

The swot analysis of romanian agricultural cooperatives

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Abstract

This paper elaborates the SWOT analysis of Romanian agricultural cooperatives and modern societies of agricultural cooperatives in order to establish a clear picture of their activities and to formulate future strategies for the development of cooperatives from the agricultural sector. The study was conducted at the level of 286 agricultural cooperatives from Romania, with the support of the National Trade Register Office and the Ministry of Agriculture and Rural Development.

The strengths of agricultural cooperatives in Romania are represented by their specific strong points in gathering cooperative members, merging small areas and with an age between 21-30(13%), 31-40(36%) and 41-50 years (31%).

Weaknesses are represented by activities in which agricultural cooperatives are deficient, respectively insufficient storage capacities for primary products, processing activities that represent only 3.1% and marketing activities (10.7%), lack of financial support aimed to this area and lack managerial and entrepreneurial skills of cooperatives leaders.

Threats are considered the insufficiency to ensure the necessary framework for cooperative members in order to obtain economic benefits and maintain high prices and / or uncontrolled growth of food prices due to its monopoly on the shelves of major hypermarket chains, compared to the price offered to producers at purchase.

The main reasons why cooperatives don't work as well as the ones from the old member states: the idea of cooperation/association is misunderstood, internal struggles for leadership, flat tax that appeared in 2010, lack of help at inception, low social capital, lack of turnover fund for investment, difficulty in selling the products and lack of legislative framework aligned to the current CAP rules.

Keywords: agri-cooperatives, swot analysis, strategy, development of cooperative agri-food sector.

1. Introduction

Although in our country there is reluctance regarding the cooperative concept due to history, especially among farmers over 45 years, farmers mentalities began to change and they started to acknowledge the importance of association [5].

Agricultural cooperatives in Romania encourages farmers association, which through diversification and vertical and horizontal integration benefits

from the possibility of: buying low-priced inputs (up to -35%), concentration of agricultural products offers and outlets resulting in an increased economic efficiency for producers[4].

Agricultural cooperatives play a key role in the rural economy. They help farmers to market their products better, obtaining better prices in exchange, promoting economic growth, creating jobs and contributing to

the sustainable development of their communities through policies approved by their members [10].

The main reason for the proper functioning of the agricultural sector in countries like the Netherlands, France, Italy, Spain and Germany is to operate and to develop a healthy agricultural cooperatives. The agricultural coops are the only viable alternative to the current status of the Romanian agriculture [3].

An agricultural cooperative belongs to the people who use its services. Members control it, and its gains are distributed to the members in proportion to the use they make of its services [12].

Romanian agri-food market is heavily influenced by the competition between the price and the marketing capacity of products. At production level, non-cooperative international groups or private companies with domestic capital are controlling the products from this sector, determining the price and the market trend [6,7].

The increase by 70% of global food demand by 2050, guides us to the development of cooperatives, being necessary to support farmers to earn more, since they get only part of the price paid by consumers for the agri-food products [11].

Cooperatives have emerged as a social and economic necessity, responding to the needs of the majority of small producers. Taking the specific elements defined in the objectives and purpose of private companies but also of non-profit entities, cooperatives were able to shape a distinctive purpose which has proven its viability and offers future development prospects [8,9].

2. Materials and methods

In order to have a starting point and lay the foundations necessary to take appropriate measures to organize farmers and increase the efficiency of Romanian agriculture, we have developed a study based on 286 agricultural cooperatives from Romania, with the support of the National Trade Register Office and the Ministry of Agriculture and Rural Development.

Thereby we wanted to obtain a real assessment regarding the situation of agricultural cooperatives in Romania, by analyzing their activity and

drawing directions of development for the compatibility with the European systems.

The main objective of this study was to finalize the SWOT analysis and to be able to offer support, solutions and recommendations in order to promote the development of successful agricultural cooperatives and agricultural cooperative societies in Romania

3. Results and discussions

In order to get a clear picture of agricultural cooperatives activity in Romania, we decide to perform a SWOT analysis that will allow us to elaborate future strategies for the development of agricultural cooperatives.

