

## **AN INTEGRATING VISION ON THE MANAGEMENT OF THE ROMANIAN FOOD SYSTEM**

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### **Abstract**

*The paper contains a synthetic approach on Romanian food system: opportunity of its existence, its structure, relations between economic agents which operate within it, their management and the extent to which those directs producers, especially farmers, to the pursuit of economic flows of goods and money, which are specific, found in the vertical integration processes. Based on observations gathered after studying the food system, it was highlighted, inter alia, the need to improve management, increase its contribution to the creation of permanent relations between economic agents of the system connecting to these more and more agricultural holdings which develop their commercial side, stronger reception of the interdependence between them and strengthening partnerships for coming in this respect with some courses of action.*

### **Keywords**

*agricultural holding, management, food system, enterprises*

### **Introduction**

The food, specific to theoretical approaches and practical achievements as part of the national economy, is to provide food security and safety for population. Opportunity of its existence is, of course, of wider economic and social interest.

Strengthening food system, in order to fulfill its role, depends on what happens in this respect, at the level of economic organizations of agriculture, food industry, and trade in agricultural products etc. which enter in its composition, these providing its overall and sequential picture.

A look at the Romanian agri-food system can capture, among other things, the extent to which its various components and their management exercised over them ensures a proper functioning and improvement of its social and economic performances. At the same time you can foreshadow ways to improve management and other areas of agro-food system, which function in the complex conditions of the modern world.

### **Method**

The theme of the work is extensive and many aspects of it are felt in the functioning of the agrifood system, but difficult to detect in a concrete form, cyclical. More information flows in the system and outside it anonymously.

It was used a theoretical and factual documentation, consultation and different sources were observed phenomena that occur in various components of the agrifood system.

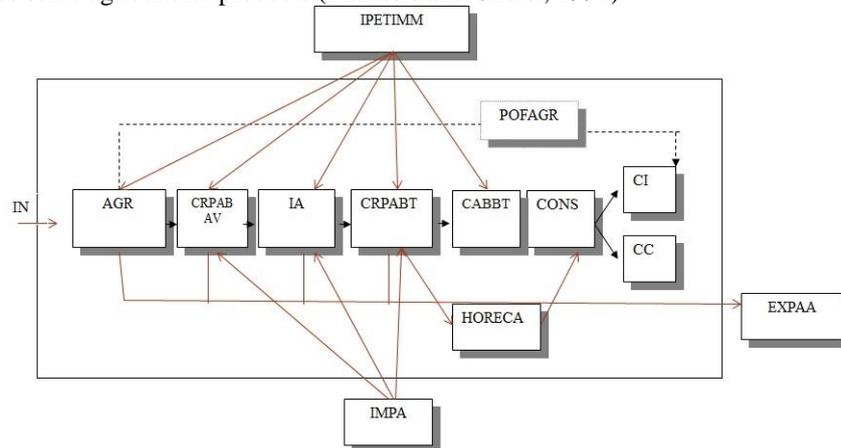
Informations obtained were interpreted and the data were subjected to processing and analysis. We took into account the dependency relations between economic agents in the system and the extent to which management responds to such chains of processes (production, sale, consumption, etc.) seen as a sine qua non for the functioning of the agrifood system.

The analysis was accompanied by the synthesis requested by broader thematic area of the work specific, in general, of an agrifood system systems and, in particular, of the management of the economic agents from its structure, these being numerous and different in many ways.

## Results and dicussions

### 1. Agrifood system – short characterization

The agrifood system is very complex, interfering many activities, belonging to branches or sub-branches of the national economy. In addition to ensuring food security and safety of members of a population of a country, the opportunity of setting up and of its functioning is presented also by its economic effects, either directly (contribution to GDP, providing employment, highlighting the resources etc.) either propagated, these being found, among other things, in stimulation the increased production in those areas which provide a series of entries, to which are added the social effects with particular relevance in terms of improving the living conditions of members of society (fig.1). Moreover, if we refer only to agriculture, it had, as is well known in recent years, an important contribution to economic growth in our country and thus ensures the demand of industrial processors and consumers towards some agricultural products (Malassis and Gherzi, 1992).



