

## PERFORMANCE OF ASSOCIATIVE AND COOPERATIVE STRUCTURES OF CALARASI COUNTY – ANALYSIS OF THE PRINCIPLES BEHIND THEIR ORGANIZATION

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### **Abstract**

*Two large agricultural associative structures organized in Calarasi county significantly impact the specific market: Extension and Rural Development Consortium Vâlcelele (structure which operates under Government Decision 26/2001- on the associations and foundations) and Ileana Consortium (co-operative structure Tier 2, founded in accordance with the Law 566/2004). Knowledge of the organization and their operation is likely to break down the mentality barrier of farmers, who until now has kept them away from associations or cooperatives, and to increase the number of agricultural members of such structures, in order both to improve economic results of the farms and to improve the Romanian rural development. In this aspect, was performed an analysis of the evolution of economic indicators of the investigated cooperative structures, of their member activities, to identify and analyze the general characteristics of associative and cooperative structures and define the role of these structures in modernizing and improving agriculture. The identifying characteristics of associative and cooperative structures was used as starting point for the legal regulation of the principles underlying the organization and operation.*

### **Keywords**

*farm association, cooperation in agriculture, rural development*

After 1991 implementation of land fund legislation's provisions, it has been highlighted the necessity of a rule regarding the association and cooperation in agriculture, as a method of agricultural activity streamlining. In this way, has been adopted law 36/1991, with reference to agricultural company and other forms of agricultural associations, and much later, law 566 from December 2004 regarding agricultural cooperative.

Many Romanian farmers, especially those from little agricultural enterprises, are extremely reluctant into belonging to cooperative structures in agriculture, as an explanation can be mentioned the Romanian peasant suffering regarding the communist collectivization setting up and also keeping the injury brought to agriculture by former production agricultural cooperatives. After the legislation that regulates the organization and operation of associative and cooperative structures appeared, timidly started to flourish this field also in agriculture, the pioneers obtaining remarkable economical results, given that modern principles, that can be found in the mentioned legislation, and are the base for spreading these structures.

As small farmers are still reluctant to adhere to an agricultural associative or cooperative, it is imposed to emphasize the structures characteristics economical and social that clearly distinguishes the old way of organizing the cooperative from the new principles that controls association and cooperation in agriculture, especially to show that there is no noxious element, but contrary, there are a lot of beneficial elements both economic and social regarding the affiliation to this kind of structure.

In specialty literature is underlined the market association necessity, being clearly disassociated from „association on land, the first and most important target followed by agricultural field's owner from the past, different from European experience, where cooperation's objectives are mostly found in the environment of market relations of associative farms, related to input supply, production transforming and enhancing and others” (Popescu, 2007).

As well, can be noticed the fact that „towards the interest given, both cooperation and association are far away from the desired level” (Popescu, 2013)

Keeping the same idea, information from INS indicates in 2010 a huge decrease of number of members of agricultural cooperatives from 59682 to 4226. This can be seen as a positive thing, as current members are real and also active, but it can also be concerning, because it indicates a decrease of trend to association of the population from rural environment. However, it must be underlined the fact that the period 2000 - 2010 can be described as a period of huge increase of agricultural associations in Romania, from 48 to 1620, and also for those that display economical activities. From 2000 until 2010 the number of agricultural associations increased from 29% to 66 %, in the rural environment. If we refer to agricultural cooperatives, 2010 is the most important year, when there are registered with balance sheet a number of 127 cooperative organizations. There is a number of 3567 employees, resulting 28 employees per agricultural cooperative. (Petrescu, 2013)

In order to highlight the superiority of the obtained results if there is any affiliation to an associative or cooperative agricultural structure, is required the analysis of economical indicators evolution of some cooperative structures together with their members, but also the analysis of the displayed activity, in order to identify the characteristics of cooperative and associative structures, and defining the role of these structures into modernizing and streamlining the agriculture. For identifying the characteristics of associative and cooperative structures, it is often used as starting point the legal rule of the principles that are base for their organization operating. The taken into account indicators are revenues, expenses, the profit of associative and cooperative structures (by case), but also the production expenses, (input purchasing, fuel, equipments, insurances), and revenues obtained de production capitalization, by cooperators and associated members.

