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EVOLUTION AND STRUCTURE OF AGRICULTURAL COOPERATIVES IN ROMANIA

ABSTRACT

The organization of farmers into agricultural cooperatives opens up new economic development opportunities by attracting local, zonal or regional advantages and using collective power in order to increase the prosperity of members, their families and communities they are part of.

The present study is intended to be an analysis of farmers' agricultural cooperatives, starting from a brief foray into the literature, continuing with a review of the legislative facilities that emerged after almost 20 years from the Romanian revolution of December 1989, ending up with a mostly accurate picture of the current situation, based on official data for the period 2018–2020.

The results of the study reveal that at the end of the three years under investigation, less than half of total functional cooperatives submitted balance sheets, which means that only these cooperatives carried out an economic activity and less than half of these cooperatives that submitted balance sheet had profit.

Key words: agricultural cooperatives, economic development.

JEL Classification: Q01, Q13.

1. INTRODUCTION

In the year 2020, according to statistical data, Romania operated more than 12.8 million ha agricultural land, out of which almost 8.6 million ha arable land (NIS, 2022). The share of agriculture in Romania's GDP dropped constantly, to reach less than 4.4% of Romania's GDP, yet more than 21.4% of the employed population is working in the agricultural sector (NIS, TEMPO online). With 2.8 million agricultural holdings in the year 2020, Romania is the country with the largest number of holdings in the EU, with an average farm size of 4.4 ha. The existence of a large number of small farms holding 30% of the total agricultural land and of a small number of medium and large-sized farms that hold the remaining agricultural land area of the country result in the dual character of Romania's agriculture.

The organization of agricultural producers into various association forms, such as agricultural cooperatives, represents the levers through which these can join their forces to create organizational structures that take over the related functions of production, both from the upstream sector, such as financing, crediting, input procurement, etc., and from the downstream sector, mainly the marketing of production.

2. STATE OF KNOWLEDGE

There are several attempts in the literature to define the cooperative as an economic organization form. At the beginning, the cooperative was “an extension of individual farms” (Nourse, E.G., 1922), to become “an association of firms or households for business purposes” (Phillips, R., 1953), and later on “the cooperative association is an institution” (Helmberger, P., Hoos, S., 1962). More recently, certain authors define cooperatives as “a form of coalition among farmers with similar objectives” (Hueth, N., Marcoul, P., 2015).

The internationally accepted definition of cooperative comes from the International Cooperative Alliance (ICA): “a cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise” (ICA, 1995).

Cooperatives have a main role in improving farm sustainability. Through their close relations with their members, agricultural cooperatives can be key actors in the supply chains, helping farmers to change their farming practices and adopt more sustainable practices. Farmers need to produce in a sustainable way, “reconciling all dimensions of sustainability, namely economic, environmental and social” (Candemir, A., Duvaleix S., Latruffe, L., 2021).

Farmers tend to be more confident in the cooperative phenomenon, given that their confidence was deeply affected by the experience of the communist period and as V. Tabără (2017) mentioned “a viable cooperative system must be established, able to generate trust and attract the necessary funds for development”.

The legal framework for agricultural cooperatives has gone through a process of change and adaptation, with the aim to correct irregularities and misunderstandings in their structure and operation, and to improve the effectiveness of their role and position in the market.

By the Decree-Law 42/1990 on certain measures to stimulate the activity of peasant-farmers, the members of farmers’ cooperatives practically began to liquidate the former agricultural production cooperatives, while the Land Law 18/1991 created the legal framework for the liquidation of these units.

By Law 36/1991 on agricultural associations with legal status and other forms of association in agriculture, a transitional organization form of associative

entities emerged. The two laws made it possible for agricultural land owners to operate their land into association forms.

Thus, simple association forms emerged, consisting of the association of two or several families, with the aim to farm the land, raise animals, supply, store, condition, process and sell their products, provide services and other activities. These associations were established on the basis of verbal or written agreement and had no legal status. If the members of associations desired, they could also conclude legal contracts, according to Law 31/1990, thus becoming legal entities.

If the owners of agricultural land did not want to operate their land on individual basis or under any previously-mentioned form, they could get organized into agricultural associations with legal status. The agricultural association with legal status is a private form of association, with variable capital and unlimited and variable number of members, having as object of activity the exploitation of land, implements, animals and other means brought into the association, as well as making investments of agricultural interest.