Note:

IN – inputs

AGR- Agriculture

CRPABAV- Retail trade of raw agricultural products and living animals

IA – Food industry

CRABT – En-gross trade of agro-food products, beverages and tobacco

CABBT – Retail trade trade of agro-food products, beverages and tobacco

CONS – Consumption; CI – Individual consumption; CC- corporate consumption

IPETIMM – Technical device, information, materials producing enterprises

EXPA – Export of agro-food products

IMPA – Import of agro-food products

HORECA – Hotels, restaurants, caffeterias

POFAGR – products that pass by the agro-food chains (are not subject of selling-purchasing)

**Fig.1 The Romanian agro-food system**

Some indicators which characterize the enterprises in the system, on fields of activity, are given in table 1.

From the structural point of view it is found a large number of businesses in the Romanian agrifood system, the ones from agriculture being the predominant.

**Table 1 Enterprises from Romanian agrifood system**

No.	Fields of activity	Number of enterprises	Average number of employees	Turnover mil. lei	% micro-enterprises in total
	Agriculture (2010)	3 859 043 *	2 780 000**	64 259.5***	87.2
	Wholesale trade of agricultural raw materials and of live animals (2010)	1736	10765	10568	88.4
	Food industry (2012)	7691	163005	37491	65.0
	Wholesale trade of food, beverages and tobacco (2010)	6995	80130	57291	81.3
	Retail sale of raw agricultural products and living animals in non-specialized stores with predominant food, beverages and tobacco (2010)	49681	192191	41167	94.8
	Retail sale of food, beverages and tobacco in specialized stores (2010)	5988	20746	2859	93.5

\* Agricultural holdings

\*\* Employed persons

\*\*\*Production value of agriculture

Source: Balea, Virginia, Lăcătuș, Teodora, Istrate, Eugen (2012). *Rezultate și performanțe ale întreprinderilor din comerț și servicii*, Institutul Național de Statistică, 2012; Anuarul Statistic al României 2013

Thus, in 2010 there were over 3.8 million agricultural holdings with an average used size of 3.4 ha. Moreover, it is known that Romania is the EU state that has most of the agricultural holdings.

In developed countries the number of farms has decreased, with a concentration of land held in service by increasing land of the enterprises from the food industry, especially those in the field of food distribution. In France, for example, a country that has an agricultural area twice greater than ours, is recorded, in 2010, the existence of 516,100 holdings returning an average of 53.9 ha exploited agricultural area. However, some time ago in France, in the food distribution and services, that offered "product-service", worked about as many people as were employed in agriculture (Miclet et al., 1998).

The smaller number of holdings, in conjunction with the infusion of capital with a low share of population in agriculture and high level of yield per hectare determines differences of productivity between French and Romanian agriculture and beyond.

With all the progress of food in which we find, in 2012, 7691 enterprises, and trade in agricultural products, however, subsistence production, and even the one of semi-subsistence can lead us to what is known as agricultural state of our food system with present elements related to the one of transition and the one of agroindustrial, final stage reached in some countries being the agricultural tertiary stage, based on a strong expansion of food services (service-based economy) (Miclet et al., 1998). Of course, we cannot but keep in mind that in agriculture, even in our conditions (e.g. wine), key elements of the information economy, recourse to information technology management processes.

Romanian food system organizations bear the seal of the new type of economy, generated by crossing to private property arisen from the profound reform known by Romanian society after 1990 the economic organizations of agro-food system have emerged through the restoration and establishment of private property, in the case of the agriculture, by the privatization of former state enterprises or by entrepreneurial initiatives for the food industry, in commerce, etc.. Turbulent environment of the 90s, which were established several economic organizations marked their operation, making it difficult to develop and strengthen them to "settle down" gradually, although it appeared in the first decade of the second millennium, a strong financial crisis, which called great effort on their part to manifest viable.

In agriculture where prevails individual holdings may occur the transformation of some of them into commercial holdings, narrowing the area of subsistence or semi-subsistence.

However, operating structures of Romanian agriculture seem to not be aligned to those of Europe, with, on the one hand, many subsistence and semi-subsistence holdings, and on the other hand the holdings that use an average of thousands of hectares. In 2010, the agricultural holdings with legal personality in number of 30698 exploited almost 6 million hectares of agricultural land, the average used agricultural area being 193.74 ha. In the case of the ones without legal personality, much larger (over 3.8 million), the average agricultural area used was only 2.02 ha (table 2).