Two large agricultural associative structures organised in Calarasi county significantly impact the specific market: Extension and Rural Development Consortium Valcelele (structure which operates under Government Decision 26/2001-on the associations and foundations) and Ileana Consortium (co-operative Tier 2, founded in accordance with the Law 566/2004).

Based on this research we can notice the principles on which is created the activity of agricultural cooperatives, in accordance with the Law 566/2004 :

1. The principle of voluntary and opened association
2. The principle of equal members into taking administrative decisions for the activity of the cooperative
3. The principle of economical participation of cooperative members
4. The principle of autonomy and independence of the agricultural cooperative
5. Educating, training and informing the members of the cooperative principle
6. The principle of cooperation between agricultural cooperatives
7. The principle of concern for communities sustainable development

The research has been performed taking into consideration the activity developed by Extension and Rural Development Consortium Valcelele (structure which operates under

Government Decision 26/2001-on th associations and foundatins) and Ileana Consortium (co-operative Tier 2,founded in accordance with the Law 566/2004).

### **The principle of voluntary and opened association**

The most important resource of associative and cooperative structures of agriculture is human resource, mainly being represented by the members. Generally, the members of an associative structure are a precious capital, especially due to human and social capital they possess. As previously mentioned, in a research from Prometheus project regarding 794 agricultural associations and presented in „Collective organisations of agricultural and forest owners, profile, evolution, disposition”, it can be observed that the number of people being part of agricultural or cooperative decreased from 59682 in 1996, to 4226 in 2010, emphasizing the positive aspect of the evolution, namely that those 4226 are real and active members, and through their activity they realize the organisation`s objectives and also the general progress in the community they activate.

Related to the case study presented in this material, the number of members it has been constantly kept, for both analyzed entities, also because from the beginning, respectively from the moment the organization was set up, or the member had been registered to association or cooperative, they all knew the conditions that had to be accomplished in order to keep the quality of member but also the advantages of being member of association or cooperative.

In order to be a member, one have to accomplish certain conditions, that are usually mentioned in the constitutive note or the status of each associative structure. In this way, depending on the specific of agricultural enterprise or cooperative, the conditions that have to be accomplished in order to be a member are to leave in a specific area, to be part of a specific socio- professional category or to have animals or agricultural field

Members from both structures voluntary affiliated, having the opportunity to call back any time. The impulse which determined the affiliation of an associative or cooperative structure depends on individual economical results amelioration and subsidiarily on consolidating the associative or cooperative structure. Taking into consideration the fact, we can exemplify as follows:

- inputs cost is smaller with 40 or 50 % for members of an associative or cooperative structure towards individual agricultural manufacturer. This is due to action purchasing of large amounts of seeds, pesticides and fertilizers. During 2013 it has been remarked a 40 % decrease of acquisition costs for wheat seeds towards price list comparing with individual manufacturers which obtained maximum 20 % discount. For sunflower seed acquisition cost was with 35 – 40 % smaller than price list, for fertilizers with 15 % than the price acquired by individual manufacturers.
- during 2013, the cost of fuels purchased by both consortiums, especially the price of diesel was about 15 coins cheaper than pump fuel price. Individual farmers derived profit also from price reduction according to purchased quantities, but not more than 7 coins per litre.
- cooperative members and those from associative structures, have the advantage of buying agricultural equipments, especially If they are buying a big number of tractors and equipments for soil processing.
- taking into account funding, cooperative and associative members, had the advantage of using bank products with smaller rates (as an average of 1 %). Raiffeissen Bank, BRD GSG, and Transilvania Bank offered this kind of products between 2012 and 2013.
- agricultural production capitalization is advantageously taking place in case of consortiums than in the case of individual manufacturers, thus ensuring a better price and a bigger profit for the members. We can take as an example, the sale price of wheat in the

Extension and Rural Development Consortium Valcelele which was 11 % bigger than an individual sale, and for corn with 8 % bigger.

