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THE ASSOCIATIONS OF AGRICULTURAL PRODUCERS FOR SALE OF AGRICULTURAL PRODUCTS

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Abstract: Romania's EU accession will be completed, most probably, in the year 2007, this being more a political action, than an economical one. Still, the accession of Romania's economy to EU's competitive economy will be very difficult (especially the agriculture and food industry). One of the present problems for the agricultural food industry is the production of qualitative uniform products, in quantities large enough to satisfy the demand of 450 million consumers. Thus, establishing associative forms in the production and commercialization of agricultural food products can contribute to the increase in competitiveness of Romanian products on the European market.

Key words: accession, competitiveness, quality, agricultural food products, agricultural producer, association, cooperation, market, objective, performances.

Before 1989, farmers were forced to work the land either in Agricultural Production Cooperatives (CAP), or in former IAS. A phenomenon of migration has been observed, as a part of the people living in rural areas has moved to urban ones. The employees, in the context of a planned centralized economy, did not have the liberty of initiative and did not assume responsibilities; no matter what field of activity they worked in. They acted upon the instruction they received from a superior level.

After 1989, a great deal of changes has shaped the country and the agricultural sector. As a result of applying the 18/1991 law, the former land owners received back the land that was once theirs, process that led to the segmentation of the agricultural land. Many of the present owners are not involved in agricultural activities, as they either live in urban areas, are of old age, or undertake these activities as recreational ones. For the latter the best solution is association or leasing.

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For owners that have little land in their property, chose to involve themselves in agricultural activities and don't resort to association, having a profitable activity is very difficult.

Some of the reasons for this are:

- lack of financial or technical means
- lack of proper know-how regarding agricultural technologies.

Because of the current status of the Romanian economy and of the capital market (inflation rate, high commercial credit rates, lack of guaranties), agricultural credits for this segment of farmers are quite inaccessible.

For those who can produce saleable goods, the income produced by selling agricultural products is unsatisfactory and does not compensate the work put in such activities. The collection networks in rural areas are undeveloped, being controlled mostly by middlemen that don't bring any added value for the agricultural producer.

Moreover, because of the small quantities available for selling and the lack of uniform quality, this segment of producers can't have steady contracts.

Association, as a form of agricultural organization, is the solution for farmers (agricultural producers) that own the land but not the capital needed. Associations are the „main engine” of Romania's agriculture because they can assure a minimal technical and financial endowment and they can obtain a better productivity that reflects as well on the quality of the products.

Farmers can chose association in order to have joint agricultural works, joint provisioning, or for better commercialization of agricultural products. As well as small farms, associations are involved in first processing activities.

After 1989 a series of laws and ordinances that allow the operating of different types of association or other organization of agricultural producers:

- Law no. 36/1991 regarding agricultural companies
- Law no. 16/1994 regarding the leasing of agricultural lands
- Law no. 109/1996 regarding the functioning and organization of consumption and credit cooperatives
- Urgent Ordinance of the Government no.147/1999 regarding the establishment of associations of irrigations' water users
- Urgent Ordinance of the Government no.26/2000 that modifies Law no. 24/1924 regarding associations and foundations

- Urgent Ordinance of the Government no.108/2001 (the law of agricultural exploitations) etc.

Both the marketing associations and production groups are called upon to stabilize the marketplace and to eliminate the speculation phenomenon in depositing, selling and price-setting, assuring reasonable revenues to producers. These associations don't aim only at production, but they have to develop all the food production chain; each association running their specific activity for the good of all its members.

Table 1. Current situation of agricultural exploitation in Romania which use agricultural surfaces and/or hold livestock, upon their judicial status

- number -

| Judicial status of agricultural exploitations | TOTAL agricultural exploitations | Of which that own: | | |
|---|----------------------------------|--|----------------------------|----------------|
| | | Agricultural exploitations and livestock | Only Agricultural surfaces | Only livestock |
| Individual agricultural exploitations | 4 462 221 | 3.396.310 | 881.005 | 184.906 |
| Units with judicial personality: | 22.672 | 3.596 | 18.450 | 626 |
| – Agricultural Associations | 2 261 | 333 | 1.891 | 37 |
| – Commercial units | 6 138 | 1.416 | 4.290 | 432 |
| – Units of the public administration* | 5 698 | 944 | 4.674 | 80 |
| – Cooperatist units | 87 | 7 | 70 | 10 |
| – Other types | 8 488 | 896 | 7.525 | 67 |
| TOTAL | 4.484.893 | 3.399.906 | 899.455 | 185.532 |

Source: General Agricultural Census 2002

* Note – prefectures, town halls, cultural houses that own agricultural surface, while for livestock – zonal reproduction centers, subordinated to the ANRZ

The main reasons for the existence of associations in Romania's agriculture are the following aspects:

- Guarantying certain equitable revenues for producers;
- Adopting the production structure to market demands;

- Forming of a agro alimentary chain;
- Selling the agricultural products made through production;
- Eliminating the large price variation of the agricultural market;
- Sensing the necessity of balancing the supply/demand ratio.