The agricultural exploitation consists of the organization and carrying out of agricultural and land reclamation works, use of machinery and equipment, supply, processing and sale of agricultural and non-agricultural products and other similar activities, which do not have a commercial nature. One or several agricultural associations with legal status can be established in a locality. The existence of the two specific association forms, with or without legal status, as well as the exploitation of agricultural land in commercial companies (established according to Law 31/1990) were the first steps in the emergence of association forms in Romania's agriculture. Initially these procedures were quite difficult, but later on simplified procedures were introduced.

In the year 2004 the Law on agricultural cooperation was published, which established the legal framework for the organization and operation of cooperation in agriculture. In the first period 2004 – 2015, there was a readjustment of the framework legislation by giving priority to the principles related to the functioning of agricultural cooperatives. All association forms were promoted, mainly the agricultural cooperatives, but the financial or other incentive policies were absent. In the period 2016–2018, more emphasis was placed on encouraging agricultural cooperation, and implementing fiscal facilities, along with a number of conditions related to the handling and marketing of products.

Even since the publication of the Cooperation Law fiscal facilities were in place, such as exemption from paying agricultural income tax for 5 years and the reduction of the profit tax of agricultural cooperative by 20% in the first 5 years, yet the necessary instruments for their implementation had not been created. In Law 164/2016 the fiscal facilities for agricultural cooperatives were mentioned again, but this time, too, the legal provisions were not clear enough for the tax authorities to implement them.

It is only in the year 2019 (by Law 21/2019) that the legal framework was completed by a provision recognizing the fiscal facilities provided by the Law on

agricultural cooperatives as fiscal facilities granted by derogation from the provisions of the Fiscal Code. Thus, the exemption from paying the tax on profit is granted both to the newly established cooperatives, for the first five years of activity, and to the already existing cooperatives for a period of five years. The cooperative members are exempt from paying taxes on buildings and land for the properties they use to obtain agricultural production that is processed or marketed through/to the agricultural cooperative under the conditions provided by law; the condition is that at least 50% of the production obtained in the previous year should be marketed or processed through/to the agricultural cooperative.

These fiscal facilities are grouped into two categories: cooperation facilities and facilities for the cooperative members. The category of cooperation facilities includes the exemption from paying tax on profit for 5 years, if the cooperative carries out activities of “agro-processing and/or production/marketing of genetic material and/or animal raising and/or breeding”. For other types of agricultural cooperatives, the exemption from paying tax on profit is subject to a turnover threshold that does not exceed 3 million euro.

The facilities for cooperative members include exemption from taxes for the production marketed through the cooperative, exemption from paying the rental fee for contracts concluded between members and the cooperative and exemption from paying taxes and fees for buildings and land used to obtain the production that is to be marketed through the cooperative. This exemption from paying local taxes and fees is conditional on the proof of marketing at least 50% of the production obtained through the cooperative.

The agricultural cooperatives benefit from access to subsidies, public and EU funds to support and develop Romania’s agriculture.

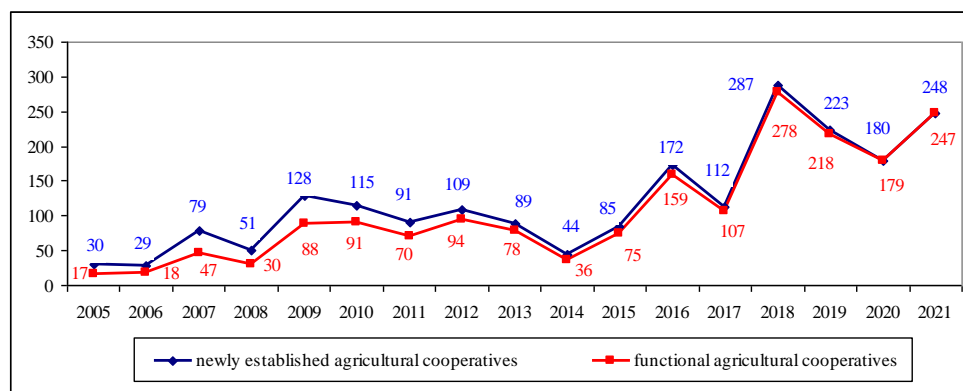
3. MATERIAL AND METHOD

The present study represents an analysis of the evolution and structure of farmers’ cooperatives in Romania, using data from the National Register of Agricultural Cooperatives established on the basis of information and data provided by the National Trade Register Office. A more complete analysis on the financial activity of farmers’ cooperatives was made for the period 2018–2020, on the basis of the latest official data from September 2021 that exist in MARD database.