Members from both consortiums freely affiliated, and they have no restriction from economical potential of each or location (locality or district) where activity takes place. So, there are members of Ileana Consortium that have farms with 35 and 5000 hectares in Calarasi, Ialomita and Prahova, and Extension and Rural Development Consortium has members with farms between 1 and 2.515 hectares in Calarasi, Ialomita, Prahova, Constanta, Teleorman and Buzau.

Summing up all the above it clearly results the economical advantages that the cooperative and associative members have. As a conclusion, we can stress out the voluntary aspect of the members belonging to the associative and cooperatives organization, an aspect that is entirely motivated by economic beliefs.

### **The principle of equal members into taking administrative decisions for the activity of the cooperative**

Within the administrative ruling of the cooperative and associative organization, all members are equal, each one of them having one vote only. This fact is also stated by the law in OG 26/2000, as well as in art. 62 of the 36/1991 Law („each member has the right to vote only once, no matter the value of his social role”), but also art. 17 from 566/2004 Law („no matter what is the scale of contribution to the social capital, each member can only vote once”). In the case of the two consortium, the decision regarding ruling and administrating with the competence of a general meeting are taken only by having the majority of votes, each member having the right to vote only once no matter the surface of the infield he works on, nor the contribution to the social capital. As an example, at the Extension and Rural Development Consortium Valcelele there are members that have 2 hectares of infield (PF Ivan Dumitru), with 3 hectares (PF Marin Laurentiu), with 400 hectare (SC Agrozootehnica Ulmeni SRL) or 2.500 hectares (SC ILDU SRL). This is an eloquent argument that can prove the „democratic ruling” of the associative and cooperative organizations.

We have to mention that in the presented case „Collective organisations of owners of agricultural fields, forests, profile, evolution, dispositions”, executive management of associative structures from agriculture, is ensured in 83 % of cases only by the members, in 5% of the cases only by persons outside the organisation, and in 12 % of the cases by both members and persons outside the organisation. This information is a clue that in the case of associative structures and agricultural cooperatives, management activity is amateurish, and this can burden the intention of imposing association and cooperation in agriculture as an alternative to be used in order to optimize the agricultural activity.

The principle of equal members into taking administrative decisions for the activity of the cooperative, known in specific doctrine as principle ; „on man, one vote”, is one of the most important characteristics of a social enterprise, associations and agricultural cooperatives being part of this category. We also have to record that this characteristic is essential, in order to delimit from the societies of classical economy, where the majority for taking decisions is formed according to percentage share of the capital. This principle has the merit that encourages association through attraction of farmers into organisations, especially of those who do not own big lands, being attractive the fact that both those little but also the big ones have same rights into taking a decision, but present the disadvantage that the majority of little farmers do not know so much about modern management, in this way the desire of professionalise the structure of associative management through attracting qualified personal can not surpass opposition to change for the majority who see in this step

only the expense brought by management professional attraction, without taking into consideration possible advantages.

#### **The principle of autonomy and independence of the agricultural cooperative**

The agricultural cooperatives and associations are set up voluntarily by the associated members with the scope that is stipulated in the statute and the articles of association of each of them, independently from any public institution or administrative authority. The last mentioned can not interfere at all in the management and ruling of the associative and cooperative operation. As juristic persons they have to be checked by the state bodies (General Directorate of Public Finance, General Directorate of Anti fraud, The Agriculture Directorate, and so on) that has the power to correct any illegal activity that may occur, but this can not be considered interference with the ruling and managing of the activity. Even though certain decisions regarding the administration of the association and cooperative are adopted as a result of a compulsory directive coming from a legal rule issued by the Govern or adopted by the Parliament, this fact also can not be considered an interference in ruling and managing the juristic person sustained by the Government or Parliament, because it is considered a general rule. In conclusion, we can rule out a new characteristic of the cooperative and associative organization: the independence and autonomy in relation with public and private organizations.

