

## STUDIES REGARDING COOPERATION AND ASSOCIATION OF ROMANIAN AGRICULTURISTS

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**Abstract:** Association and cooperation are seen as cooperation activities of two or more entrepreneurs who wish to unite in different fields of activity. Authors present the organisation and functioning of agricultural cooperatives in European Union industrialised countries and Romania, the advantages of such forms of organisation for Romanian farmers (who own, in general, small farms inefficient economically), and the principles that should be the basis for legislation and correct functioning of the agricultural cooperative system.

**Key words:** legislative framework, association, cooperation, principles, advantages

### INTRODUCTION

Promulgation of the Land Law (18/1991), the reconstitution, and the constitution of private ownership of land changed fundamentally the structure of Romanian agriculture. Family agricultural exploitations, numerous, dispersed and with small areas have continued their activity considering, in many cases, a certain tradition as close or partially closed systems. It is well known that we need a commercial agriculture that produces more for the market and less for one's own consumption. [5]

**Laws no. 31/1990 and no. 36/1991 regarding agricultural societies and other forms of association in agriculture** have developed the minimum legislative support for the constitution of variants of private associative agrarian structures (associations, branches, agricultural societies) that were meant to solve some production and management problems that were quite difficult because of the lack of technical and financial means or because of lack of knowledge and skills. They have stimulated the socialisation of agricultural exploitations despite the fact that in countries with advanced agriculture there is perfect identity between the private character of property and the private agricultural exploitation.

In our country, after the issue of the Law of Land Fund, they favoured the associative agricultural exploitation and on lease exploitation where the leaser was a commercial company, in fact State Agricultural Enterprise or Agricultural Machinery Station.

In France and Germany, countries with the highest share of on lease agricultural exploitation, leasing is done by physical persons, with associative forms only upstream and downstream agricultural production proper. [3]

An agricultural cooperative is an agricultural unit of certain importance for the market economy.

In economically developed countries, cooperatives are organised as follows:

- At primary level, they are called 1<sup>st</sup> grade cooperatives and are generally organised for well-defined goals; they can be simple/monofunctional or multifunctional;

- At secondary level, they are associations of primary cooperatives and are called 2<sup>nd</sup> grade cooperatives: their goal is to make investments upstream or downstream the activities of primary cooperatives; their activities are spread regionally (for instance, a group of milk collecting cooperatives can group to invest in milk processing facilities);

- At tertiary level, they are called 3<sup>rd</sup> grade cooperatives and they unite the existing experience and resources of secondary level cooperatives to make up stronger financial,

commercial and industrial groups that can make a statement on the market; in most countries, these cooperatives are national cooperatives. [4]

## MATERIALS AND METHODS

Analysis and synthesis, induction and deduction, and analogy are the main scientific research methods used directly in the first stage of the paper; we have also used the comparative analysis and statistical-mathematical analysis such as classification, comparative analysis, and analysis of graphic representations.

## RESEARCH RESULTS

A basic agricultural cooperative is an extension of individual producers whose responsibility extends upstream and downstream production. Upstream production concerns the supply of production factors and downstream production concerns all activities related to the processing and marketing of the production.

The advantages of organising farmers in cooperatives is double: obtaining maximum of incomes for the farmers by selling the products at the highest price possible and supplying farmers with inputs (seeds, fertilisers, pesticides, mechanical works, fodder, medicines and sanitary-veterinary materials) at the lowest prices possible.

An agricultural cooperative is an association of individual farmers but it is also an enterprise since it operates on the market as any other non-cooperative enterprise. Both cooperative enterprises and non-cooperative ones need to struggle to conquer a market share. An agricultural cooperative is, therefore independent from the market, but dependent on each of its members. **Each farmer is directly responsible for the production, and the cooperative takes over the supply of inputs and the marketing (processing and marketing produce).** [4]

Such structures have appeared from the need to remain owners and to control the processing and marketing of raw materials.

A western agricultural cooperative specific to the market economy is based on the agriculturists' family private property of the land, on working the land and on organising agricultural activities on private family agricultural exploitations based on the work of the family members.