Strengths

- The dominance of production and marketing cooperatives (34% and 41%);
- The level of education for the cooperative members is almost evenly distributed, high school and university studies (33% and 23%), but there are members with post-graduate studies in quite a high percentage (9%) [1];
- The dominant age category is between 31-40 years (36%) [2, 14-17].
- Monitoring quantitative and qualitative growth for vegetal and animal products, as well as obtaining higher prices for the marketed products;
- Benefits of the organization of production, marketing, representation, consultancy and drafting documentation for subsidies, as well as projects with grants;
- The association of a large number of farmers;
- The diversity of vegetal and animal products within the agricultural cooperatives;
- Improvement of performance indicators;
- The existence of respect principles between members and the cooperative;
- Cereal market secured through the negotiation of favorable contracts;
- Ability to adapt production to specific market requirements;
- Proper briefing of members with regular information regarding the prices of the final product;

- The predominance of cooperatives that are covering market requirements with agricultural goods and food products;
- Is supporting quality and direct sales to consumers via a short supply chain as well as promptness and low prices;
- Cooperatives through their marketing policy are concerned by the ongoing exploration of market inputs, identifying the trade line that is most profitable for its members. At the same time the cooperative is concerned with the selling of agricultural products produced by members.
- Responsibility and solemnity as regards compliance with contracts;
- The existence of primary policies as regards the organization and the functioning of cooperatives;
- Providing specialized information to its members;
- Developing the ecological concept in the livestock sector;
- Investing the profit for the interest of cooperative members.
- Establishment of procedures operating regarding the activities within the cooperatives;
- The development of financial policies based on operational budgets and cash flows, within the cooperatives;
- The implementation of microfinancing measures and financial services for cooperatives;
- Guidance regarding the market and business partnerships;
- Processing activities unevenly distributed within cooperatives (only 3.1%);
- Reduced livestock given the available agricultural area of the country;
- Only 42.5% of the total inputs are directly obtained from the manufacturers;
- Low exports (only 9% of production goes on the EU market and 1.5% in third countries);
- The lack of specific cooperative activities (70% were without turnover in 2013);
- Lack of policies regarding prices on the domestic market (28%) and procedures for controlling and optimizing costs (18.6%);
- Marketing policies insufficiently developed;
- Lack of managerial and entrepreneurial skills of cooperative leaders;
- Lack of latest technologies in terms of mechanization
- Only 48.7% are willing to pay for the benefits offered by cooperatives.

Weaknesses

- Low number of cooperatives established, because the lack of provisions in the national legislation as regards incentive for the setting up;
- Small share of cooperatives oriented towards processing and services. (7% and 4%);
- The small number of employees in cooperatives (53.4% have no employees);
- Insufficient material support for almost 70% of the cooperatives, that are only owners of social capital.
- Insufficient storage capacities for primary products and the ability of cooperative members to sell their products at a competitive price, depending on the season;
- The lack of practical guide for production focused on quality and performance (22.4%);
- Poor functionality in terms of logistics and operations (22.3%);

Opportunities

- The development of cooperatives towards storage, sorting, processing, marketing through the accession of European funds;
- Public-private partnerships for collecting capacities, sorting, packing, especially for members production of fruits and vegetables organized at local level.
- To eliminate the direct selling of raw materials and to sell products with high added value;
- Professional development of cooperative members;
- The growing demand for food products due to increasing world population.

- Land consolidation, high efficiency in exploitation, increasing the out-turn and production; ➤
- Implementation of irrigation and crop management strategies;
- Development and diversification of the livestock sector;
- Setting up reproduction farms;
- Promotion of traditional and organic products;
- The shift from wholesale to retail capitalization;
- Providing advice to cooperative members in order to market their products and to access European programs;
- Providing financial and accounting advice to cooperative members;
- Access to finance through bank loans (with group relationships cooperatives can easily get loans taking into account the overall turnover of members);
- Outsourcing the management of cooperatives as regards the executive positions;
- Attracting skilled labor (agricultural engineers and technicians);
- Implementation of quality control systems ISO and HACCP.