The necessity of association in agriculture derives from the current status of agricultural exploitation in Romania, which is far from being able to assure the compliances of a quality agricultural production, let alone a competitive one, which could not only survive on the European market, but also win. (see Table 1 and 2).

Table 2. The average agricultural surface used (hectares) by agricultural exploitations, according to their judicial status

| Judicial status of agricultural exploitations | TOTAL agricultural exploitations hectares | Average surface used (hectares) / exploitation |
|---|---|--|
| Individual agricultural exploitations | 4 462 221 | 1,73 |
| Units with judicial personality, of which: | 22.672 | 274,43 |
| – Agricultural Associations | 2 261 | 431,47 |
| – Commercial units | 6 138 | 353,34 |
| – Units of the public administration | 5 698 | 503,22 |
| – Cooperatist units | 87 | 27,19 |
| – Other types | 8 488 | 24,49 |
| TOTAL | 4.484.893 | 3,11 |

Source: General Agricultural Census 2002

The associating forms currently encountered in Romanian agriculture are the following

1. Food Products Inter-profesional Organizations

The legislative framework regarding the forming and functioning of institutional organisms for agricultural and food markets has been established (Law no. 778/2001 regarding inter-professional organizations for agro alimentary products, Law no. 73/2002 regarding the organization and functioning of agro alimentary markets).

These laws regulate the making and functioning of inter-professional organizations for agro-alimentary products or product groups at a national level or for each production area.

The objectives of inter-professional organizations are:

- Sustainable development of agricultural production through the support of private agricultural producers for an increase of economical power of farmers and agricultural associations;
- The correlation of production levels with the demand of quality on each market;
- The improvement of the informational system regarding the supply and demand of the markets;
- The development of agricultural and food markets and the establishing of a business environment;
- The participation of agricultural producers to the elaboration of development programs and strategies;
- Rendering consultancy to producers, in the association, management and marketing field.

The most important activities ran by inter-professional organizations in the agricultural field are:

- Proposes measures and policies to public administration authorities, through Product Councils for the improvement of economic efficiency. Presently not all the Product Councils stated by Law no. 778/2004 are constituted, but the attributes of these are taken over by authorized inter-professional organizations;
- The inter-professional organizations have Conventions with the MAPRD, for a product or group of products, regarding the realization of regulating instruments of the product's market. Upon these conventions, each inter-professional organization, at its level, has inter-professional accords, that regulate the conditions of processing, delivery, buying of processors or of production of the members of the organization, with the statement of reference prices and production quotas;
- Inter-professional agreement are elaborate between sugar and bread manufacturing industries;
- Give their opinion on different law projects

Since 2002, 8 inter-professional organizations were set up and authorized for the next industries: sugar, pork, vinery, milk, grains and secondary products, vegetable oils, barley malt, chicken, eggs and secondary products.

In 2004, inter-professional organizations were set up for textiles and vulnerary herbs, potatoes, horticulture, meat, fish.

Romanian Government, encourages set up of inter-professional organizations because they generate a better understanding and knowledge of government strategies for specific industries, of legislation which regularize supply and demand both for internal and external markets. At the same time, they can and must play an important role in reconciliation in food industry, in elaborating uniform policies so that their role to increase in relation with decision factors.

The steps for constituting an inter-professional organization are:

1. Elaborating the Constitutive Act (organization charter) regarding the founders (owners, associations, farmers, merchants).
2. A judge order establishing the name and localization.
3. A judge decision recognizing the inter-professional organization.
4. An authorization from MAPDR trough National Authority for Agro- foods Markets following this procedure:
 - “Registration File” for the inter-professional organization.
 - Inter – ministerial committee give its approval based on “Approval paper”
 - Decision issued by Ministry of Agriculture, Forests and Rural Development authorizing given organization and publication in the Official Gazette of Romania.

This steps are comprehended in “Procedures for accounting, organizing and functioning of inter-professional organizations and products or group of products committees “.

2. Groups of Producers

Establishment and acknowledgement for groups of producers is regulated by **Law no. 277/2004**, published in the Official Gazette of Romania, Part I, nr 580, from June 30th 2004 and trough:

- Decision issued by Ministry of Agriculture, Forests and Rural Development No. 535 from July 29th 2004 regarding the approval of Law no. 277/2004 Regulations on Constituting, recognizing and functioning of producer groups

for selling agri-, forestry and fishy products, published in the Official Gazette of Romania, Part I, no. 762, from August 19th 2004.