Free-consented association of agricultural producers in cooperatives aiming at supplying production factors and goods, the processing and marketing of products can be an efficient economic order and equitably valid for the production and distribution of the profit.

If the organisation of agro-alimentary production on cooperative bases becomes a strategic goal or a strategic alternative for the development of family exploitations, we need it to reflect in the Government's economic policy as a complex of stimulating economic policy measures such as subsidies, subsidised interest credits, technical assistance, priority supply of production factors, support for built areas for the organisation, storage and marketing of the production, direct access to supply sources to shorten the long chains of intermediaries who increase the costs of the cooperatives at management, administration and marketing levels.

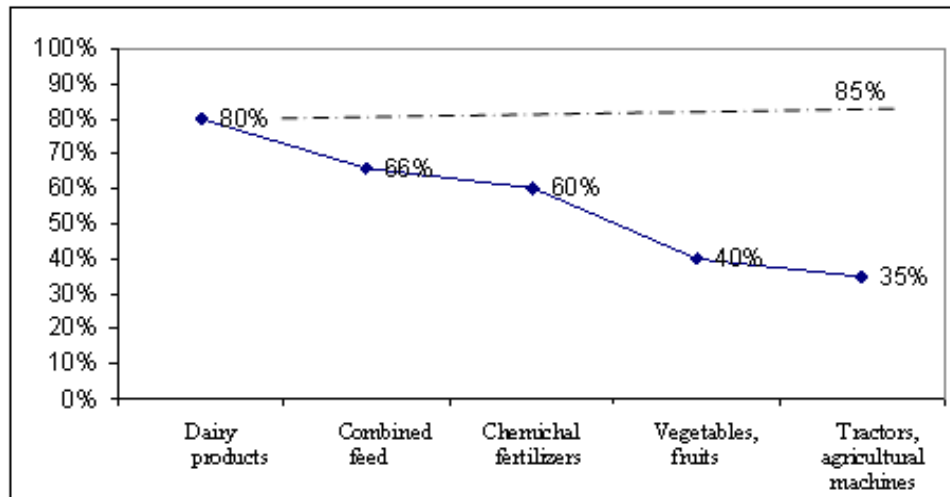
In the development of the legislative framework and in the building up of an agricultural cooperative system we need to consider the following:

- The free consent of agricultural producers of adhering to one or more forms of cooperation;
- The basis of an agricultural cooperative is the private family exploitation that preserves its property of the land and of the means of production, no matter the forms of cooperative;
- The diversification of the forms and fields of cooperation in relation to the real needs of the agriculturists;

- The cooperative will bring real (not hypothetic) profits to agriculturists allowing them to increase their incomes through the services supplied by the cooperative;
- The support of the State through cheap credits, subsidies, technical assistance, etc.

*The principles of cooperation and cooperatives do not address the economic segment that has its own financial resources but the poorest segment of population that has no financial resources to face the aggressiveness of large corporations, particularly during periods of economic crisis.*

At European Union level, the countries with the largest cooperative network are France, Germany, Greece and Italy, but the strongest economies belong to agricultural cooperatives from France, Germany, Denmark and Holland.



**Figure 1. Level of cooperative sales in Germany**

In Dutch agriculture, each farmer is a member of three-four cooperatives with narrow specialisation such as supply, crediting, processing, etc. the economic policy of the Dutch Government considers maintaining family farms and supporting farmers' cooperatives by lower taxes. [1]

**Table 1**

**Number of agricultural cooperatives in Europe, 2015**

No.	Country	Number of cooperatives
1	Italy	5834
2	Spain	3844
3	France	2400
4	Germany	2400
5	Hungary	1116
6	Bulgaria	900
7	Greece	550
8	Lithuania	402
9	Austria	217
10	Netherlands	215
11	UK	200
12	Poland	136
<b>13</b>	<b>Romania</b>	<b>68</b>
14	Sweden	30
15	Denmark	28

Source: after Gabriel Razi, 2015

The cooperative movement achieved the modernisation of western agriculture in the years 1950-1960 and set the bases for the shift to performance agriculture in the years 1970-1980.