#### **Educating, training and informing the members of the cooperative principle**

An important activity that is taking place among the two consortiums that we have just analyzed is the one of getting associated members informed. The process of informing is done not only by the direct help of the consortium's salaried, but also by the participation to seminars, symposium, and presentation. This way, the salaried of the two consortium, those that are entitled with this specific role, is informing immediately all partners regarding the evolution of prices on the cereals market, the transportation, insurance and input market. Also, at the request of any associated member, this person has to obtain the necessary information. In the course of 2013, the most important activity within the activity of the consortiums salaried was getting in time the information regarding the cereal market. At the Extension and Rural Development Consortium Valcelele this activity was essential because almost 70% of the production that was soled by associated members through consortium was made at the time and price that producer choose and only 30% of the production was sold and garnered by the consortium.

In 2013 within the two consortiums were organized informatory and training meetings for the associated members as following:

- 3 meetings were held for the presentation of new types and crossbreed of sunflower, wheat, corn and colza
- 4 meetings for the presentation of new offers and conditions of provision
- 2 meetings for the presentation of few offers and the delivery condition of gas-oil
- 6 meetings for the presentation of input offers (seeds, pesticide, fertilizer)

In 2013, each of the two consortiums organized two general meetings were different input, provision, fuel producers were invited to present their offer. At these meetings the participants were offered specialized aid in terms of obtaining European funds, also they had the change to meet professors from universities and colleges with agricultural and agricultural economics profiles.

On demand, each member can benefit of help in obtaining meetings with specialist in any domain that is related to their own activity.

Analyzing these activities held by the organizations we referred to, we can conclude that *the main characteristic of the agricultural associations and cooperatives is offering the best information and knowledge to the active agrarian society.*

### **The principle of concern for communities sustainable development**

Joining the agriculturalist into the two consortium has brought many advantages to the communities they belong to: developing and making effective the activity not only brings a higher budget to the localities, but also creates new jobs, facilitates the rational exploitation of the resources and protects the environment. In the areas that these two consortiums function you can notice an higher developed business environment (Vâlcelele, Dragoş Vodă, Cuza Vodă, Dor Mărunt- for Extension and Rural Developing Consortium Vâlcelele and Ileana, Fundulea, Lehliu Sat- for Ileana Consortium). All this is presenting as a result of the characteristic of the cooperative and associative organization that is based on the long term developing of the communities' principle, more exactly the existence of their social and economic goal in agriculture. Having these organizations in the above mentioned area has been nothing but an important social help by decreasing the rate of unemployment. For example, while the rate of unemployment per county is 6,98%, the one in the Extension and Rural Developing Consortium Valcelele area is a lot more lower 1,9%, Cuza Vodă 2,02% Vâlcelele 5,3%, Dragoş Vodă and in the area of Ileana Consortium 3,77%, Fundulea and Ileana 5,2%.

It is important to notice that in a research made and presented in „Collective organisations of owners of agricultural fields, forests, profile, evolution, dispositions”, is stated that for 35 % of agricultural enterprises from Romania, delivering services essential for the community is the main important objective (Prometeus, ICCV, 2013). This is an important aspect, because delivering services for the community as objective of agricultural enterprises, is placed after the objective of „representation of member`s interests” (70 %) and the objective „obtaining economical benefits for the members” (28%). To conclude, I can underline that regarding the main objectives of agricultural enterprises, economical aspect still governs, but also social aspect has an important percentage. Taking into consideration that economical situation improvement of the members of agricultural enterprise has as consequence the improvement of social situation, those 2 elements are leading to the conclusion that indirectly is being improved the social and economical situation of members of the communities from which associative and cooperative members are part of.

However, besides objectives directed to the members, 35 % of agricultural enterprises, also have objectives oriented towards community, by delivering services indispensable for community. Those are enforcement services for agricultural work, consultancy deliver, insuring spaces to deposit agricultural products. All those previously mentioned are creating conditions into developing the respective communities. Also in the sense of the role vector for sustainable development of the communities they have associations and agricultural cooperatives, can be interpreted and all the provisions of the documents governing the destination of European funds in the agricultural and rural development, namely those provisions that either attaches score additional applicants belonging associative structures (associations, cooperatives or producer groups), whether determined as eligible beneficiaries associative structures.