4. RESULTS AND DISCUSSIONS

Following the emergence of the legal framework, more and more agricultural cooperatives have been established in Romania. In the year 2005 the first 30 agricultural cooperatives were established, and by September 2021 the number of

newly established agricultural cooperatives varied across years. The maximum number was reached in 2018, when 287 agricultural cooperatives were set up. It is very likely that the year 2021 (given that data are available until September) will hold the record for the number of newly established agricultural cooperatives. Thus, by the autumn of 2021, 2071 agricultural cooperatives had been set up in total, out of which 240 had their activity suspended out of various reasons (deregistration, liquidation, temporary closure of activity, etc.). The relatively large number of agricultural cooperatives was the result of the implementation of NRDP 2014–2020, through the measures and sub-measures that actively encouraged the agricultural cooperatives, which added to the fiscal facilities in the recent period.



Source: MARD, RNCA, July 2021

Figure 1. Evolution of the number of newly established cooperatives and functional cooperatives across years, in the period 2005–2021

According to the Law on agricultural cooperation, agricultural cooperatives are classified into: 1st degree agricultural cooperatives, consisting of natural persons, authorized natural persons, individual enterprises and family enterprises; 2nd degree agricultural cooperatives, consisting of legal entities only, as well as of natural persons and legal entities; 3rd degree agricultural cooperatives, consisting of unions of cooperatives, which do not exist in Romania yet.

Since the year 2005, when the first farmers' cooperatives emerged until September 2021, the 1st degree cooperatives were the most common. For instance, out of total functional cooperatives in the year 2021, 60% were 1st degree cooperatives, the remaining being 2nd degree cooperatives.

Since their establishment, agricultural cooperatives have been facing a number of obstacles, and some of them have failed to be economically sustainable. A period of 2–3 years is needed for a cooperative to function optimally. Thus, the number of functional agricultural cooperatives throughout the period was lower than the number of registered cooperatives.

The analysis for the period 2018–2020 pointed out that the number of registered agricultural cooperatives steadily increased year after year, even though some of them ceased to operate out of various reasons (Table 1).

Table 1

Evolution of agricultural cooperatives, in the period 2018–2020

	2018	2019	2020	2021 ^{*)}
Registered agricultural cooperatives	1421	1644	1824	2071
Agricultural cooperatives with interrupted activity	233	238	239	240
Functional agricultural cooperatives	1188	1406	1585	1831
Total number of shareholding members	7180	8208	8172	–
Number of employees	984	956	1145	–

^{*)} data include September 2021

Source: Authors' processing based on data from MARD, NRAC 2018–2020, September 2021

In the year 2020, the number of cooperative members that were shareholders in agricultural cooperatives totalled 8172. Most agricultural cooperatives had 5 shareholding members, as provided by the law regarding the establishment of agricultural cooperative. The most numerous shareholding members were found in the Agricultural Cooperative *Țibleș-Someș-Meleș* from Bistrița-Năsăud county, with 293 shareholders, followed by *Mindivid Agrocoop*, in Bihor county with 261 shareholders and *Corbii de Piatră Bio*, in Argeș county, with 214 shareholders, all three being 1st degree cooperatives. In the year 2020, the agricultural cooperatives had a total number of 1145 employees. Out of the 1585 functional agricultural cooperatives, only 211 had employees. The Agricultural Cooperative *AgroPord Crasna*, in Satu Mare county, had the greatest number of employees (203 employees), followed by the Cooperative *Siliștea Producție Suine* in Ilfov county (86 employees) and *Aayalex Agro* in Buzău county (53 employees), all three being 2nd degree cooperatives. Summing up, the agricultural cooperatives with a great number of shareholding members were 1st degree agricultural cooperatives, and those with a great number of employees were 2nd degree agricultural cooperatives.

The turnover of agricultural cooperatives in the year 2020 was by 18% higher than in 2018, and the net profit of agricultural cooperatives was almost twice as high in the same period. In the year 2018, the net loss was higher than the net profit, which means that the total income received by the functional agricultural cooperatives was lower than the costs incurred. Instead, in the years 2019 and 2020, the functional agricultural cooperatives had incomes higher than the expenses made.

In the year 2018, the Integrated Agricultural Cooperative *Țara Mea*, Vaslui county, had the highest turnover, with 200289645 RON; in the years 2019 and 2020, the highest turnover was obtained in the Agricultural Cooperative *Aayalex Agro*, in Buzău county, with 166234958 RON and 168923175 RON respectively; both cooperatives were 2nd degree agricultural cooperatives.

