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Ana Ruxandra Micu and Ioan Niculae Alecu and Marius Mihai Micu

University of Agronomic Sciences and Veterinary Medicine from Bucharest, University of Agronomic Sciences and Veterinary Medicine from Bucharest, University of Agronomic Sciences and Veterinary Medicine from Bucharest

20 November 2015

Online at <https://mpra.ub.uni-muenchen.de/69475/>

MPRA Paper No. 69475, posted 11 February 2016 21:08 UTC

# ANALYSIS OF ROMANIAN AGRICULTURAL COOPERATIVES STRUCTURE IN 2014

MICU ANA-RUXANDRA<sup>1</sup>, ALECU IOAN NICULAE<sup>2</sup>, MICU MARIUS MIHAI<sup>3</sup>

**Summary:** *This work aims to present a study which consisted of researching, analyzing and interpreting statistical data, combined with theoretical aspects that allowed assessing the state of agricultural cooperatives existing in Romania and the economic and financial situation recorded in 2014.*

*Thus, at the end of 2014 in Romania there were 690 agricultural cooperatives. Most of these are found in the South-Muntenia, respectively North-West, totalling 231 cooperatives. Also, 40% of all agricultural cooperatives are represented by the vegetal genre.*

*In 2014 agricultural cooperatives in Romania totalled a turnover of 383 million lei, representing about 85 million euros, a significant sum indeed. The most significant income were achieved in South-Muntenia about 124 million lei (almost a third of the total income registered by the cooperatives), representing 28 million.*

**Keywords:** *agricultural cooperatives, vegetal sector, Romania*

## MATERIAL AND METHOD

The performance of the study consisted of researching, analyzing and interpreting statistical data. These, in conjunction with theoretical aspects extracted from specialized literature, allowed assessing the state of agricultural cooperatives existing in Romania and the economic and financial situation at their level recorded in 2014.

The data required for such analysis were collected through public institutions, including the National Trade Register Office.

## INTRODUCTION

The association or the idea of association came to our country from the first half of the XIX century along with the young people who returned home after studying in Western Europe, so that after 1900 there is a substantial development of more cooperative forms, from rural lease communities, rural communities of consumer cooperatives of purchase or production, knowing such a strong impulse, they are diversifying and the number of members and cooperatives increasing significantly.

Romania was marked by the historical, economic, social and political conditions, even after the Second World War, so 1949 was a less good period for agricultural cooperatives, based on Decree no.133 / 2 in April 1949, which initiated the forced collectivization program. The new forms of organization of Romanian agriculture - agricultural production cooperatives – did not complied with all the classical principles of the cooperative movement.

After 1989, the restructuring process of Romanian agriculture and strengthening of private ownership of land requested replacement of agricultural production cooperatives, a cooperative system based on the principles of competitive economy, but even after a long period of transition in agriculture it has not been created a modern and competitive agricultural structure convergent with the agricultural structures of the European Union. Romania has not succeeded like other former communist countries to maintain and transform the old structures in free associations of producers, based on private property and on the respect for democratic principles.

Unfortunately, the word "association" has left deep scars on Romanian farmers, who after 25 years refuse or do not really know the benefits and advantages that association can bring.

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<sup>1</sup> PhD Candidate, MICU Ana-Ruxandra, University of Agronomic Sciences and Veterinary Medicine from Bucharest, email: micuanaruxandra@yahoo.com

<sup>2</sup> Professor, ALECU Ioan Nicolae, University of Agronomic Sciences and Veterinary Medicine from Bucharest, email: ioan.alecu@usamv.ro

<sup>3</sup> Lecturer, MICU Marius Mihai, University of Agronomic Sciences and Veterinary Medicine from Bucharest, email: micumariusmihai@yahoo.com

## RESULTS AND DISCUSSION

In agriculture association has a very old tradition, throughout history, there were various forms of association representing primitive forms. Agriculture is one area where the association and cooperation have been more necessary than in any other field of human activity, the farmer feeling isolated and practically helpless, where the key to the development of cooperation is the idea of mutual benefit. The association has been practiced by farmers from ancient times; the established groups have not got a legal form from the beginning (10).

Cooperatives are, in fact, formed associations that are organized to achieve personal gains. In terms of economic behaviour, people decide for a cooperative solution when the expected benefits exceed the costs. Because there is the possibility for someone to take action alone in decentralized market or to form a vertically integrated business with others, the net benefits of cooperation must surpass the alternative ones (9).

In the agriculture of developed countries cooperative movement has gained a wide recognition, increasing and multiplying its manifestation forms. Cooperation has emerged and developed in these countries as a solution for individual producers who are committed to both the market impact of production resources and market agricultural products. The emergence and development of co-operatives in agriculture is determined by the existence of several basic premises. The necessity of association in these types of organizations must be felt by agricultural producers, if they have complete freedom of action.