- Decision issued by Ministry of Agriculture, Forests and Rural Development No. 536 from July 29th 2004 regarding the products for which groups of producers can be established, published in the Official Gazette of Romania, Part I, no. 761, from August 19th 2004.
- Decision issued by Ministry of Agriculture, Forests and Rural Development No. 537 from July 29th 2004 regarding the framework status for groups of producers, published in the Official Gazette of Romania, Part I, no. 761, from August 19th 2004.

Establishment and acknowledgement for groups of producers in horticulture is regulated through the Decision issued by Ministry of Agriculture, Forests and Rural Development No. 174 from March 3rd 2004, published in the Official Gazette of Romania, Part I, no. 254, from March 23rd 2004.

For the producers in fishing industry recognizing is obtained through the Decision issued by Ministry of Agriculture, Forests and Rural Development No. 418 from June 24th 2003, published in the Official Gazette of Romania, Part I, no. 503, from June 11th 2003.

Law 277/2004 represents the ground framework for establishing a groups of producers in agriculture, forestry and pisciculture, based on common interests and actions for selling agri, forestry and fishy products. Groups of producers are lucrative organizations with independent administration. The government supports the establishment and activity of groups of producers through internal and external financial sources.

The objective of the producers groups consists of establishing the market strategy for reaching the demand-supply equilibrium, to eliminate high price variations and also guaranteeing certain incomes for the producers. Its role also consists of establishing uniform mandatory rules, for ensuring the quality of the products, adapting production to market needs, protection of the environment and elaboration of commercial distinctive rules for every product category.

The minimum recognition sizes and criteria are present in table3.

The two criteria have to be fulfilled simultaneously for the recognition of the producers group. By law, the duties of a group member are stipulated and how the membership quality can be obtained or withdrawn. The recognition of the producing group is made, after case, by the Agricultural and Rural Committee, Territorial Hunting and Forestry Committees, or Territorial subsidiaries of Fishing Inspection subordinated to the Ministry of Agriculture, Forests and Rural

Development. The recognition permits for the production groups are filed in a special registry opened by the assigned authority, specific to its activity.

Also the law sets the conditions of recognition for the producers group which value two or more products or for those that fusion.

For implementing the stipulations of the law, the orders of the Ministry were elaborated for the approval of the frame statute of the producers group, the products for which the producers groups and application rules are constituted.

Table 3. The minimum recognition sizes and criteria

| Product | Minimum number of members | Minimal production for capitalization |
|---|---------------------------|---|
| a) Cer | 20 | 900 t/year |
| b) Techincal plants | 20 | 300t/year |
| c) Hop | 7 | 50 t/year |
| d) Tobacco | 10 | 25 t/year |
| e) Vegetables | 5 | 125 t/year |
| e) Early summer potatoes | 20 | 300 t/year |
| f) Fruits | 10 | 100 t/year |
| g) Table Grapes | 10 | 100 t/year |
| h) Wine grapes | 30 | 350 t/year |
| i) Mushrooms | 5 | 50 t/year |
| j) Medicinal and flavored plants | 15 | 10,0 t/year |
| k) Ornamental flowers and plants | 15 | 750 thsnds filaments |
| l) Milk | 20 | 6.500 hl/year |
| m) Meat | | |
| - bovine | 20 | 100 t/year |
| - ovine | 20 | 80 t/year |
| - pork | 20 | 200 t/year |
| - bird | 20 | 100 t/year |
| n) Honey and beekeeping products | 10 | 10 t/year |
| o) Wool, par, leather and other animal byproducts | 15 | (cca. 3,5 mld. Lei production) |
| p) Forestry products | | |
| - wood | 10 | 10.000 mc/year (cca. 2,5 mld. lei production) |
| - non wood | 15 | |
| Fishing products | 3 | 25% from area production |

These producer groups, that are already established in the EU countries for several years, had their implementation and functioning settled in conformity with

the law and with the EU regulations (The Counsel Settlement nr. 952/1997 regarding the producer groups and their unions).

The law assures the legal framework to implement the measure “The constitution of the producer groups” inside the SAPARD program (with a budget of 26.1 mil euro) which establishes financing as a non-returnable add for constitution, recognition and functioning for a maximum 5 year period, with a specific annual quantum, based on the annual production of the producers’ group.

3. Associations of the Agro-alimentary Producers

It was elaborated the legal framework regarding the agricultural societies and other association forms in agriculture: Law no 36/1991, which defines the simple association forms as based on an agreement between 2 or more families, government’s directive no 26/2000, regarding associations and foundations, Law 573/2001 regarding irrigation associations, a legal framework completed by the Law no 277/2004 regarding the constitution, the recognition and the functioning of the producer groups for trading agricultural, forest and fish products.

The purposes of these agricultural association types are:

- agricultural land exploitation
- animal raising
- supplying, storage, conditioning, processing and selling of products
- performing services.