As an example can be mentioned National Program of Rural Development 2014- 2020, that within 4.1 „investments in agricultural exploitation”, 4.2 „investments for agricultural products marketing”, 4.3 „investments for development, modernization and adaptation of agricultural infrastructure”, has as eligible beneficiary, associative structures from agriculture, respectively producers groups and cooperatives.

As an argument for those mentioned above, it also must be brought into discussion that in the areas with superior class of soil fertility, agriculture met an important development and modernization, but development of rural area from where the majority of agricultural

workers come from, remained at a low development level. Through this previously mentioned actions included in PNDR, they try to develop the rural areas, and through associative structures from agriculture, that can be, for example eligible beneficiaries for investment projects in processing and commercializing agricultural products, being well known that one of the methods of adding value for agricultural products, plusvalue that can mainly stay in the community, as benefits, represented by work places or local taxes, that can be transformed into improved infrastructure.

#### **The economic contribution of the members of the cooperative principle**

Another general characteristic of the associative and cooperatives organizations in agriculture is the economic participation of the cooperative members. According to this principle, "Members contribute equitably to the establishment of the cooperative property, exerting democratic control over it. At least part of this property is indivisible". Conditions that must be met for compliance with this principle is closely related to the conditions necessary to become a member but with the legal form of the NGO or cooperative. So, usually, if prime condition for membership is only residence in a particular area, member economic participation is represented only by a fee in the amount fixed. This is seen most commonly in the associative structures that function as NGOs. If the condition for membership is that they have different areas of land or livestock or other assets and legal form of the structure is one governed by specific legislation agricultural companies and agricultural cooperatives, member economic participation is more complex and is briefly described in below. This fact can be explained with the case of the associative organizations that were set up according OG 26/2000, and states that all members have the duty to pay a fee. For example in the case of Extension and Rural Developing Consortium Valcelele, the fee is 5 RON/ha/year, and in the case of the other cooperative organizations the law says that the person that can subscribes and pays the number of shares can be a member (art.16, paragraph 3 from 566/2004 Law). In the case of the association founded according to the law 36/1991, you can be an associate in an agricultural organization if you only have infield, animals, machinery or any other type of goods, but also by bringing a financial contribution in the account of the subscribed parts. This principle is very obvious in the case of the co-operative organizations that were founded according to the law 36/1991, more exactly by establishing the criteria of allocating the profit, and in the case of the associations founded according to OG 26/2000, by providing the necessary quantity of resources for the function of the association.

Analyzing the operation of the two consortium that are founded and working according to different normative acts, you can see that there are some specific characteristic like: an association that is operating as an ONG, similar to Extension and Rural Developing Consortium Valcelele, is not making any profit, and this is also because the law interdicts it, the over plus being used only as AGA wants. It is usually used at the progress of the association, and for promoting its image and interests. On the other hand, Ileana Consortium, which is set up according law number 566/2004, is making profit that is distributed to the members of the cooperative, according to their statute. Actually, also in the case of the cooperative organizations, the profit is used entirely for its own developing. According to the statute of both organizations, the members have the obligation to sell at least 70% of the production of cereals that is obtained through consortium, being necessary to respect the law that is controlling the operation of the producers. But the difference is that for the quantity of cereals that is sold through Ileana Consortium, because it is an organization that makes profit, a percentage rate applies and goes to the account of the Consortium. In the case of the Extension and Rural Development Consortium Valcelele,

there is not need to levy a percentage cost from sales, the integral cost is cashed in by the producer, being a member in the association.

**As a conclusion**, the general characteristics of the agricultural associative and co-operative organizations that we discussed and determined along this project underlines the superiority of the economic results and social standing of the cooperative and associated members in comparison with the individual producers.

Also, earnings communities where community members are working in various associative structures or agricultural cooperative is evident, both from an economic perspective as well as from the social perspective, the area becoming economical attractive and also increasing the development potential.

We leave it to the sociologists to explain why many farmers are not very keen on joining the agricultural associations or cooperatives.

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