The development of cooperatives in Romania has risen since 2005 after Law 566 of 9 December 2004 (12) (with subsequent amendments) establishes the legal framework of the organization and functioning of cooperatives in Romanian agriculture (3).

The agricultural cooperative is an autonomous association of physical and/ or legal persons having the status of a legal entity of private law established under the expressed consent of the parties to promote the interests of the cooperative members.

The agricultural cooperative can have an unlimited number of members with variable capital, but not less than five (5) people and it pursues an economic activity, technical and social-providing goods, services and jobs exclusively or predominantly for its members.

In Romania there are functioning so far the following types of agricultural cooperatives, cooperative of first degree, which consist of associations of individuals and cooperative of second degree, which are formed of legal persons constituted of cooperatives of first degree in majority or physical and legal persons.

The fields and branches of activity of agricultural cooperatives are providing services, purchasing and sales, processing agricultural outcome, manufacturing and small industries in agriculture, mining and land management for agriculture, forestry, fisheries and livestock, finance, mutual assistance and agricultural insurance and other fields and industries.

The agricultural cooperative places a priority for commercial activities, being a producers of goods and services for its members.

The cooperatives are organized and operate at the basis of the association, accompanied by statute. They operate as legal persons since their establishment date.

The governing bodies of the agricultural cooperative are the General Assembly of Cooperating Members and the Administration Board.

Agricultural cooperatives can join the union branch and these may constitute federations, federations of marketing that ensure the development of agricultural products or in federations of medical insurance for cooperative members. In all member states of the U.E. cooperatives are organized into federations having the ability to consult each other (2).

Currently the association is starting to push through hesitatingly among farmers, registering an upward trend in the latest period compared with the period immediately following the revolution. These increases were favored by the measures taken by the Ministry of Agriculture and Rural Development, which facilitates the absorption of European funds by forms of association,

consisted primarily of producer groups and cooperatives. Based on the above, the study proposes an analysis of existing cooperatives in Romania.

Thus, at the end of 2014 in Romania there were 690 agricultural cooperatives. Most of these are found in the South-Muntenia, respectively North-West, totalling 231 such cooperatives. Also, 40% of all agricultural cooperatives are represented by the vegetal profile.

The number of cooperatives in the North-East region represents approximately 39% of total agricultural cooperatives registered in the region, compared with 25 cooperatives in Bucharest-Ilfov region, where the vegetal profile is just 10%.

Table no. 1

The structure of agricultural cooperatives in Romania in 2014

Region	Total number of cooperatives	Number of cooperatives from the vegetal sector (only)	Share of vegetal genre cooperatives (from total)
North-West	104	32	30.77
Centre	75	19	25.33
North-East	167	65	38.92
South-East	88	49	55.68
South-Muntenia	127	56	44.09
Bucharest-Ilfov	25	10	40.00
South-West Oltenia	55	29	52.73
West	49	16	32.65
<b>Total</b>	<b>690</b>	<b>276</b>	<b>40.00</b>

Source: Processed data from ONRC.

In 2014 agricultural cooperatives in Romania totalled a turnover of 383 million lei, representing about 85 million, a significant sum indeed. The most significant income were achieved in South-Muntenia about 124 million lei (almost a third of total income registered cooperatives), representing 28 million euros.

The gross profit amounted by the cooperative raised at about 8 million lei (1.8 million euros). Also, the most profitable region was represented throughout South-Muntenia with a financial plus of 1.5 million lei (approximately 10% of profits made at the country level), followed by the North East region ranking with a gross profit of 1.35 million lei and on the third place is South-East region recorded a gross profit worth about 1.32 million lei.

Table no. 2

Economic and financial situation recorded in the agricultural cooperatives 2014

Region	Total turnover	Gross Profit	Gross Loss	Number of members - individuals	Number of members – legal entities
North-West	50762587	921241	144345	1475	459
Centre	39564320	1215636	1730769	1591	254
North-East	33323698	1351419	10125903	1295	113
South-East	119978487	1319424	639048	637	273
South-Muntenia	124757293	1514306	1552945	952	383
Bucharest-Ilfov	532337	50851	128907	139	272
South-West Oltenia	1566318	276675	550308	427	42
West	12816822	1049183	141078	760	230
<b>Total</b>	<b>383301862</b>	<b>7698735</b>	<b>15013303</b>	<b>7276</b>	<b>2026</b>

Source: Processed data from ONRC.

The number of cooperative members without legal personality (2014) was more than 3 times higher than members of societies with legal personality, totalling a number of 7276 members (without legal personality).

With a total of 276 cooperatives w with vegetal profile, exclusively, representing 40% of all cooperatives, they registered a turnover of 163 million lei (36 million euros).

