.

In the first half of the last century food problems were mainly at quantitative level, as they aimed at satisfying the national demand. The solutions consisted of increasing production capacities and storage. In the 60s of the same century, with the increase in production needed to meet demand for the increasingly urban agglomerations – and not only – is imposed significant changes in route, flows and processes traveled by food to final
consumers. In such a context, analysis, planification and evaluation made at the chain level were absolutely necessary (Gittinger, 1972).

Agri-food chains (Figure no. 1) are important components of the agri-food sector, which reflects a specific socio-economic reality and involves a group of stakeholders and entities whose sole purpose is to satisfy the increasing and diversified demand for food in various markets.

The agri-food chain brings together several levels, the most important being: agricultural production; harvesting and post-harvesting activities; transport; storage; conservation; transformation/processing; distribution and consumption (figure no. 2). In the reviewed literature we find numerous approaches to the structure of the food chain, where the number and the specific entities and the relationships established between branches can differentiate, by product, sector production, spatial or temporal operation area etc. (FAO, 2010).

**Figure no. 1: The component entities of the agri-food chain**

*Source: FAO, 2010*
Figure no. 2: Agri-food chain – participants and processes

*Source: Luning, 2002, p.74*

We believe that the adoption of best practice systems for production and management of systems for monitoring the technical and economic results, with innovative approaches, will ensure the proper functioning of the agri-food chain, and implicitly market competitiveness. A proper collaboration between small farmers, food industry and the distribution network requires continuous learning, synergy, trust, compliance etc.

2. The evolution of Romanian agri-food chains

The analysis of the Romanian agri-food chains evolution in the last decade, aimed, primarily, the period between the timing of product councils to date, and reveals an important development of marketing activities, and particularly retail food in the overall context of retail sector development. As it can be seen from analysis of data listed in Table no. 1, retail with food products registered a significant growth in the 2008-2015 period, reaching a value of 17.4 billion euros.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2008</th>
<th>2009</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total food retail (indicator value includes sales of non-food hypermarket, their share ranging between 10 and 20% of their total)</td>
<td>15.3</td>
<td>13.2</td>
<td>16.0</td>
<td>17.4</td>
</tr>
</tbody>
</table>

*Source: developed by authors based on data from the National Institute of Statistics, TEMPO-Online database*
We are also witness to a change in the structure of food retail, the weight of large sales areas registering a significant and continuous growth (table no. 2).

**Table no. 2: The structure of the food retail in Romania (%)**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional trade</td>
<td>59</td>
<td>58</td>
<td>56</td>
<td>53</td>
<td>50</td>
<td>49</td>
<td>48</td>
<td>45</td>
</tr>
<tr>
<td>Modern trade, which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The main players (hypermarkets, supermarkets, minimarkets, discounters and cash &amp; carry)</td>
<td>41</td>
<td>42</td>
<td>44</td>
<td>47</td>
<td>50</td>
<td>51</td>
<td>52</td>
<td>55</td>
</tr>
<tr>
<td>Other retailers (gas stations, retail sales of cash &amp; carry networks, estimated at 10-20% of their total; other smaller international traders)</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>7</td>
<td>8</td>
</tr>
</tbody>
</table>

*Source: Ardelean, 2016*

The sales of the "main players" as outlined in Table no. 2 evolved in the same period, from 2008 to 2015, from 5.2 to 8.2 billion euros (Table no. 3), the average annual growth being of around 7%.

**Table no. 3: Sales development of the biggest players in food retail in Romania (billion euros)**

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>The main players (hypermarkets, supermarkets, minimarkets, discounters and cash &amp; carry)</td>
<td>5,2</td>
<td>4,7</td>
<td>5,1</td>
<td>5,4</td>
<td>6,0</td>
<td>6,6</td>
<td>7,1</td>
<td>8,2</td>
</tr>
</tbody>
</table>

*Source: Ardelean, 2016*

Modern food trade (represented by hypermarkets, supermarkets, minimarkets, discounters and cash & carry) grew in Romania in recent years at the expense of traditional trade. Our country joins neighbouring countries and beyond, as it can be seen from the data analysis presented in Table no. 4. In the first quarter of 2016, Romanians have bought food from: hypermarkets 29%; supermarkets 17%; minimarkets 2%, discounters 11% and cash & carry 1% (Vaschi, 2016).
Table no. 4: Food retail structure in 2015 in Romania and other European countries (%)

