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ASSOCIATION AND COOPERATION IN AGRICULTURE IN ROMANIA – REGIONAL ANALYSIS

ABSTRACT

Agricultural cooperation is a paradoxical and recurrent issue in Romania. Although we have a centuries-old experience in the existence, organization and functioning of various forms of mutual aid and a number of people of Romanian culture who have propagated cooperative ideas over time, cooperatives, agricultural cooperatives in particular, have generally shown a weak evolution as compared to expectations. In recent years, efforts to stimulate the emergence and development of cooperatives have been intensified by the state and various international donors and there are signs that interesting developments were noticed regarding the increase in the number of cooperatives registered at the National Trade Register Office (NTR). But how functional they are or what are the problems faced by the newly established entities, we can only find out through a detailed research within the Nord-Est Development Region of Romania.

Key words: agricultural cooperatives, regional analysis.

JEL Classification: Q13, R1.

1. INTRODUCTION

Economic growth does not automatically ensure human prosperity, and the introduction of a feedback-generating corrector, defined by the concept of quality of life, is needed. Quality of life indicators have a complex structure combining, as a rule, a status indicator and an indicator of the evaluation criteria on human needs and aspirations. By their nature, quality of life indicators can be: indicators of the natural environment, social indicators and economic indicators. According to their character, we distinguish: indicators of needs and aspirations, indicators resulting from relating the status level to need, indicators of perceived quality of life, indicators of critical symptoms of quality of life respectively (Vert, 2001: 122). There are reference synthesis studies on the quality of life in Romania at national and regional level (Zamfir, 2017; Anghelache *et al.*, 2006; Mărginean I., 2013) and its dynamics over time (Precupețu *et al.*, 2007).

Although it is known that cooperative organizations have a positive impact on the quality of life of their members, and also on the inhabitants of rural areas contributing to the diminution of socio-economic inequalities (Petrescu, 2013), unfortunately, few studies analyse in detail, locally or regionally, in rural areas, the impact of association and cooperation actions on increasing incomes, reducing unemployment, increasing the inhabitants' quality of life, although the share of people at risk of poverty or social exclusion is almost double compared to the same share for the urban population. At the same time, development in rural areas must reach a multitude of interdependent levels (Moldoveanu *et al.*, 2015: 24). More and more Romanian specialists consider that the development of the associative and cooperative system, seen as a solution for increasing the bargaining power of agricultural producers and their better positioning in the value chain, can be one of the directions for increasing incomes and improving quality of life (Rusali, 2013: 124; Micu *et al.*, 2015; Bercu *et al.*, 2020; Florea *et al.*, 2020).

In 2015, the thematic paper no. 17, developed under the auspices of the Ministry of Agriculture and Rural Development (MARD), through the National Rural Development Network (NRDN), drew attention to the fact that low productivity, low investment capacity and poor access to markets are the causes that determine association in agriculture to become almost the only solution to support small producers (NRDN, 2015: 3).

Recent studies show that in recent years, the number of newly established agricultural cooperatives in the country has increased (Bercu *et al.*, 2020; Florea *et al.*, 2020). As it results from the latest report of the Romanian Centre for European Policies (RCEP), entitled *Evolution of the agricultural cooperatives sector in Romania in the period 2017–2020* (Toderiță *et al.*, 2020), compared to 2017, the sector increased by over 40%, and compared to 2014, the number of agricultural cooperatives in Romania doubled. But how functional the existing agricultural cooperatives are or what are the problems faced by the newly established cooperatives, we can only find out through a research at regional and local level. Such an approach is the one proposed in this paper.

