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# OPPORTUNITIES AND ADVANTAGES OF THE ASSOCIATIVE FORMS IN AGRICULTURE

ȚÎNȚARCU GABRIEL<sup>1</sup>

## Abstract

*Setting up of agricultural producers in associative forms open up opportunities for the economic development of their activities, by attracting local or regional advantages and using collective power to increase the prosperity of members, their families and communities they belong to. Associative forms are founded to function on democratic principles valid for all members. The first forms of association in the rural areas in Romania have arose while introducing the modern cooperative principles materialized by Ion Ionescu de la Brad (1818 - 1891), economist, statistician, agronomist, prominent representative of Romanian agricultural sciences and famous politician from that time. The members of associative forms, in any form of organizing they belong to (associations, cooperatives or producers groups), have established democratic rights. Agricultural cooperative is an autonomous association of individuals and / or legal persons, with private legal entity status, established on the freely expressed consent of the parties, to promote the interests of cooperative members. Producer groups can be established for marketing of vegetable, animal, or forestry products. The association is the legal entity consisting of three or more persons, who according to an agreement, put together without the right to return the material contribution, knowledge and their contribution to labor, for the achievement of activities for the public, community, or personal interest.*

**Keywords:** agriculture, associations, cooperatives, producers groups, advantages

## INTRODUCTION

Increasing competitiveness in agriculture is conditioned by the market capitalization of some agricultural products suitable qualitatively and quantitatively. The key is in the hands of farmers who can join. Thus, adapting production to market requirements can be significantly accelerated.

Joining of farmers into associative forms opens up opportunities for economic development of their activities, by attracting local or regional advantages and use of collective power to increase the prosperity of members, their families and communities they belong. Due to concentration or development strategies, farmers must choose how to act better to make viable agricultural holdings, profitable, resistance to competition with markets and efficiency in accessing financial funds.

The first forms of association in rural areas from Romania have emerged with the introduction of modern cooperation principles materialized by Ion Ionescu de la Brad (1818 - 1891), economist, statistician, agronomist, prominent representative of Romanian agricultural sciences and famous Romanian politician from that time.

## MATERIAL AND METHODS

This paper studies the opportunities and advantages of associative forms in agriculture, meaning agricultural associations, cooperatives and producers groups.

Association is the legal entity, consisting of three or more persons, who according to an agreement, put together without the right of restitution the material contribution, their knowledge and contribution in work, for making activities in the public interest, community, or, where appropriate, for their personal interest, non-patrimonial. Associations of producers in the agriculture of our country establish and function according to G.O. 26/2000.

Agricultural cooperative is an autonomous association of individuals and / or legal, by case, as a legal private person, formed on freely consent expressed by parts to promote the interests of cooperative members.

Producer groups may be set up for marketing vegetal, animal or forestry products.

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## RESULTS AND DISCUSSIONS

Romania has the largest number of subsistence farms in Europe and most of the farms in our country, 99.2% of the total, are individual subsistence farms (individual agricultural holdings, freelancers, individual or family businesses). Only 31,000 (0.8%) are agricultural holdings with legal personality (autonomous administrations, companies or agricultural associations, trading companies, institutes or research stations and agriculture schools, local councils and other public institutions, cooperatives and other units ). The 31,000 farms with legal personality own however 44% of the agricultural area of the country.

Foreign investors already hold more than 700,000 hectares of arable land, about 8% of total arable land of Romania; in the top of European countries which own land in our country are Italy – with 25% of the over 700,000 hectares, Germany - 15% and Austria and Spain, with 6% each.

Associative forms with character of enterprise of social economy - companies, associations and agricultural cooperatives exploited 15.7% of the agricultural area of the country in 2002. After joining the European Union, their share dropped to 13.2%, according to agricultural census from 2010.