<table>
<thead>
<tr>
<th>Specification</th>
<th>Czech Republic</th>
<th>Slovakia</th>
<th>Hungary</th>
<th>Poland</th>
<th>Romania 2015</th>
<th>Romania first quarter 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modern trade, which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hypermarket</td>
<td>69</td>
<td>66</td>
<td>62</td>
<td>71</td>
<td>55</td>
<td>60</td>
</tr>
<tr>
<td>Supermarket</td>
<td>33</td>
<td>27</td>
<td>24</td>
<td>14</td>
<td>27</td>
<td>29</td>
</tr>
<tr>
<td>Minimarket</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Discounters</td>
<td>18</td>
<td>14</td>
<td>18</td>
<td>26</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>Cash &amp; Carry</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Traditional trade</td>
<td>31</td>
<td>34</td>
<td>38</td>
<td>29</td>
<td>45</td>
<td>40</td>
</tr>
</tbody>
</table>

Source: Vaschi, 2016

We believe that, in the context described above, which has generated a differentiation of purchase options, supplying the food in the European Union (EU) also from other countries has led to a greater diversification of supply, which has created a strong pressure on local producers of food, who are in increasingly fierce competition with foreign competitors. The context was in favor of foreign investments specific to the free market, retail over large areas (or the great distribution), represented by multinationals, in which for years some local products (fruits and vegetables, for example) hold decreasing shares in sales.

The effects of expansion and diversification of food supply on the production branch have created a series of transformations in the chain that will bring the consumer in a situation of increasing comfort and safety. This is due to the appearance of some quality filters at purchasing goods from large retailers, led by authorisation requirements according to international standards of quality suppliers, namely to have quality certification (ISO 9000). Also, sales in large stores, provides a grouping of products families, classes and categories (ultra fresh, fresh, frozen, dried, etc., for example), which facilitates the consumer choice. On the other hand, manufacturers have been forced by the market to calibrate, prepackage and offer merchandise on different quality categories and, very importantly, mandatory taxed. This had the immediate effect of taxing the agri-food economy, with beneficial influence on the state budget, but also on upstream and downstream distribution companies, which were able to deduct expenses in a legal financial mechanism. Thus it were created the premises for the reorganisation of small farmers and their transformation into farmers or businesses able to access various forms of government support or European funds. Other effects of this important transformation mechanisms were reflected in cost reduction in the domestic farms, which led to increased competitiveness of Romanian products.

We believe it is time the local agro-food sector to be “forced” to make the transition from the initial form of organisation to a more complex implementation of market measures, and
running in a similar way to stock exchanges dynamic. Thus it is reinforcing the first segment of the food chain, the one of "pre-production" that will be decisive in ensuring balance in the sector and will act as a relief for the contradictions that arise between segments production / processing and processing / distribution ones. On this background, formed in the pre-accession of our country to the EU, the new-formed Councils on the product, have evolved and turned into "interbranch organizations", with extended structures aggregating all chain: pre-production, production, processing and distribution, plus related activities (inputs upstream: fertilisers, additives, packaging, research area represented by: research stations, higher education companies specialised in intra and extra community trade; companies to promote products etc.) (Order no. 1446/2014, Order no. 269/2011, Order no. 160/2011, Order no. 101/2011, Order no. 99/2011, GEO no. 103/2008, Ordinance no. 55 / 2000). This process of consolidation can contribute significantly to maintaining the marketing of domestic producers.

It therefore finds that by building and strengthening the product pathways were created the premises and the organisational environment for crossing subsistence households to legal entities, and to stimulate the association. But things are still at the beginning and must be complemented with government support, generated in its turn by agricultural policies, legislative and fiscal facilities able to provide support to domestic producers in the competitive market in which the adjustment process can be lengthy.

The causes for the heavy adaptation can be both objective: differences in rural-urban areas, migration of labor to urban, poor training of rural inhabitants, the rate of getting old; and subjective: fear of association, local corruption phenomena, all summed leading to slowness of the implementation of market mechanisms in the segment "production" of the sector.