2. STATE OF KNOWLEDGE

The issue of association and cooperation in agriculture is an extremely important one for Romania and our efforts to study and understand national, regional and local specificities date back more than 25 years. We started by studying cooperative models and systems in the world (Dobay, 1994a), the history of Romanian cooperation (Dobay, 1994b; Dobay 1995, Dobay, 1996), how marketing cooperatives can be set up and operate (Bohatereț & Dobay, 2001), which we strongly promoted with the support of the United States Agency for International Development (USAID) in the Romanian Agribusiness Development Activity (RADA) project (Apetroaie & Dobay, 2020: 375-378); we then participated, in 2002,

at the elaboration of the initial draft of the Law on Cooperation (Dobay, 2002). We have studied various forms of formal or informal association in the local rural area, following their evolution over time (Dobay, 2001; Dobay & Sabates-Wheeler, 2004; Agarwal *et al.*, 2021). We also tried to explain the poor performance of our agricultural cooperative system by the influence of national cultural values (Talmaciu *et al.*, 2017; Talmaciu & Dobay, 2018).

Although the need for association, as a solution to solve the structural problems of Romanian agriculture, has been widely debated over the years, developments in this direction have been more than unsatisfactory, so that at the beginning of 2015 there were only 743 agricultural cooperatives in the country, out of which a quarter in the Nord-Est Region of Romania. Half of the 181 cooperatives existing in the region in 2016 were not active, that is they did not submit a balance sheet for 2015, stated that they did not carry out activities, were going into liquidation or suspended their activity (Talmaciu *et al.* 2017: 16).

In recent years, the number of agricultural cooperatives registered with the National Trade Register Office (NTRO) has increased. A series of international projects, which aimed at stimulating the establishment of agricultural cooperatives in Romania, were completed (CoopNet program, New Crops project) and the favourable institutional framework was created for their development (CoopNet network).

In addition, through the AGRICOOP project, financed by EAFRD, which has been implemented since 2019, it is intended to facilitate the establishment of 350 associative forms and at least 8 producer groups at national level (<http://www.agricoop.ro/project/>).

Experience so far has shown that it is very difficult to follow what is really happening in the activity of agricultural cooperatives and that is why it is necessary to deepen the analysis at regional and local level.

3. MATERIAL AND METHOD

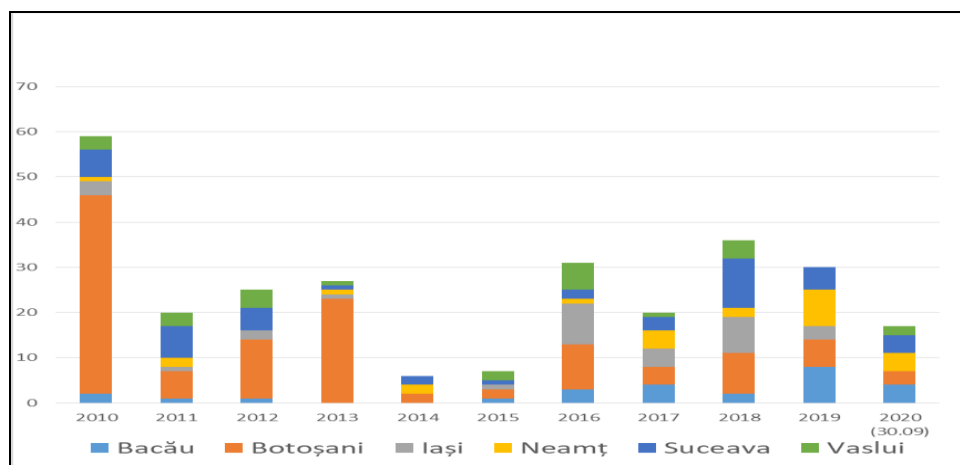
In our approach, we used the comprehensive research method (quantitative and qualitative analysis) to collect data, process information and present the results obtained. In order to analyse the evolution of agricultural cooperatives in the Nord-Est Region of Romania, in the period 01.01.2010 – 30.09.2020, we went through the following steps: (1) we extracted from the NTRO database all the registrations of agricultural cooperatives in the counties of the region, for the investigated period; (2) we consulted the website of the Ministry of Public Finance (MPF) for the identification of agricultural cooperatives in each county, to find out the full name, unique identification code, NACE (statistical classification of economic activities in the European Community), year of establishment, years of economic activity; (3) we also queried the Topfirme.com website for detailed information and to have a double check for the data on turnover, average number of employees and registered incomes; (4) we centralized and processed data at county and regional

level; (5) for Iași county, we completed the data with the support of Iași County Agriculture Directorate (CAD Iași), which provided additional information such as: contact details, current situation of the cooperative's activities, as well as other relevant information for our study.