During the years 2003 and 2004 there have been built a total number of 3.945 associations and foundations with agricultural profile, divided in: vegetal branch, animal branch and agricultural goods processing branch.

Analyzing the state of the associations that have as a main object the marketing of the agricultural products and also the processing system of the following sectors: cereals, beetroot, vegetables, meat, milk and viniculture, one can observe common issues, but also differences under the aspect of the basic features, representativeness, capacity of dialog and the influence over the decisional factors.

During the last years, the number of the commercial associations was in full growth.

In zootechny survived only the associations able to cover the following needs: reducing fodder cultures, old livestock, with low genetic value, imports competition.

Until now, the legal framework was especially focused on the horizontal integration, mainly on the producer associations with the same profile rather than on the partial or on the total integration. Vertical integration aimed the administration of only a few specific products from the state of raw material to the final alimentary product.

The integrated production system (production, processing, marketing) for the main cultures is not used for the whole branch. There are imbalances between producers, processors and traders.

The processors that appeared during the last 10 years had a superior growth level. The main wholesalers buy raw materials from producers and sell them to processors or exporters.

Processors' associations seem to be better represented and they are more powerful in the relation with the decisional factors, by comparison with producers and traders. By this moment, adopted politics and measures had a distinct vision for each link of the agro-alimentary chain and did not regard the integrated perspective of the producers, processors, traders, transporters, bailers.

Among the main problems the associations are confronting with the financial, the legal and the structural problems are the most important.

Their collaboration with the House of Commerce is very important within the economical-financial activity which has the purpose of promoting agro-alimentary products inside the country and abroad by exhibitions and national fairs. By the present time, in the vegetable sector there are activating 61 professional associations and 52 associations with economic profile. In zooculture 83 professional associations and 269 economic association are functioning.

France's situation is eloquent for comparisons, as structural politics of the '60s had the purpose of reducing exploitations and of controlling the territorial market.

The agricultural type promoted in this country was the medium family farm, which was helped by agricultural credits and low rates, in order to stop the rural exodus of the young.

Agricultural legislation approved parceling as a result of the inheritance, but the state was encouraging high-dimension exploitations by instruments and incentives:

- favorable fiscal policy,
- an attractive retirement system,
- a settlement bonus for the young farmers,
- promoting lease.

Now appear two types of private land exploitation: (1) the activity structure based on the Civil Code, within the family stipulated by the regulations regarding the successors and (2) structuring the activity of the small agricultural producers in common land exploitation groups.

The reduction of the number of agricultural exploitations was accompanied by an intensive specialization process which produced great changes within the production system.

Important mutations happened due to the reduction of the traditional farms organized as follows:

- intensive enterprises, based on the family capitalist farm type that uses employees,
- cooperative societies or agro-alimentary firms.

The development of the agricultural structures was highly encouraged by French government by improving territorial legislation in order to facilitate the lease and close the exploitations.

Between 1970-1980 the share of exploitation administered by leasers was 54%. Legislation has facilitate:

- retirement for the older farmers
- recovering of the land for their sons or for the young leasers, for which the government ensures scholarships and other incentives to live in rural environment.

French agrarian legislation stipulates the notion of “Minimum surface” for the establishment of a farmer’s family as 22 ha (1970). Trough agrarian legislation in the it 80’s was defined that family exploitation remain the foundation for agrarian organization and crucial element for agriculture integration in the market economy. That is why the following structures were created:

- A specialized organism in agrarian structures’ orientation called “Center for improving the agrarian exploitations’ structures”
- Established a market administration organism named “Orientation and Regularization Fund for agrarian markets”.

In conclusion, we may say that Romanian farmers are forced to adopt modern forms of cooperation, compatible with the similar ones in the EU, capable to ensure competitiveness for agro-food industry on European market.

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УДРУЖЕЊА ПОЉОПРИВРЕДНИХ ПРОИЗВОЂАЧА ЗА ПРОДАЈУ ПОЉОПРИВРЕДНИХ ПРОИЗВОДА

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Апстракт

Приступ Румуније ЕУ биће завршен, вероватно, у 2007. години. То је више политички него економски догађај. Такође, приступ Румунске економије компаративној економији ЕУ биће веома тежак (посебно у пољопривреди и прехранбеној индустрији). Један од тренутних проблема за пољопривредно–прехранбену индустрију је производња квалитетом уједначених производа, у обиму довољном да покрије потребе 450 милиона потрошача. Успостављање удружења у производњи и комерцијализацији пољопривредно–прехранбених производа може допринети повећању конкурентности румунских производа на тржишту Европе.

Кључне речи: приступање, конкурентност, квалитет, пољопривредно–прехранбени производи, пољопривредни произвођачи, удружења, тржиште, перформансе, циљ.

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