Table 2

Financial activity of agricultural cooperatives in the period 2018–2020

	– RON –		
	2018	2019	2020
Turnover	1291428112	1558696458	1582948760
Net profit	20052918	29818196	39458520
Net loss	33903683	8292192	17744156
Difference between net profit and net loss	–13850765	21526004	21714364

Source: Authors' processing based on data from MARD, NRAC 2018–2020, September 2021

In the year 2018, the highest profit was obtained by the Agricultural Cooperative *Stoian Land* in Constanța county, with a profit worth 1964190 RON, in the year 2019 by the Agricultural Cooperative *Agro Edymar*, in Timiș county, with a net profit of 2510153 RON; in the year 2020, the highest profit was obtained by *Aayalex Agro*, with 2365558 RON; all the three cooperatives were 2nd degree cooperatives.

Table 3

Evolution of cooperatives that submitted balance sheet, with turnover and profit

	2018	2019	2020
Functional agricultural cooperatives	1188	1406	1585
Agricultural cooperatives that submitted balance sheet	593	633	708
Agricultural cooperatives with turnover	249	319	401
Agricultural cooperatives with profit	237	301	353

Source: Authors' processing based on data from MARD, NRAC 2018–2020, September 2021

In the year 2018, about 50% of functional agricultural cooperatives submitted balance sheets, and in the years 2019 and 2020 only 45% of these submitted balance sheet.

In the investigated period, although the number of agricultural cooperatives that submitted balance sheet oscillated, the share of cooperatives with turnover and with profit was on the rise. Thus:

- in the year 2018, almost half of functional agricultural cooperatives submitted balance sheet, and out of those that submitted balance sheet, 42% had turnover and 40% had profit;
- in the year 2019, 45% of functional cooperatives submitted balance sheet, and out of those that submitted balance sheet, 50% had turnover and 47.5% had profit;
- in the year 2020, out of the total number of functional cooperatives 56.6% submitted balance sheet, and out of these, 56.6% had turnover and 49.9% obtained profit.

In the period 2018–2020, most agricultural cooperatives had as main activity the cultivation of cereals, leguminous crops and oilseeds, followed by those activating in wholesale trade with fruit and vegetables, both fresh and preserved;

the third position was held by the cooperatives having as main activity the wholesale trade in cereals, seeds, fodder and unprocessed tobacco.

In the year 2020, the most numerous functional agricultural cooperatives were in Botoșani county (135), followed by Dolj (88), Teleorman (85), Olt and Cluj (with 67 functional agricultural cooperatives each).

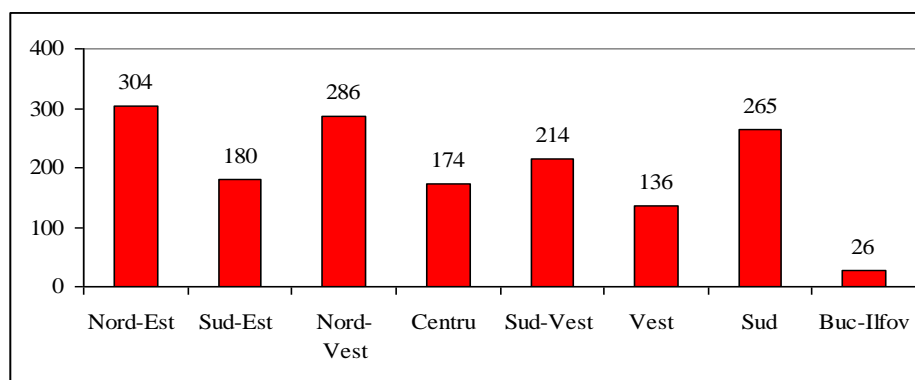
Table 4

Number of functional agricultural cooperatives in the year 2020, territorial distribution

County	Functional agricultural cooperatives no.	County	Functional agricultural cooperatives no.	County	Functional agricultural cooperatives no.
Alba	42	Constanța	55	Mureș	22
Arad	39	Covasna	19	Neamț	22
Argeș	26	Dâmbovița	40	Olt	67
Bacău	32	Dolj	88	Prahova	17
Bihor	42	Galați	21	Sălaj	34
Bistrița Năsăud	52	Giurgiu	21	Satu Mare	51
Botoșani	135	Gorj	22	Sibiu	13
Brăila	14	Harghita	35	Suceava	56
Brașov	43	Hunedoara	18	Teleorman	85
București	12	Ialomița	31	Timiș	57
Buzău	39	Iași	34	Tulcea	13
Călărași	45	Ilfov	14	Vâlcea	20
Caraș-Severin	22	Maramureș	40	Vaslui	25
Cluj	67	Mehedinți	17	Vrancea	38

Source: Authors' processing based on data from MARD, NRAC 2018–2020, September 2021

Most functional agricultural cooperatives in the year 2020 were found in the regions from northern Romania, 304 in the Nord-Est region, followed by the Nord-Vest region with 286 cooperatives; the region Sud ranked third, with 265 functional agricultural cooperatives.