4. RESULTS AND DISCUSSIONS

Analysing the registrations of agricultural cooperatives, according to the NTRO database, for the reference period, we found that we have 278 cooperatives in total established in the region, out of which most cooperatives (59) were established in 2010, (36) in 2018, (30) in 2019 (Figure 1). In the year 2020, by September 30, only 17 cooperatives had been established. By counties, we have 122 in Botoșani, 47 in Suceava, 32 in Iași, 26 in Bacău and Vaslui, and 25 in Neamț respectively.

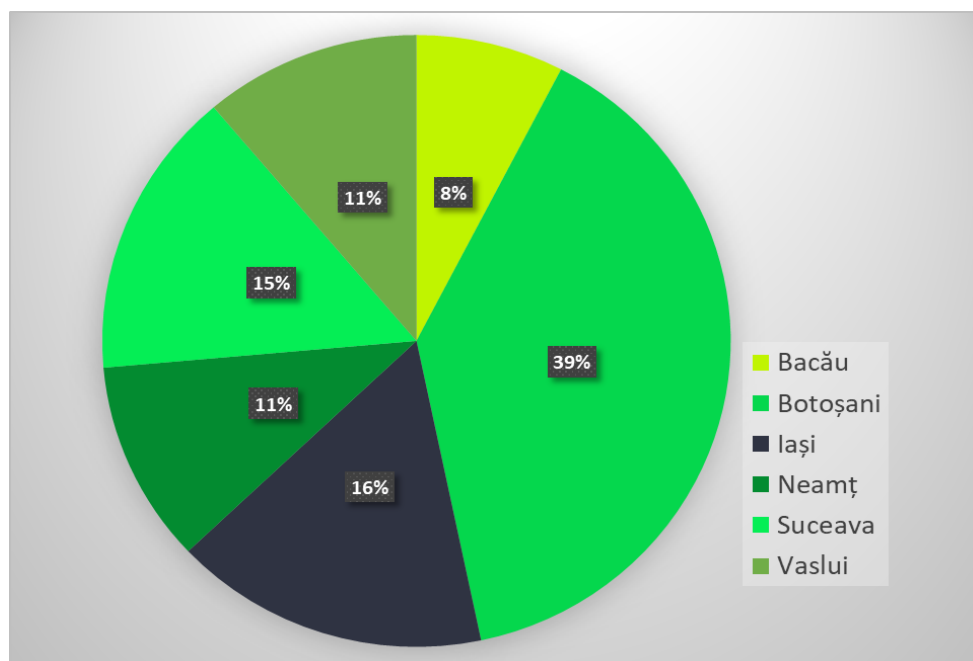
Based on the data collected from the Ministry of Public Finance website, through a bottom-up approach, looking for information at the level of each county in order to nominally identify agricultural cooperatives, one by one, completed with information provided by CAD Iasi, we had a number of 197 agricultural cooperatives sampled in the region. Subsequently, we analysed these 197 entities in detail to get information on their activity.



Source: NTRO data processing

Figure 1. Agricultural cooperatives registered at NTRO in the period 01.01.2010-30.09.2020, in the Nord-Est Region of Romania

As it can be seen from Figure 2, most agricultural cooperatives are located in Botoșani county (77), followed by Iași (32), Suceava (30), Vaslui (22), Neamț (21) and Bacău counties. (15).