**Table 2 Exploitation structures**

Explanations	Agricultural holdings	Used agricultural area which has returned an average		Used agricultural area
		On an agricultural holding ha	On an agricultural holding that used agricultural land	
Agricultural holdings without legal personality	3828345	1,95	2,02	7465 273
Agricultural holdings with legal personality	30698	190,78	193,74	5 856 564
Total	3859043	3,45	3,57	13 321 837

Source: Romanian Statistical Yearbook 2013.

The above situation is questionable. The good part seems to be according to the findings that large size holdings are mainly suppliers of production of goods for trade, meaning that is entering the food system pathways.

As experience shows, the functioning and stability of food systems assume that organizations are found in dynamic interaction (Miclet et al., 1998). Products pass from "hand to hand" as a result of vertical integration processes, the integrator "poles" being the organizations in the processing of agricultural raw materials. In doing so, it creates the conditions for, among other things, monitoring the traceability of products, which is very important for food security of the population (Istudor, 2010). In developed agrifood systems vertical integration is dominant. Once entered on the chain, the agricultural products are integrated in transformation processes directed by managerial actions aiming to obtain food supplies.

In our terms, this only happens to a certain extent, significant amounts of various agricultural products are "processed" in individual holdings for own consumption and for occasional sale of excess (Voicu, 1998). For some holdings the relations with downstream are sporadic. Moreover, it was pointed out by various agricultural organizations, that much of the quantities of different products are not in exploitation flows or are sold in unorganized form, the last aspect is not necessarily a bad thing, but harm the functioning of the agrifood system.

The above phenomenon on the opening of economic agents in agriculture compared to upstream and downstream relationships can also be found in the case of big agricultural holdings.

Their attitude has an economic determination, so the price level on pathways of various products, insufficient amount of supply, its lack of homogeneity and poor quality make possible the orientation, for example, of some industrial processors for import of raw materials and to export of agrifood products, excelling the benefits accruing to them from these operations. There is a "fracture" between some areas of agriculture and downstream agents, which reveal some weaknesses of agrifood system in accomplishing its function of ensuring the food security of the population.

In developed countries there is a high concentration of manufacturing activities and trade in large enterprises, small producers complaining that they exert pressure on them (Miclet et al., 1998). Thus, for example, in France, according to the authors cited at the end of the last century, 130 agrifood enterprises had intake of 66% to the turnover of the sector, while the contribution of very small enterprises was 10.5%. Large enterprises accounted for 50.1% and the small ones 21.3% of the number of employees of the food industry. In the United States, four companies controlled 80% of slaughter cattle, nearly 60% of the pork meat-packing industry and 50% of production and transformation of barbecue chickens. In the same country, the four largest grain processing enterprises transformed 74% of American corn, 62% wheat and 80% of soybeans produced in the USA.

**Table 3 Concentration in food industry – 2012**

Branch	Turnover* Millei	Number of enterprises	Average number of employees	Cumulative % of total CA		Cumulative% of total number of employees	
				First 5	First 20	First 5	First 20
Food industry	37 941	7 691	163005	5,1	14,3	5,5	12,7

Source: Romanian Statistical Yearbook2013

\* Provisional data

Regarding the concentration of trade, we note that in France, five companies controlled 94% of all sales of food and five large retailers in the United States in the diet had 42% of food sales in detail.

In Romania, the concentration in food is much less (Table 3).

Thus the top five companies in this branch, ie 0.07% of their number produced 5.1% of turnover, and the top 20 accounted 14.3%. In order, this group of companies had 5.5% and 12.7% of total employees in the food industry.

The level of concentration in the food industry is reflected in the structure of its enterprises by size classes by number of employees that is dominated by micro-enterprises that have 65% of their total (Table 4).

**Table 4 Food industry enterprises' structure**

Branch	0-9	10-49	50-249	Over 250
Food industry %	65,0	27,1	6,7	1,2

Source: TEMPO online

In terms of trade that takes place in the agrifood system, its degree of concentration is higher than that of the food industry. Thus, in 2010, the top 20 enterprises in wholesale of agricultural raw materials and live animals accounted 57.1% of its turnover. In the retail trade in specialized stores for selling predominantly food, beverages and tobacco, the top 20 companies accounted 54.23% of the turnover (the big companies intervene).

Given the concentration phenomenon encountered in developed countries that found, at least to some extent also at us, the idea of supporting the individual holdings which will process agricultural products must take into account the extent to which they may face competition from major domestic and international manufacturers, in terms of costs, of ensuring all requirements regarding product quality, of penetration in various markets, of relations with economic agents from the food distribution etc.