Extreme fragmentation of agricultural land in our country - divided into more than 3.8 million separate agricultural holdings, of which most of the areas under 1 ha - has transformed Romania in the country with the most agricultural holdings in the EU. (Table 1)

**Table 1 The main indicators at national level, following the legal status of agricultural holdings**

Indicators	Years	M.U.	Total agricultural holdings	Agricultural holdings without legal status	Agricultural holdings with legal status
Agricultural holdings	2002	th	4485	4462	23
	2005	th	4256	4238	18
	2007	th	3931	3914	17
	2010	th	3856	3825	31
Total area	2002	th ha	15708	8454	7254
	2005	th ha	15442	9886	5556
	2007	th ha	15265	9591	5674
	2010	th ha	15867	8488	7379
Utilized agricultural area(UAA) (including resting arable land)	2002	th ha	13931	7709	6222
	2005	th ha	13907	9102	4805
	2007	th ha	13753	8966	4787
	2010	th ha	13298	7445	5853
The average utilized agricultural area per one agricultural holding	2002	ha	3,11	1,73	274,43
	2005	ha	3,27	2,15	263,08
	2007	ha	3,50	2,29	270,45
	2010	ha	3,45	1,95	190,84

Source: INSSE

According to the Ministry of Agriculture data, in agriculture there were, in June 2012, 1192 associative forms (producer groups, associations, cooperatives).

Members of associative forms, whatever form of organization they belong to (associations, cooperatives or producer groups), have democratic rights and may permanently promote traditional and cultural values, helping to improve local and regional heritage. Belonging to an associative form helps reduce production costs (the most important advantage that a member of a group of producers has - for example, the group may purchase machinery and equipment that are shared by all members).

Exploitation of land located in an associative form allows application of modern, competitive production technologies, and waste management, in order to comply with environmental standards and biodiversity conservation that we have to keep accounting as member of the European Union. There is also the possibility of planning and changing the production

according to quantitative and qualitative demand of the market and easier access to European funds and bank borrowing.

Whatever form of association, it facilitates communication between farmers, on the one hand, and between their representatives and government institutions, on the other hand, the association representing a forum for discussion, exchange of opinions, solving problems of members, it provides possibilities for help each other, access to information; also, representatives of associative forms are a relevant partner for dialogue with the Ministry of Agriculture, in making decisions concerning farmers and their interests.

In the case of associative forms, negotiating capacity is increasing, in order to obtain better prices, both in the joint buying of inputs needed for production, as well as to sell products, by offering bigger quantities in high quality conditions. There is also an opportunity to promote more efficient the production, both in the internal market and on foreign markets.

These issues, on which of course can be added others, may result in conditions of highly competitive environment, the increase incomes of farmers, as well as awareness of them to their responsibilities which they have as factors with rights and obligations on the market.

The difficulties faced by small farmers, which justifies the need to associate, are determined by the difficult cooperation with providing services units, especially when the holding area is reduced, as well by the lack or poor development of marketing structures. Relations of association and cooperation are diversified by the variety of connections that are established between agriculture and other branches of national economy, as well as within the agriculture, among economic producers of agricultural inputs (seeds and planting material, animals, etc.) and storage, processing and selling agricultural products units.

Concentration of production in farms of optimal size, as well as diversification and specialization of agricultural production are closely related to the development of relations of association and cooperation over technology flows of production of raw materials, but also on the processing and marketing agricultural products.

### **Advantages of agricultural associations**

In terms of establishing an agricultural association advantages, they relate to:

- facilitating the access to private and public resources;
- facilitating partnerships between public authorities and associations;
- sustainable agricultural production;
- correlation between production level and products quality in line with market requirements, increasing production;
- improvement of the system information on supply and demand;
- development of food markets;
- promoting food products on national and international markets;
- ensuring equal rights for all members;
- protection of members' interests in their relations with government bodies and state administration;
- promoting practices and technologies that ensure environmental protection;
- providing advisory for association, management and marketing.

The law 566 of December 9, 2004 (with amendments) establishes the legal framework of the organizing and functioning of cooperatives in Romanian agriculture. The agricultural cooperative develops an economic, technical and social activity, for the provision of goods, services and employment exclusively or mainly for its members.

Domains and branches of activity of agricultural cooperatives are:

- provision of services;
- purchases and sales;
- processing of agricultural products;
- manufacturing and small agricultural industry;

- agricultural, forestry, fisheries land and livestock exploitation and management;
- financing, mutual assistance and agricultural insurance;
- other domains and branches of activity.