Source: <https://mfinante.gov.ro/ro/web/site/info-pj-selectie-nume-si-judet> (26.11.2020) and CAD Iași database (latest update December 2020)

Figure 2. Distribution of agricultural cooperatives by counties

Analysing the 197 agricultural cooperatives, we found that the average duration of their operation is 2.37 years, the cooperatives with the longest lifespan being generally found in Botoșani and Suceava counties.

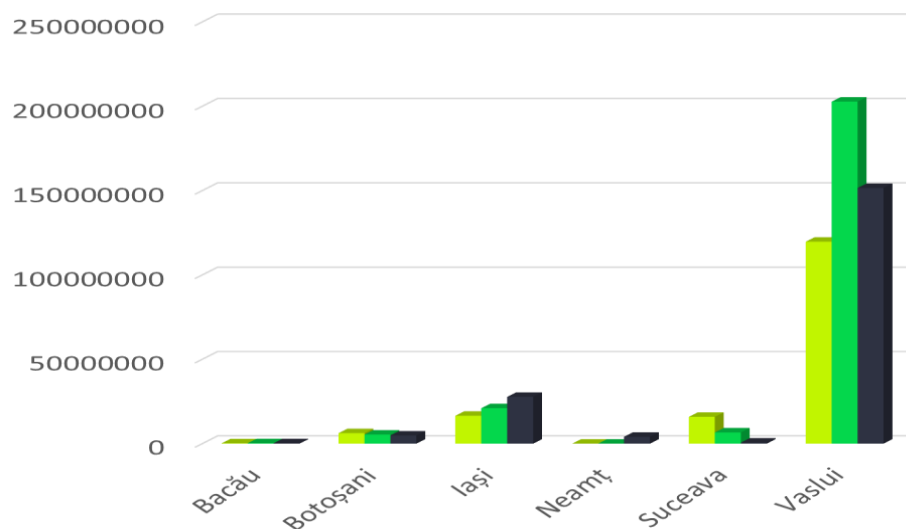
Table 1

Average operating time of the analysed agricultural cooperatives
(from the date of establishment until the submission of the latest balance sheet)

County	Years of operation (average)	Share of units that have never functioned (with submitted balance sheet)	Share of newly established units (2019-2020)
Bacău	1.69	31%	20%
Botoșani	4.29	30%	3%
Iași	1.72	37%	9%
Neamț	2.21	53%	33%
Suceava	4.28	17%	7%
Vaslui	1.73	45%	0%
<i>Nord-Est Region</i>	2.37	35%	12%

Source: authors' calculations based on NTRO, MPF and CAD Iași data.

It is worrying that a large part of the analysed economic units, 35% on average per region, have never submitted a balance sheet, i.e. they have not functioned at all in accounting terms or have submitted a statement that they have not carried out any economic activities (Table 1). Regarding the entities established in the last 2 years (2019 and 2020), the average is 12% at regional level, this share being quite low compared to the expectations created by the favourable situation for the relaunch of the cooperative movement in Romania (legislation, large projects intended to promote the establishment of agricultural cooperatives, state funding, interest from producers, experience in operating cooperatives set up with the support of international donors, etc.). At the level of the analysis performed, it was found that the turnover of the whole region, for 2017, amounted to 158 million RON, to increase to 236 million in 2018, and to decrease afterwards, in 2019, to 189 million RON (Figure 3).



Source: authors' calculations based on MPF data for cooperatives with submitted balance sheet in the year 2019 until the latest database query (26.11.2020)

Figure 3. Turnover of active agricultural cooperatives with submitted balance sheet (2017, 2018, 2019)

By counties, the highest values were found in Vaslui County, so that practically 78% of the entire turnover of the region was generated by a single cooperative. Of the active cooperatives analysed (66), 34 submitted a balance sheet with zero turnover for 2019, accounting for half of them. So, if we refer to the total number of investigated agricultural cooperatives, 197, it turns out that only 16.2% generated the entire turnover of the region.

Another observation was related to the revenues registered for 2019. If the total turnover for 2019 was 189 million RON, the revenues were 192 million RON.