Theoretically, it is advantageous to sell products derived from the processing of agricultural raw materials (is adding value, the obtained prices are higher, etc.) but it is important that this to be verified in practice. Information on what is happening in the production and trade of traditional Romanian products could be a precondition for making decisions referring to the opportunity of processing raw materials in some individual agricultural holdings.

## *2. The diversity of management approaches (attitudes) in agrifood system*

Management in agriculture, but also in other areas of the agrifood system is easily observed, exercised by very different people after: the general training, professional and managerial; age; attitude towards change, of what is new, which is again manifested especially in agriculture, subsistence holdings, elements of tradition in crop and livestock; citizenship, with local and foreign managers, the latter comes either from the EU or from other parts of the world (holders of a richer experience, from countries with a strengthened market economy); attitude concerning the opening of agricultural holdings to the environment, these operating or not as open systems.

It is required the perception that all are part of a system and, therefore, their actions must converge to its proper functioning, reaching also their own interests, these being manifested in agrifood business world. In the system there is a "fabric" of attitudes, economic and managerial behaviors which creates influences from the macro-environment and mega-environment, which reflect the complex nature of the agrifood system.

If we consider the evidence presented above, we can say that the managerial "tuning fork" is very broad. Thus, the operation with terminology (decisions, information, management style, etc.) is foreign to many people, especially among those employed in agriculture.

Tradition includes, however, certain terms (different formulations by area) that remind us what it means current management but of perspective with reference to example how will be carried out in an agricultural year (operational management) and respectively what shall be cultivated in the next year and the resources necessary for this purpose and their insurance.

At the other "pole" are both in agriculture and especially in other parts of the agrifood system, managerial concerns related to knowledge management, the result of a certain level of training, often academic.

The two situations that can unfold between intermediate points will coexist in agriculture more or less time depending on various factors, among which there is the involvement of young people in business in this industry, whom are required at installation and on the occasion of financial support to have a certain level of training, which is found in other European countries and started in our conditions in the case of training farmers in subsistence farming. It remains to be seen whether financial support, during the installation of young farmers, will be at the desired level, taking into consideration: working conditions in agriculture, improved considerably as a result of the modernization of fixed capital, social ones (access to education, culture etc.), the risks are much higher than in other economic sectors.

With such a diversity of managers may occur decisions (even if some of them do not call them so), between which there are vast differences in the rigor of their background process that requires consideration of a large number of influence factors, these following to be known of several related reasons and of the extent to which are held various knowledge. From this perspective, the weakest link of the agrifood system seems to be agriculture, those who manage subsistence agricultural holdings and to some extent, the ones of subsistence, holding little general and specialized knowledge. Will prevail, therefore, the orientation activities, consumption needs of families (food consumption and 'intermediate consumption') subsistence holdings which sell certain quantities of different products will take into consideration their market situation, concerning to the environment and not only to their internal one.

Many agricultural producers that own individual holdings, due to reasons related with subsistence, low prices, pressures coming from different beneficiaries etc., are reluctant in connecting with economic flows. From this point of view the functioning of supply chains is poor and makes imports more attractive for downstream firms.

If we consider the agrifood system in its entirety, we find that people who exercise the management of various organizations from its structure perceive differently need to conduct relationships on product chains. Many farmers, owners of individual holdings, manifest, because of the reasons to ensure their subsistence, low prices, pressures in negotiations by various stakeholders, reluctance to connect to various economic flows, functioning of channels, also from this point of view, lacking the downstream resorting to imports.

This phenomenon can be found in the case of large agricultural producers if we consider, for example, that in the time of harvest, when it reaches a high level of production, are lowering the prices so they may resort to exports. Of course, prices can not be controlled, and the owner of the land, the ownership and / or operation is the owner of production achieved and can decide accordingly. But, the operation and strengthening agrifood system are linked also to the situation awareness that eventually all (producers, traders etc.) are in the same "boat". Establishment of partnerships and pathways regulating processes of products, which are said to exist in countries with developed agriculture, appear as necessary. In this way, we can ensure the maintenance of reasonable levels of prices of products on various channels, which will generate income correlated as much as possible

with the interests of those in interaction. In our conditions such a way to do last long and the progress of agriculture, the holdings acquiring the capacity to provide quality products and quantities required on channels, which can not be broken by organizational forms such as for the individual ones, producer group and association or cooperative outlets. In doing so, their bargaining power will be greater, both in relationships with beneficiaries and providers. The work of producer groups is, in this sense, a convincing argument.