Source: authors' processing based on data from MARD, NRAC 2018–2020, September 2021

Figure 2. Regional distribution of functional agricultural cooperatives, in the year 2020

In the year 2020, 13 agricultural cooperatives had a cumulative turnover equal to half of the turnover of all functional agricultural cooperatives.

Table 5

Turnover of the first 13 agricultural cooperatives in the year 2020

Crt. no.	Cooperative	Turnover in the year 2020 – RON
1	AAYLEX AGRO AGRICULTURAL COOPERATIVE	168923175
2	INTEGRATED AGRICULTURAL COOPERATIVE ȚARA MEA	152993799
3	AGROPROD CRASNA AGRICULTURAL COOPERATIVE	76316045
4	BANAT AGRO VEST AGRICULTURAL COOPERATIVE	61474538
5	ARGEȘ BIOSUD AGRICULTURAL COOPERATIVE	48467371
6	SOMES ARIES AGRICULTURAL COOPERATIVE	42945487
7	TRANSILVANIA PIG AGRICULTURAL COOPERATIVE	41223898
8	TINOASA AGRICULTURAL COOPERATIVE	40530875
9	DOBROGEA SUD AGRICULTURAL COOPERATIVE	36242988
10	BRAICOOP AGRICULTURAL COOPERATIVE	32828313
11	BÂRSA PROD 2012 AGRICULTURAL COOPERATIVE	30705778
12	BIOPROD COLIBAȘI AGRICULTURAL COOPERATIVE	29177467
13	EUROAGRICOOP AGRICULTURAL COOPERATIVE	27410813
Total		789240547

Source: Authors' processing based on data from MARD, NRAC 2018–2020, September 2021

Out of the 13 agricultural cooperatives, only one was a 1st degree cooperative, namely *Bioproduct Colibași*, while all the other cooperatives were 2nd degree agricultural cooperatives. It is not the great number of newly established or functional agricultural cooperatives that is important, but the largest possible number of cooperative shareholding members and employees, both in the case of agricultural cooperatives of 1st degree and of 2nd degree. And the most important thing is, in fact, that they make a profit at the end of the year, being economically sustainable.

5. CONCLUSIONS

Farm production diversification and specialization depend on the development of association and cooperation relations between farmers in the production of raw agricultural products, in the processing and marketing of obtained products.

Farmers' cooperatives play an important role in supporting their members. Through cooperation, farmers have access to the market, to information, technology, credit and training activities and are legally supported in negotiating contracts.

Small and medium-sized farmers in Romania need to get associated into farmers' cooperatives established on objective principles, internalizing the governance mechanisms specific to this organization forms, which have supported farmers

from western countries for centuries – voluntary and open association, democratic control, transparency, concern for the community, etc.

Association into cooperatives makes it possible for farmers to access the funds provided both by Romania and by the European Union, benefiting from a series of fiscal facilities.

The number of agricultural cooperatives has increased since 2005, to reach 2071 by September 2021, out of which 240 were not functional, were liquidated, deregistered, closed down or had their activity temporarily interrupted. That is why the number of established agricultural cooperatives throughout the investigated period was higher than the number of functional agricultural cooperatives, i.e. those that were active. The 1st degree agricultural cooperatives were the most numerous, consisting of natural persons; these cooperatives also had the most shareholders. The 2nd degree agricultural cooperatives had more employees compared to 1st degree cooperatives.

Out of the total number of functional agricultural cooperatives, half or less than half have submitted balance sheets at the end of the year, and half of these cooperatives had profit.

Botoşani county had the greatest number of functional agricultural cooperatives, and the most functional agricultural cooperatives were found in the Nord-Est region.

Even though in the last years, through measures from different funding sources, as many agricultural cooperatives as possible could be set up, it is not their number that matters, it matters that they attain their purpose, that is to generate value added in economic terms for their members and to have a relevant economic activity, to survive in the market and to develop. It is very important to promote and encourage serious, transparent cooperatives, with economic and social results and a fair distribution of the cooperative results according to the activity of each member.

One of the factors of progress in the sustainable development of agriculture and rural area is the establishment and development of high-performance agricultural cooperatives, key players in adding value to primary production in Romania's agriculture and strengthening the role of farmers in the agricultural and food chain.

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