Cooperatives operate with a high degree of specialisation (meat processing, milk processing, fruit processing, etc.) in the states with well-consolidated farms and farmers (Denmark, England, Holland, etc.); there are also cooperatives that, besides the basic domain, supply a wide range of activities to meet their members' needs who are less consolidated, who have less land, and who cannot ensure the resources and production factors they need (Greece, Portugal, Spain).

In Romania, before 1989, there were production agricultural cooperatives and inter-cooperative associations (pretty many in animal farming) but under the conditions of centralist economy.

After 1989, cooperation between agricultural producers took the form of family associations with no legal personality, associations of producers and agricultural companies with legal personality – most of which vegetal ones and working the land in common.

At present, the law regulating the association and cooperation in agriculture is **Law no. 566 from 09.12.2004** also called **Law of agricultural cooperation**.

Table 2 presents the evolution of agricultural cooperatives in Romania.

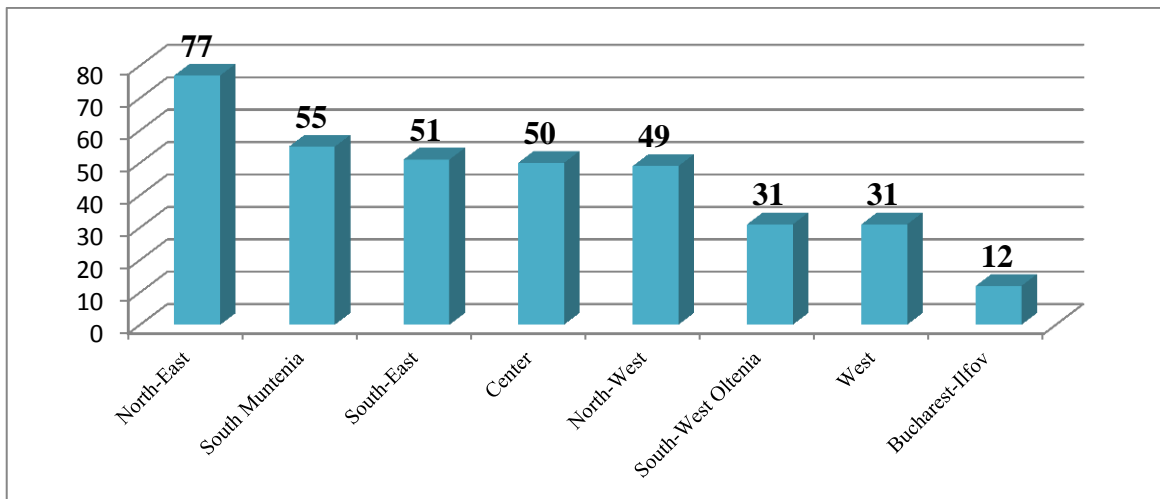
**Table 2.**

**Evolution of agricultural cooperatives in Romania during 2010-2015**

Year	2010	2011	2012	2015
Agricultural cooperatives	149	275	356	68

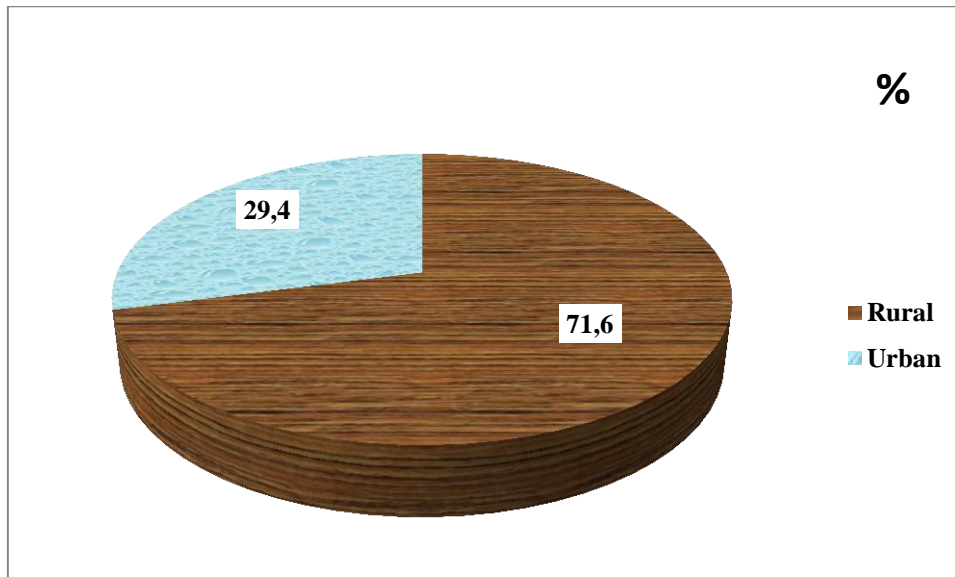
*Source: after C. Barna, Atlasul Economiei Sociale*