### *3. "Steps" to improve management*

It is a known and accepted phenomenon that management has particular relevance to our world, whether we look at the economic or social level, the management being currently more or less efficient in all human actions. Perception of such states implies an active attitude for management to become a state of mind, all those involved in its exercise in the organizations from agrifood system must show interest in theoretical and practical aspects thereof, any reluctance being counterproductive. Must not forget that, in one way or another, the management is exercised and the final results are, however, different according to its quality. It is important to be a good achievement of management, monitoring activities to be permanent, to be able to intervene in cases of misconduct and, in general, actions to be oriented towards achieving objectives. The difficulties of the environment, of which it is not responsible the management in organizations, it should not be opposed, but it is necessary that through appropriate decisions, to be found solutions to answer so the organization to operate, to develop and to change.

The above calls the induction of as much knowledge, including in management, in the agrifood system. The training, information, guidance, advice etc. should be strengthened, as requested by the knowledge economy. They are needed in every area of management and especially in agriculture.

The formation of farmers who have semi- subsistence farms, setting up young farmers and other actions are ways that can broaden the knowledge of different ways in agriculture. The agricultural producer himself must have more openness and observe how it behaves his counterpart in other countries, who operate with knowledges (from the ones in agriculture to ones in informatics) and what degree of general and specialized training has. Are created opportunities, which can be valued in terms of good agricultural practices and strong joint family holdings, now becoming domestic and international trade flows of agricultural products.

Our agricultural practice shows that managers of large holdings through what they do are turning to the requirements of the agronomic and management sciences. They have a different perception of the environment and, in particular, of the business, are convinced of its role and by the need to adapt to it (though they wanted more favorable), in order to exist. They focus on productivity; some of them being integrated in groups and by their size have some bargaining power in dealing with economic agents downstream and upstream.

Those who exercise the management of economic agents in the agrifood system need economic knowledge and business culture (lead, but some are entrepreneurs). The thinking must be strategic especially because of the changes in consumption patterns caused by various factors, including the recommendations made by the medical world. Changes also occur in other areas, the factors which determine them from the environment, which must be known, surprising its trends, some of them being generators of opportunities that can be valued by initiating business. Through what will be done should meet the changes that, as H. Fayol said, must scrutinize future, which positively influence the functioning and existence of the enterprise (Thietard, 1989).

With respect to environmental knowledge is required from the management enterprise a state of wakefulness (Bacanu, 1997), the attention being directed to its behavior in order to be perceived its changes, which in the current period are very fast (Rusu, 1999).

Must not be overlooked the aspects of managerial communication if we consider the positive effects that are generated when it is conducted in a proper climate to obtaining performance.

The knowledge area of managers is certainly large enough to solve many problems which are not only technical and economic but also psychosocial, which determine the behavior and availability to tasks of staff and subordinates.

### **Conclusions**

a. The picture, be it brief, of agrifood system and of its organizational management, takes out, however, that its functioning and strengthening represent challenges for any country that wishes to ensure food security for its population, that require time, material and human effort and agricultural policy to support such an approach.

b. In Romanian agrifood system operates a number of economic agents, predominantly those in agriculture; while in other countries it was reduced, increasing those working in the food distribution and who provide services related to food.

c. The management can be found in the case of economic agents from agrifood system, but its forms are different: dominated by empirical or scientific evidence.

d. The differences in management approaches depend mainly on general, professional and managerial education of those who put it into practice.

e. The management of economic agents in the agrifood system is expected to subsume, among others, to achieve their dynamic interaction, ie each to produce what, how and how much for those who follow in the food chain or outside of imports, because agrifood system will have difficulty of functioning.

f. The extent to which the agricultural holdings are open to the upstream and downstream relationships is determined by the status of each, those of subsistence and semi-subsistence showing a poor concern in this regard, especially in organized forms, while the commercial links with the environment is their reason to be.

g. The scale agrifood system, if we consider the many economic agents in its composition, the activities carried out, human and financial resources mobilized etc. generate a multitude of decisions, their rigorous substantiation being inextricably linked to: the attention paid to management, perception of its role, of the knowledge of operating managers, of value judgments they make etc.

h. In all areas of agrifood system, but especially in agriculture, is necessary to improve management in order to ensure, inter alia, the implementation of good agricultural practices and to be properly used the benefits of agricultural policy.

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