In this specific context intervenes the "preproduction" segment of the chain. That is, given that in the vast distribution is found in recent years that more than 2/3 of fruits and vegetables, but not only, offered in the EU and other countries, the question arises: what are the causes? And so it is a new contradiction in the sector, apart from the classical producer / processor and processor / distributor: a contradiction within the segment "distribution", between the local producers and major distribution chains. And how this dispute is manifested through free market mechanisms in which the consumer is the main actor and where the price is determined by supply / demand balance, the two major entities were grouped in Association of Major Retailers in Romania (AMRR), on one hand and Interbranch Organizations in the Agricultural Products (IOAP), on the other hand.

We consider therefore that the development and maturation of agri-food chain, which represents more than half the actors in the production for each product, could create a significant force of negotiation in the market, able to decipher shortcomings and to find practical solutions to support domestic production.

And as any contradiction may become a factor of progress by stimulating finding solutions, IOAP found at least two directions to improve its presence in the distribution segment, namely increased productivity and increasing pressure on the vast distribution within purchase. On the other hand, equally legitimate is the AMRR approach: vast distribution is only a trader in a free market where EU products are not counted in import but to intra-Community trade, and besides the price offered by the provider to purchase, is requested amount, continuity in quality and delivery.
In this context, to stimulate Romanian food production chains, at the intervention and under IOAP pressure, the regulatory mechanisms involved segment “preproduction” at parliamentary level by the Committee on Agriculture, which provided a valuable tool for OIPA, Law 150 / 2016 amending Law 321/2009 on food marketing through large retail – appearing obligation to take a minimum of 51% of Romanian products – fruits and vegetables, along with other commercial regulations. This market measure imposed legislative and immediately effective, with the desire to be an incentive for local production by forcing its application immediate, despite the generosity of support for local products, has created huge tensions in the market by disrupting specific mechanisms, but paradoxically had effects also inside Romanian agri-food sector. There were created, in fact, prerequisites for depth research in every chain to find the causes, and obviously to formulate appropriate solutions.

Thus, it is found a strong polarisation of the actors in the segment "production", which led to contradictions between the major manufacturers – most advantaged by the legislation, on the one hand and small producers, on the other hand. The latter, not having significant power production, does not have access to modern trade network, and especially in hypermarkets, still having the only alternative to become suppliers to large manufacturers. Consequently, for small farmers the price will not be dictated by supply and demand in the market but the major manufacturers. But this contradiction can become a factor of progress, through the intervention of the regulatory mechanisms of the department "preproduction" and all appropriate agricultural policies. Starting from the case which gave rise contradiction, namely the polarisation of producers in the sector, are created preconditions for a real revival of domestic production: support smallholders in their attempt to become legitimate providers in the great distribution. Thus will appear the premises for solving the potential contradictions arising within the agri-food sector.

3. Best practices for integrating the small farmers into the agri-food chains

Proper functioning, accountable and performance of the agri-food sector requires a comprehensive approach. We appreciate that stimulating local production, local and regional economic development involve the establishment and functioning of organizational and administrative entities that facilitate market access for products produced on small farms. Add that it is required a reshaping of information flows and relationships established between different actors of the market, so that small producers in the composition of the new models to have a place and a role determined with precision. Also operation in the agri-food sector performance requires consideration of an increasing number of consumers concerns regarding the safety and quality of food; production methods and technologies used; quantities of waste resulting from the processing of agricultural raw materials; genetically modified organisms; traceability and others (Humphrey and Oetero 2000 Omta, 2001; Maican, 2015).

Currently, large chains of modern retail develops strategies and specific projects to encourage the Romanian products, and own brands also, but they are not sufficient to ensure performance in all branches of the food chain in general and for small farmers in particular.

In our view, powerful integration of small agricultural producers in the Romanian agri-food sector can be supported by implementing the following best practices:

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a) product councils

Since 2005, it began to coalesce early forms of organization of local producers in the so-called "product councils" entities, capable of interacting with competitors abroad and having at the same time, legitimacy in front of the authorities (Ministries of Agriculture, Finance, European Funds, Trade, etc.) and have points of view that matters at both governmental and market levels (Order no. 1282/2005, Order no. 1289/2005);

b) branch organizations

Compared with the product councils, which were the first associative forms and meant the active germ for food production chains - the interbranch organizations Products (OIPA) are structures that actively participates in drafting laws and regulations. They are created as the vector of cooperation, so hard to identify.