There were also situations in which the cooperative had zero turnover, but incomes are still recorded. This indicates that some agricultural cooperatives managed to attract or access funds, even if they did not generate income, although they were established as autonomous associations with an unlimited number of members, with variable capital, which carried out an economic, technical and social activity in the interest of their members and for economic purposes (Law no. 566/2004, art. 3).

In 2019, the highest turnover was registered in the following fields of activity: wholesale trade of fruits and vegetables, wholesale trade of cereals, seeds, fodder and raw tobacco, cultivation of seeds, activities in mixed farms and pig farming (Table 2).

Table 2
Areas of activity with the highest turnover in 2019

NACE	Number of agricultural cooperatives	Turnover in 2019 (RON)
Wholesale trade of fruit and vegetables	4	152,694,723
Wholesale trade of cereals, seeds, fodder and unprocessed tobacco	6	8,358,592
Cultivation of cereals (excluding rice), leguminous and oilseed crops	7	2,969,287
Mixed farm activities (growing of crops and raising of livestock)	4	2,521,437
Pig farming	2	2,095,829
Sheep and goat farming	2	466,308
Cultivation of vegetables and melons, roots and tubers	2	428,863

Source: authors' calculations based on MPF data for cooperatives with balance sheet submitted for 2019 until the latest database query (26.11.2020)

Experience so far has shown that it is very difficult to keep track of what is really going on beyond statistics. As we found out analysing the evolution of various formal and informal groups in Iasi County over time, in an international project carried out in 2 phases (2003–2004 and 2016–2020), in fact there is much more cooperation in agriculture than we expected, but it comes under many different forms. Usually, the collaboration is based on kinship, friendship or neighbourhood relations and is driven, over time, by existing tax facilities and opportunities, the system being quite resilient from this point of view (Agarwal *et al.*, 2020).

As it results from the latest RCEP report (Toderiță *et al.*, 2020), there are clear signals that, at country level, the sector is developing because, compared to 2014, the number of agricultural cooperatives has doubled. At the same time, the authors of the respective report mentioned that the Local Action Groups supported the formation of cooperatives in areas with high value added: horticulture, animal husbandry, beekeeping, etc. In Iași county, for example,

3 agricultural cooperatives (2nd grade Agricultural Cooperative Moşna, 1st grade Agricultural Cooperative Ecoleg Târgu Frumos, 1st grade Agricultural Cooperative Agro Vert Aroneanu) managed to access European funds for significant investments in agricultural holdings and agro-processing (sub-measures 4.1 and 4.2) (information provided by CAD Iaşi on the situation of cooperatives submitted on 02.12.2020).

There are also other opportunities that agricultural cooperatives can benefit from, such as: tax facilities, guarantee funds for bank loans, microfinance and financial services for cooperatives, sustained advisory activities and favourable legislation.

5. CONCLUSIONS

From this preliminary analysis (without claiming to be exhaustive), we can notice certain trends at regional level, (at least partial) conclusions can be drawn, but there are also emerging questions such as: What is the source of income of agricultural cooperatives with zero turnover and recorded income or in cases where income is higher than turnover? Why is there such a high share of cooperatives that do not carry out any activity (zero turnover, statement that they have no activity or no balance sheet submitted)?

In order to have a clear permanent image of the situation of agricultural cooperatives in Romania, more transparency is needed. From this point of view, we consider that the provisions of Law no. 265/2020 for the amendment and completion of Law on agricultural cooperation no. 566/2004, in force since November 23rd 2020, are quite opportune. According to this law, for an agricultural cooperative to be considered active, it must have had a turnover or employees at any time during the reference period. At the same time, the National Register of Agricultural Cooperatives is updated, administered and published by the Ministry of Agriculture and Rural Development on the institution's website, based on data provided by NTRO. As we have mentioned at the beginning of this paper, our interest in this topic goes back to a long time ago and we believe that at least some of our results may be helpful for those interested in how to stimulate the development of agricultural cooperatives in Romania.

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