The agricultural cooperatives carry out with priority commercial activities, being producer of goods and services for their members.

The agricultural cooperatives are based on modern principles of cooperation, relating to voluntary and open association, democratic control of cooperative members in the cooperative, members economic participation, guarantee the autonomy and independence of agricultural cooperatives, guarantee education, training and information of members, provide cooperation among cooperatives, at national and international level, concern for sustainable development of communities.

#### **Advantages of agricultural cooperatives**

- the function mechanisms of cooperatives are based on modern cooperation principles, with a strong democratic character;
- fiscal facilities provided by state: agricultural tax exemption for agricultural cooperatives for the first 5 after establishment; access to subsidies and public funds as well as to external funds provided by the support program of Romanian agriculture; exemption from custom duties for the imports of tractors, cars and agricultural machinery, irrigation equipment and other such equipment used by agricultural cooperatives; agricultural cooperatives recognizing and assimilation by the Ministry of Agriculture as producer groups, to benefit of all rights provided by law;
- contribution to rural development by creating new jobs;
- engaging young people in a form of organized activity.

The economic advantages of farmers forming a cooperative are:

- reduce the number of intermediaries in the distribution chain of products;
- reduce the risk of not selling products;
- increase the influence of producer pricing in relation to buyers;
- ensure timely supply of raw materials necessary to produce quality at a reasonable price;
- ensures also timely, high quality raw material at reasonable cost;
- open new perspectives for producers, who can adopt new technologies (mechanization, planting material, etc.) that allow to move from traditional practices, to more productive.

Regarding producers groups, as required by law, membership of a group of producers may be acquired by any agricultural or forestry producer which meets the following conditions:

- legally owns a production base;
- declares in writing its intention to sell its own agricultural or forestry production within the group;
- sells, through the producer group, at least 75% of production for sale;
- respects and applies the rules adopted by the producers group on production and environmental protection measures;
- pay the financial obligation to the producers group.

Producers groups must ensure the planned production adapted to market demand, particularly in terms of quality and quantity. Also need to promote the supply and the marketing of products obtained by its members. Also the groups have the task of optimizing production costs and set prices to producer, but also to promote the use of cultivation practices, production techniques and waste management practices do not harm the environment.

### **Advantages of producer groups**

- the possibility of reliable commercial contracts;
- providing large quantities of homogeneous quality products;
- increase negotiating power and obtain better financial terms;
- ensuring products marketing;
- economic and technical advice provided by qualified staff engaged within the group;
- possession of the necessary equipment for sorting, packaging and storage of products;
- production planning, appropriate marketing, pricing by the producer;
- financial support provided by the European Fund for Agriculture and Rural Development (EFARD) in the National Rural Development Programme of Romania over 2007-2013;
- for the endowment with modern warehouses, sorting and packaging lines of products, producer groups can draw projects for financing.

### **CONCLUSIONS**

Romania has an important agricultural potential. Compared with the countries of the European continent, Romania is the ninth in the agricultural area, in the arable surface on the seventh, seventh place in the surface of the pastures and hayfields, fourth in population employed in agriculture. Given the size of agricultural area and its structure, soil and climatic conditions, the share population working in agriculture and agricultural potential available, Romania can be situated among European countries with the most attractive perspectives in the sector. Therefore, an important role must have, among others, the promoting of associative forms and partnerships.

There is a reluctance of farmers in the accession to association forms (associations, producer groups, cooperatives). The main reason is the lack of information, lack of involvement of local authorities, lack of awareness government programs for agricultural development, the measures by which to access grants, on the one hand, and a feeling of mistrust that generates disinterest, on the other.

Through the National Rural Development Programme, under Measure 142 on the establishment of producer groups, encouraging the setting up of producer groups in agriculture and forestry, to obtain quality products that meet EU standards by applying unitary production technologies and supporting market access of their members.

Setting up agricultural producers in associations form opens opportunities for economic development of their activities by attracting local and regional advantages and use the collective power to increase prosperity of the members, their families and communities they belong.

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