The development regions that have concentrated the largest number of agricultural cooperatives are: North-East Region - 77 (22%), South-Muntenia Region - 55 (15,4%) and South-East Region - 51(14,3%).



**Figure 2. Regional distribution cooperatives in 2012**

The average distribution of agricultural cooperative is 70% in rural area, witch is normal.



**Figure 3. Distribution of agricultural cooperative rural-urban area**

Unfortunately, in Romania, unlike other countries, there is no strongly developed cooperative system for the supply and marketing or for the processing of agricultural produce. The explanation is the refusal of accepting a cooperative system because of the one existing under the Communist rule before 1990.

We need a cooperative system in Romanian agriculture mainly because of economic reasons. Agricultural cooperatives uniting farmers from one or more localities market agricultural produce and supply households in favour of agriculturists.

According to statistic data, animal production has a relatively low number of agricultural associations and companies.

They consider that the development of modern agricultural cooperatives in Romania depends on a strong support from the State and that the re-launch of the agricultural sector depends largely on the extension of agricultural credit cooperation in the rural area; they are making propositions regarding the improvement of the legal framework of agricultural cooperatives.

*Starting from the experience of western agricultural cooperatives, we believe that we need to organise and operate a large number of cooperatives in the processing and marketing of milk, of vegetables and fruits, in winemaking and wine marketing, etc.*

**The main principles underlying cooperation are:**

- Freedom of option in choosing the cooperation relationships and the cooperative forms;
- Mutual advantage;
- The right to decide based on the vote proportional with the contribution or with certain conditions stipulated in the cooperation contract;
- The right of each member of an association or cooperative to develop activities that they can do themselves.

Cooperation can be **horizontal** – between producers or agricultural units (for instance, carrying out a research regarding the technology of breeding a species, optimising the structure of crops or establishing repair workshops, mechanisation or building sectors, factories of mixed feeds) where each member contributes with material, human and financial resources, and **vertical** – in such fields as research-development, supply, production and processing, marketing or services.

Cooperation can also take the form of associations of animal breeders between several landowners who contribute certain land areas for the production of fodder, animal shelters, financial means, etc. All these forms of cooperation should rely on a cooperation

or association contract that stipulates the contribution, the obligations and the rights of the members.

### CONCLUSIONS

Starting from the west-European agricultural cooperation experience, we believe that, in Romania, we need to organise and operate cooperatives in milk processing and marketing, in vegetable and fruit processing and marketing, and in wine making and marketing.

Agricultural cooperatives that exploit in common land do not exist in the world or in Romania.

We believe that the current form of the Law of agricultural cooperation is too much inspired by the Statute of the Communist agricultural production cooperatives and less by the functioning of the agricultural cooperatives of the industrialised countries of the European Union that have experience in the field.

If the Law of Agricultural Cooperatives suffers changes in the sense of making them compatible with west European ones, they will contribute to the re-launch of agriculture and rural area in Romania.

During this period of transition to market economy, reconsidering the concept of cooperative organisation of agriculture after western models becomes a necessity.

We need to increase the role of cooperatives upstream and downstream agriculture by supplying production factors, by processing agricultural produce, by marketing, by supplying services, by carrying out research and development, by crediting, and by ensuring health care and social work.

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