The advantages of this form of organization can be found in: food business financing schemes; wide circulation of information on specific areas; participation in the lawmaking process; harmonisation of relations in the pre-production chain, all of which are forming the mechanisms for regulating the sector. Faced with these important advantages, more and more small and middle producers are attracted to the benefits of presence in the market, but to become a part in the decision to vote, they have to be part of regional organizations of producers;

c) producer groups

Producer groups can play an important role in the planning of agricultural production to adapt it to the quantitative and qualitative market requirements. They can also facilitate the supply of inputs and can make a significant contribution to the marketing of products produced by farmers as advantageous as possible for them.

Advantages of a producer group are many for the component entities, among these are: better management of production costs; enabling the exploitation of large areas of land and, therefore, application of modern technologies, performance; improving communication; greater bargaining power; accessing European funds or, where appropriate, bank loans; production promotion etc.;

d) storage, sorting, packing and marketing cooperatives

Given that the market calls for a constant supply from the point of view of accessing them throughout the year, and in terms of quality standards, production sale made by small producers is a challenge in many cases. Consequently, providing conditions for storage and subsequent sorting, conditioning, packaging etc. is a necessity;

e) organic farming and traditional production

Both in modern trade and in the traditional one, is an increasing demand for quality products, for products certified organic by default, and for the traditional ones. Small producers can capitalise in terms of efficiency these two market segments with significant potential for growth, which we can highlight through the indicator “number of operators certified in organic farming”, which was raised from 3155 to 12231 in the period 2010-2015 (MARD, 2016);
f) European funds for agriculture

National Rural Development Programme (RDP) 2014-2020 includes a total of 15 funding measures and is primarily aimed at bridging the gaps that currently exist between agriculture practiced in Romania and the EU member countries. The budget allocated RDP 2014-2020 is worth 9.85 billion euros (RDP, 2016).

g) proposing regulatory interventions inside chains, which can be materialised in creating agri-food economic entities

In our opinion, the new agri-food entities, may initially have state capital, and in their composition should be included a specialist with technical training, able to assist a larger group of small producers and a specialist with economic training, able to search the market and recommend cultivating varieties required by the market in general and retail trade network in particular. A minimum endowment of such a center with a space equipped with means of sorting and wrapping can be conducive to a finished product marketable and compatible with products from outside Romania. Also, the products unused fresh and highly perishable (fruit, vegetables) can be processed in these centers. In addition, it will be solved other two hotspots of the agri-food sector – goods moving under taxed and small producers can coagulate around this structure for association and cooperation, bringing efficiency and rural empowerment. After gathering in associative forms and transforming them into businesses, these centers can be leased from the state by the associations, entering to their own patrimony.

We appreciate that these new economic entities are the best possible practice today, the priority purpose of their implementation being represented by easier access to food chains of small producers. In fact, the new entities can implement best practices and all the above. Also we appreciate that these entities represent also a novelty in the domestic agri-food sector.

Conclusions

The aim of this work was to bring to the fore how support should be implemented for Romanian small agricultural producers to facilitate their penetration on the agri-food chains. From those specified in the work it is showed that there are not sufficient only financial forms of support for productions performing, assuming that they correctly manages production technologies. What they lack is precisely the relationship / collaboration with upstream production or preproduction and the downstream, the relationship with the distribution segment.

Implementing best practices such as product councils; interbranch organizations; producer groups; cooperatives storage, sorting, packing, marketing; organic farming and traditional production; European funds for agriculture can contribute to the integration of Romanian small farmers in agri-food sector.

We consider that in this context it can be made a strong development, in accordance with the market economy principles of the whole agri-food chain and it can be diminishing the contradictions between domestic producers and distribution, which will have benefic effects on the entire Romanian agri-food economy.
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ORDIN nr. 160/2011 privind recunoașterea Organizației interprofesionale pentru carne de pasăre, ouă și procesate din acestea ca organizație interprofesională pe filiera "carne de pasăre, ouă". Bucharest: Ministerul Agriculturii și Dezvoltării Rurale.


REGULAMENTUL (UE) NR. 1308/2013 AL PARLAMENTULUI EUROPEAN ŞI AL CONSILIULUI din 17 decembrie 2013 de instituire a unei organizaţii comune a pieţelor produselor agricole şi de abrogare a Regulamentelor (CEE) nr. 922/72, (CEE) nr. 234/79, (CE) nr. 1037/2001 şi (CE) nr. 1234/2007 ale Consiliului.