Threats/Restrictions

- The shortage of skilled labor;
- The fluctuation of the labour and the low number of employees;
- Lack of a necessary legal framework for cooperative members in order to obtain economic benefits;
- The global economic crisis;
- Lack of rural infrastructure;
- Adverse weather conditions;
- The reduction of livestock due to the degraded pastures, especially in the plains;
- Financial subsidies aren't encouraging cooperatives;
- The destruction of crops due to drought and lack of irrigation systems;
- The impossibility of selling vegetables all over the year, due to the seasonality of production.
- Insufficient communication between members of the Cooperative as regards the marketing and the

selling of products obtained from individual production;
Difficulties in respecting pricing policies on the domestic market due to the devaluation of the national currency, as long as there is no control of the massive imports from the EU;

- Lack of promotion for the advantages of cooperatives nationwide;
- Excessive bureaucracy;
- The ageing of specialized labour;
- Reluctance regards association after 1989;
- Lack of financial and accounting skills in the case of cooperative members.

From 2005 till now approximately 690 agricultural cooperatives and agricultural cooperative societies have been set up, out of which, currently, 80% are in conservation, with the possibility of activation. The main reasons why they do not function similarly to the ones from the EU are: misunderstanding of the cooperation/association concept, internal struggles for leadership, the introduction of the flat tax in 2010, lack of support at setting up, low social capital, lack of turnover for investments, difficulties in selling products and lack of a legislative framework aligned with the current CAP rules.

Lack of democratic practices, distrust, dislike towards taxation, difficulty in seeing beyond self-interest and the lack of vision of the potential members can be overcome through system revision, control, transparency, clear tasks for members, models of good practice, study visits, education implemented from an early age and by providing more information [13].

4. Conclusions

Cooperatives aim to increase the quantity and quality of vegetal and animal products and to sell their commodities with higher prices. Cooperatives benefit from the organized production, marketing, information, representation, consulting and preparation of documents for grants and for projects with grants.

The strengths of agricultural cooperatives in Romania are represented also by their specific strong points gathering members with small areas (44%). The educational level of cooperative members is

distributed as follows: 33% with high school studies, 23% with university studies and 9% with post-graduate education and age groups are represented as follows: 21-30 years (13%), 31- 40 years (36%) and 41- 50 years (31%).

Weaknesses are represented by activities in which agricultural cooperatives are scarce: insufficient storage capacities for primary products, processing activities that represent only 3.1% of cooperatives, their ability to sell products at a competitive price, according to season (10.7 % of cooperatives sell their members products), lack of managerial and entrepreneurial skills of the leaders, the lack of latest technology regarding mechanization. 41,9 % of the members consider that the limited success of cooperatives is due to the lack of financial support towards this area. Only 48.7% are aware of their need and are willing to support financially the cooperative activities, in order to obtain further benefits. Opportunities represent chances for cooperatives to establish a new strategy or to reconsider the existing strategy.

The current analysis illustrates the following: the development of cooperatist sector oriented towards storage, sorting, processing, marketing development through direct investments in cooperatives by accesing European funds and/or public-private partnerships; eliminate the selling of primary products and encourage the marketing of high value products.

Are considered threats: the failure to ensure the necessary framework for cooperative members in order to obtain economic benefits, shortage of specialized labor and permanent employees, gaps in the continuous supply of plant products due to seasonality of production, insufficient communication between cooperative members regarding the marketing and the sale of individual products, procedural inadequacy as regards production and marketing activities, the difficulties linked to compliance with an pricing policy on the domestic market, lack of financial and accounting training for members and uncontrolled growth of food prices due to the monopoly of hypermarket chains, compared to the price offered to producers at purchase.

Compliance with Ethics Requirements. Authors declare that they respect the journal's ethics requirements. Authors declare that they have no conflict of interest and all procedures involving human / or animal subjects (if exist) respect the specific regulation and standards.

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