Table no. 3

Structure of cooperatives from the vegetal sector in Romania 2014

Region	Number of cooperatives from the vegetal sector (only)	Total turnover	Gross profit	Gross Loss	Number of members - individuals	Number of members – legal entities
North- West	32	13666514	223904	89049	390	93
Centre	19	5119920	16169	40459	311	46
North-East	65	6438167	459032	189431	536	65

South-East	49	96943290	1152903	118985	347	195
South-Muntenia	56	39609994	788486	504456	460	83
Bucharest-Ilfov	10	159672	21486	55690	100	59
South-West Oltenia	29	1367010	72486	174470	273	10
West	16	180409	7296	68899	363	66
<b>Total</b>	276	163484976	2741762	1241439	2780	617

Source: Processed data from ONRC.

The highest grossing were achieved in South-East region (approx. 97 million lei), followed at a great distance from the South-Muntenia (40 million lei), even if the number of cooperatives in the region is higher than above mentioned region. The same ranking was maintained in the event of gross profit where South-East region has achieved about 1.2 million lei. The lowest profit was achieved in the West region only 7296 lei.

In case of the gross loss, the first place was achieved in South-Muntenia with approximately 500 thousand lei, followed by the North-East. The number of members without legal personality was 2780 compared to those with legal personality 617, where most members with legal personality were registered in the region with the highest income and profit (South East) (Table no. 3).

Relating to the total number of cooperatives in the vegetal sector, we can say that the average income amounts to 592.337 lei value (Table no. 4).

We can say that the highest average per cap of association was recorded in the South East of about 2 million lei (444,000 euros). Regarding the profit, the average is 2,000 euros (9.934 million lei). The highest average number of members with legal personality lies in Bucharest-Ilfov region with 5.9 members per cooperative (Table no. 4).

Table no. 4

The average of economic and financial situation of agricultural cooperatives registered in the agricultural cooperatives with vegetal profile in Romania

Region	Total turnover	Gross profit	Gross loss	Number of members - individuals	Number of members – legal entities
North-West	427079	6997	2783	12	2.9
Centre	269469	851	2129	16	2.4
North-East	99049	7062	2914	8	1.0
South-East	1978434	23529	2428	7	4.0
South-Muntenia	707321	14080	9008	8	1.5
Bucharest-Ilfov	15967	2149	5569	10	5.9
South-West Oltenia	47138	2500	6016	9	0.3
West	11276	456	4306	23	4.1
<b>Total</b>	592337	9934	4498	10	2.2

Source: Processed data from ONRC.

Also, the total turnover of the vegetal sector represents approximately 42% of total turnover from the agricultural cooperatives in Romania and in terms of profit, it represents 35%. At the same time the number of members with legal personality associated with cooperatives with vegetal profile have a share of 30% from all members with legal personality of agricultural cooperatives (Table no. 5).

Table no. 5

Share of economic and financial structures profile compared with cooperatives with vegetal profile (only) and agricultural cooperatives (total)

Region	Total turnover	Gross profit	Gross loss	Number of members - individuals	Number of members – legal entities
North-West	26.92 %	24.30 %	61.69 %	26.44 %	20.26 %
Centre	12.94 %	1.33 %	2.34 %	19.55 %	18.11 %
North-East	19.32 %	33.97 %	1.87 %	41.49 %	57.52 %
South-East	80.80 %	87.38 %	18.62 %	54.57 %	71.43 %
South-Muntenia	31.75 %	52.07 %	32.48 %	48.32 %	21.67 %
Bucharest-Ilfov	29.99 %	42.25 %	43.20 %	71.94 %	21.69 %
South-West Oltenia	87.28 %	26.20 %	31.70 %	63.93 %	23.81 %
West	1.41 %	0.70 %	48.84 %	47.86 %	28.70 %
<b>Total</b>	42.65 %	35.61 %	8.27 %	38.21 %	30.45 %

Source: Processed data from ONRC.

The regions with vegetal profile cooperatives (only) are represented by the South-East and South-West Oltenia, managing over 80% of income from agricultural cooperatives to be made exclusively from vegetal sector. On the other hand the largest losses (gross) are recorded in the North West (62%) (Table no. 5).

## CONCLUSIONS

Currently, the cooperative system in Romanian agriculture is in an early stage of formation of different types of cooperatives, but the process is running hesitatingly though it is supported by the state through a series of important tax incentives, through measures taken by the Ministry of Agriculture and Rural Development, which facilitates the absorption of European funds by forms of association, they are consisted primarily of producer groups and cooperatives.

A priority for agricultural cooperative movement is the horizontally expanding and covering a larger number of farmers or farms.

The association of agriculture, whatever its purpose, is the only solution that Romanian farmers can become competitive in a free market, highly competitive and it does nothing but put pressure on the weakest

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